



**H.F. 1554**  
(Murphy, M.)

**S.F. 928**  
(Rosen)

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

<u>Affected Pension Plan(s):</u>	Volunteer Firefighter Relief Associations
<u>Relevant Provisions of Law:</u>	Minnesota Statutes, Chapters 69 and 424A
<u>General Nature of Proposal:</u>	2011 State Auditor Volunteer Fire Working Group recommendations
<u>Date of Summary:</u>	February 9, 2012

### **Specific Proposed Changes**

- Clarifies the countersigners for fire relief association financial documents. (*Art. 1, Sec. 1-3*)
- Clarifies volunteer firefighter relief association financial requirement determination certification recipients. (*Art. 2, Sec. 1-2*)
- Includes all relief association board members beyond the president, secretary, and treasurer to receive salaries as authorized special fund expenditures. (*Art. 3, Sec. 1*)
- Adds governmental filing and application fees as authorized special fund expenditures. (*Art. 4, Sec. 1*)
- Modifies volunteer firefighter relief association former firefighter return to service and relief association coverage provisions. (*Art. 5, Sec. 1*)
- Authorizes survivor benefit installment payments for defined contribution volunteer firefighter relief associations. (*Art. 6, Sec. 1*)
- Clarifies the disposition of member dues that are paid as member contributions to the volunteer firefighter relief association special fund. (*Art. 7, Sec. 1*)
- Technical changes in various volunteer firefighter relief association provisions.

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

1. Appropriateness of the potential diminishment of the clerk or clerk-treasurer position in the financial document countersigning authority change. (*Art. 1*)
2. Appropriateness of the imposition of additional duties on chief county financial officials. (*Art. 1, Sec. 2-3*)
3. Appropriateness of accommodating or indirectly encouraging multiple municipality fire departments in financial determination certification change. (*Art. 2*)
4. Appropriateness of expanding special fund-funded salaries to all volunteer firefighter relief association officers and board of trustee members. (*Art. 3*)
5. Impact of the proposed expanded volunteer firefighter relief association board and officer salaries on volunteer firefighter relief association funding resources. (*Art. 3*)
6. Appropriateness of expanding salaried relief association officials to include municipal elected or appointed officials. (*Art. 3*)
7. Appropriateness of the municipal approval process for the proposed volunteer firefighter relief association special fund-funded salary expansions. (*Art. 3*)
8. Appropriateness of specifically permitting governmental filing and application fee payments as authorized administrative expenses. (*Art. 4*)
9. Unclear need for, unclear use of, and unclear savings from return to service provision. (*Art. 5*)
10. Appropriateness of organizational dues being recategorized as member contributions supporting the volunteer firefighter relief association special fund. (*Art. 7*)
11. Appropriateness of discontinuing the provision of financial reports to counties for municipalities without volunteer firefighter relief associations. (*Art. 8, Sec. 2*)

### **Potential Amendments**

No suggested amendments by the Commission staff.



TO: Members of the Legislative Commission on Pensions and Retirement  
FROM: Lawrence A. Martin, Executive Director *LM*  
RE: H.F. 1554 (Murphy, M.); S.F. 928 (Rosen): Volunteer Firefighter Relief Associations;  
2010-2011 Office of the State Auditor Volunteer Fire Working Group Recommendations  
DATE: February 8, 2012

General Summary of H.F. 1554 (Murphy, M.); S.F. 928 (Rosen)

H.F. 1554 (Murphy, M.); S.F. 928 (Rosen), containing the recommendations of the 2010-2011 State Auditor's Office Volunteer Firefighter Relief Association Working Group, makes the following changes in law applicable to volunteer firefighter relief associations:

1. Clarification of the Countersigners for Fire Relief Association Financial Documents. Minnesota Statutes, Sections 69.011, Subdivision 1; and 69.051, Subdivisions 1 and 1a, defining various terms for the fire state aid program and requiring financial reports or statements from firefighter relief associations receiving fire state aid, are modified to permit the chief financial official or the chief administrative official, if so designated by the municipality, to countersign volunteer firefighter relief association financial reports or statements instead of the municipal clerk or municipal clerk-treasurer and to permit the chief county financial official to countersign for volunteer firefighter relief associations associated with a non-municipal fire department. (*Art. 1, Sec. 1-3*)
2. Clarification of Volunteer Firefighter Relief Association Financial Requirement Determination Certification Recipients. Minnesota Statutes, Sections 69.772, Subdivision 4; and 69.773, Subdivision 5, setting out the financial requirements of lump sum and monthly benefit volunteer firefighter relief associations, are modified to specify that the recipient of the financial requirement determination certification is the entity responsible for paying the minimum obligation and, if a joint powers entity, as required by the joint powers agreement or to the joint powers board chair if no requirement is specified. (*Art. 2, Sec. 1-2*)
3. Inclusion of All Relief Association Board Members Beyond the President, Secretary, and Treasurer to Receive Salaries as Authorized Special Fund Expenditures. Minnesota Statutes, Section 69.80, delineating authorized expenditures from local police, paid firefighter, and volunteer firefighter relief association special funds, is amended to permit all relief association board members to be paid a salary from the relief association special fund if the salary amounts are approved by the applicable governmental subdivision governing body. (*Art. 3, Sec. 1*)
4. Addition of Governmental Filing and Application Fees as Authorized Special Fund Expenditures. Minnesota Statutes, Section 69.80, the local police, paid firefighter, and volunteer firefighter relief association authorized special fund expenditure provision, is expanded to include filing and application fees payable to federal and other governmental entities. (*Art. 4, Sec. 1*)
5. Modification of Volunteer Firefighter Relief Association Former Firefighter Return to Service and Relief Association Coverage Provisions. Minnesota Statutes, Section 424A.01, Subdivision 6, the 2009 law permitting firefighters who have a 60-day or greater break in firefighter service to return to service with volunteer firefighter relief association coverage, is amended to clarify how defined contribution volunteer firefighter relief association service provisions would be computed after a resumption of service and to permit returning firefighters who do not meet the minimum service requirement period to receive service credit for post-break service, with the service pension based on either the original service pension benefit level or the current service pension benefit level, as specified in the bylaws of the relief association. (*Art. 5, Sec. 1*)
6. Authorization of Survivor Benefit Installment Payments for Defined Contribution Volunteer Firefighter Relief Associations. Minnesota Statutes, Section 424A.016, Subdivision 5, the authority for defined contribution volunteer firefighter relief associations to pay service pensions in installments, is amended to also permit the installment payment of survivor benefits upon the request of the intended recipient. (*Art. 6, Sec. 1*)

7. Clarification of the Disposition of Member Dues that are Paid as Member Contributions to the Volunteer Firefighter Relief Association Special Fund. Minnesota Statutes, Section 424A.06, Subdivision 2, the volunteer firefighter relief association general fund asset and revenue provision, is amended to clarify that only member dues that are not payable as contributions to the volunteer firefighter relief association special fund are required to be deposited in the volunteer firefighter relief association general fund, to reorganize the provision into lettered paragraphs, and to reorganize the revenue items into a set of numbered clauses. (*Art. 7, Sec. 1*)
8. Technical Changes in Various Volunteer Firefighter Relief Association Provisions. Minnesota Statutes, Section 69.051, Subdivision 1, the requirement for volunteer firefighter relief associations with larger asset amounts, and Minnesota Statutes, Section 424.04, Subdivision 3, the insurance requirement for volunteer firefighter relief association consultants, are amended to eliminate references to “public accountants.” Minnesota Statutes, Section 69.051, Subdivision 3, the fire state aid financial reporting requirement for municipalities without volunteer firefighter relief associations, is amended to remove an obsolete requirement that the State Auditor file a financial report copy with the applicable county auditor. Minnesota Statutes, Section 424A.001, Subdivision 4, the 1983 definition of the term “relief association” regarding volunteer firefighter relief associations, is amended to add specific statutory section references to replace more general statutory chapter references, adds exclusions to the definition for the Bloomington Fire Department Relief Association, the Minneapolis Firefighters Retirement Association, the Virginia Fire Department Relief Association, or the voluntary statewide lump sum volunteer firefighter retirement plan. Minnesota Statutes, Section 424A.02, Subdivision 9, the limitation on lump sum volunteer firefighter relief association ancillary benefits, is amended to clarify the eligibility for a death benefit for an estate only if there is no surviving spouse as well as no surviving children.

#### Section-By-Section Summary of the Proposed Legislation

A section-by-section summary of H.F. 1554 (Murphy, M.); S.F. 928 (Rosen) is attached.

#### Informational Items on Relevant Topics

The following attachments provide information on topics relevant to the proposed legislation:

- Attachment A:** Composition and representation of the 2010-2011 Volunteer Fire Relief Association Working Group assembled by the Office of the State Auditor.
- Attachment B:** Historical funded condition and financing requirements of Minnesota volunteer firefighter relief associations.
- Attachment C:** Volunteer firefighter relief association financial reporting.
- Attachment D:** Volunteer firefighter relief association funding requirements.
- Attachment E:** Membership of volunteer firefighter relief association boards of trustees and officers.
- Attachment F:** Local relief association administrative expenses.
- Attachment G:** Volunteer firefighter relief association return to service authorization.
- Attachment H:** Volunteer firefighter relief association ancillary benefit limits.
- Attachment I:** Volunteer firefighter relief association fund structure.

#### Discussion and Analysis

H.F. 1554 (Murphy, M.); S.F. 928 (Rosen) modifies various portions of Minnesota Statutes, Chapters 69 and 424A, relating to fire state aid, firefighter relief association financial reporting, volunteer firefighter relief association funding requirements, relief association authorized administrative expenses, volunteer firefighter relief association organization and fund structure, and volunteer firefighter relief association benefit requirements, limitations, minimums, and maximums, by:

- adding flexibility to the municipal countersignature on volunteer firefighter relief association financial reporting;
- clarifying the recipient of funding determination certifications;
- expanding the relief association officials to whom a salary may be paid;
- authorizing the payment of filing and application fees as authorized administrative expenses;
- making various revisions in the recent former firefighter return to active service authorizations;

- authorizing defined contribution volunteer firefighter relief association survivor benefit installment payments;
- clarifying the disposition of member dues designated as member contributions to the volunteer firefighter relief association special fund; and
- making various corrections and changes of a technical nature.

The proposed legislation, representing the recommendations of the 2010-2011 Volunteer Firefighter Relief Association Working Group, raises several pension and related public policy issues for consideration and possible discussion by the Commission, including the following:

1. Appropriateness of the Potential Diminishment of the Clerk or Clerk-Treasurer Position in the Financial Document Countersigning Authority Change (Art. 1). The policy issue is the appropriateness of permitting municipalities to substitute the chief municipal financial officer or the chief municipal administrative officer for the municipal clerk or municipal clerk-treasurer with respect to countersigning financial documents prepared on behalf of a volunteer firefighter relief association and required for the future receipt of fire state aid. The municipal clerk or clerk-treasurer was first assigned this consignatory duty in 1982 (Laws 1982, Ch. 460, Sec. 3). The 1982 changes apparently were prompted by a desire to simplify the forms required to be filed with the state to qualify for fire state aid, with one form (the minimum fire department equipment, organization, and personnel report) filed by the municipal clerk since 1969 and another form (the fire state aid expenditure financial report) filed by the secretary and treasurer of the relief association combined into a single form prepared by the relief association officials and countersigned by the municipal clerk or clerk-treasurer. The State Auditor's Office is the primary sponsor of the change, believing that the increased flexibility afforded municipalities in specifying the official to countersign the fire state aid qualification documents will streamline the process and potentially improve the scrutiny and accuracy of the documents. However, if this redesignation of functions from the municipal clerk or clerk-treasurer to another municipal position is replicated elsewhere, it may ultimately raise the question of the continued viability of the municipal clerk or clerk-treasurer position, a broader municipal law issue.
2. Appropriateness of the Imposition of Additional Duties on Chief County Financial Officials (Art. 1, Sec. 2-3). The policy issue is the appropriateness of requiring the chief financial official of the applicable county to countersign the financial documents prepared by relief association officials where the volunteer firefighter relief association is associated with a fire department that is not located in or associated with an organized municipality. It is unclear in how many counties this new duty may arise or how many volunteer firefighter relief associations may be required to have their financial reports or statements countersigned by a county official. To assure itself that the provision will not create difficulties for affected counties and county officials, the Commission should consider inviting testimony from a representative of the Association of Minnesota Counties on the issue.
3. Appropriateness of Accommodating or Indirectly Encouraging Multiple Municipality Fire Departments in Financial Determination Certification Change (Art. 2). The policy issue is the appropriateness of the change in the designated recipient of volunteer firefighter relief association financial support determination certifications. The change, specifying the entity charged with meeting the volunteer firefighter relief association minimum municipal obligation requirement rather than the governing body of the municipality, accommodates multiple municipality fire districts and joint powers organization fire departments and that accommodation indirectly encourages the formation of multiple municipality fire departments. Historically, in Minnesota, fire departments have been established by municipalities or, if involving multiple jurisdictions, through the creation of quasi-governmental/non-governmental independent nonprofit firefighting corporations, and volunteer firefighter relief association statutory funding requirements have paralleled those two approaches. With the creation of fire districts or joint powers organizations covering several municipalities, current volunteer firefighter relief association funding statutes are either unclear or even incompatible. The proposed change would clarify or accommodate multiple municipality fire departments and that clarification or accommodation serves to indirectly encourage a greater utilization of composite fire departments. While this is more of a governmental structure/governmental operations question, the Commission may wish to request testimony from a representative of the Minnesota State Fire Chiefs Association and from a representative of the League of Minnesota Cities on trends toward multiple-municipality fire departments and whether it is appropriate for the Minnesota Legislature to encourage greater fire department consolidations.
4. Appropriateness of Expanding Special Fund-funded Salaries to All Volunteer Firefighter Relief Association Officers and Board of Trustee Members (Art. 3). The policy issue is the appropriateness of expanding the number of individuals eligible to receive an annual salary payable from a volunteer firefighter relief association special fund from three (the president, secretary, and treasurer) to nine or

more, all volunteer firefighter relief association officers and all volunteer firefighter relief association board of trustee members. Minnesota Statutes, Section 424A.04, Subdivision 1, Paragraph (g), requires three officers, the president, secretary, and treasurer, and does not permit one person to hold more than one office. Minnesota Statutes, Section 317A.311, a portion of the nonprofit corporation law, authorizes an unspecified number of additional officers, which could include one or more vice presidents, an assistant secretary, and an assistant treasurer. The three required volunteer firefighter relief association officers are required under Minnesota Statutes, Section 424A.04, Subdivision 1, Paragraph (g), to be drawn from the board of trustees, but any additional officers are not so required. Six members of the volunteer firefighter relief association board of trustees who are not volunteer firefighter relief association officers also would become eligible to receive salaries from the volunteer firefighter relief association special fund. Thus, the number of recipients of a volunteer firefighter relief association special fund-paid salary could at least triple. With the exception of pre-1986 grandparented additional relief association official salaries added to permit the longstanding practice of the payment of board of examiner salaries by the St. Paul Firefighters Relief Association, since the 1978 enactment of Minnesota Statutes, Section 69.80, only three recipients of relief association special fund-paid salaries have been authorized. The primary source of funding for volunteer firefighter relief association special funds in fire state aid, derived from the dedication of a portion of state insurance premium taxes, and augmented, if actuarially necessary by municipal contributions, derived largely or entirely from local property taxes.

5. Impact of the Proposed Expanded Volunteer Firefighter Relief Association Board and Officer Salaries on Volunteer Firefighter Relief Association Funding Resources (Art. 3). The policy issue is the impact of the proposed expansion in the number of volunteer firefighter relief association officials eligible to receive a salary paid from the volunteer firefighter relief association special fund on the funding of volunteer firefighter relief associations. The most recent compilations of volunteer firefighter relief association financial data, calendar year 2007 and calendar year 2008, does not separate out relief association official salaries data, but does provide total administrative expense, which includes salaries of officials. The following summarizes the total administrative expenses and their percentage of public sector financing for calendar year 2007 and calendar year 2008 as compiled by the Office of the State Auditor:

	Year	Monthly/Lump Sum Comb. VFRAs	Lump Sum VFRAs	Monthly Benefit VFRAs	Defined Contrib. VFRAs	Total VFRAs
Administrative Expense	2007	\$279,512	\$1,236,595	\$58,171	\$231,859	\$1,806,137
State & Municipal Contrib.		\$4,107,019	\$18,335,632	\$1,202,779	\$4,857,119	\$28,502,549
Percentage		6.81%	6.74%	4.84%	4.77%	6.34%
Administrative Expense	2008	\$265,491	\$1,401,377	\$75,606	\$268,577	\$2,011,051
State & Municipal Contrib.		\$3,824,937	\$16,564,637	\$1,214,527	\$4,588,233	\$26,192,334
Percentage		6.94%	8.46%	6.23%	5.85%	7.68%

In the last two years, in response to the financial impact of the Great Recession, the League of Minnesota Municipalities has requested that the Volunteer Firefighter Relief Association Working Group consider supporting measures that would reduce the amount of mandatory municipal contributions to volunteer firefighter relief associations. Any salary expansion under the proposed legislation would require municipal approval before the new authority could be implemented. If municipal revenues were as hard hit by the Great Recession as the League of Minnesota Cities has suggested informally, it is likely that few volunteer firefighter relief association salary expansions under the proposed legislation would be approved and the legislative effort could be of little avail.

6. Appropriateness of Expanding Salaried Relief Association Officials to Include Municipal Elected or Appointed Officials (Art. 3). The policy issue is the appropriateness of including in the potential salaried relief officials those members of the board of trustees who are elected or appointed municipal officials and arguably are already paid for their public service. The municipal officials on a volunteer firefighter relief association board of trustees are the fire chief, one elected municipal official, and one elected or appointed municipal official. There is precedent for local elected officials to receive additional compensation for service rendered as a member of another public body, such as the Headwaters Regional Development Commission. As an alternative to paying salaries for elected or appointed municipal officials from a relief association, if the time commitment on behalf of the municipality on the relief association is such that uncompensated service would work to be burdensome, the municipality directly could provide an additional stipend for the service.
7. Appropriateness of the Municipal Approval Process for the Proposed Volunteer Firefighter Relief Association Special Fund-funded Salary Expansions (Art. 3). The policy issue is a question of the appropriateness of requiring municipal governing body approval for a relief association to expand the

number of relief association salary recipients. During the Volunteer Firefighter Relief Association Working Group deliberations on this recommendation, a number of Working Group members objected to the municipal approval requirement because the volunteer firefighter relief association official salary amounts tend to be very modest, because the salary-setting decisions by volunteer firefighter relief association boards are open and public, because proposed salary expansions will not be pursued by volunteer firefighter relief associations where there are municipal objections, and because municipalities are represented on the volunteer firefighter relief association board. If the Commission believes that the delegation of the power to increase the number of volunteer firefighter relief association officials eligible to receive a relief association salary should not be limited by requiring municipal approval, the language could be revised to eliminate that requirement.

8. Appropriateness of Specifically Permitting Governmental Filing and Application Fee Payments as Authorized Administrative Expenses (Art. 4). The policy issue is the appropriateness of adding a specific authorization of governmental filing and application fees as permitted administrative expenses. Reportedly, the Office of the State Auditor has taken the view that there is no authority for the payment of application or filing fees to governmental entities under the current version of Minnesota Statutes, Section 69.80, and has disqualified recent governmental filing and application fees by volunteer firefighter relief associations, necessitating the retroactive effective date of January 1, 2010. Office expenses, a potentially extensive category of authorized administrative expenses, clearly could be deemed to permit fees paid in connection with routine, regular, and required filings or applications, but the Office of the State Auditor has not apparently reached that conclusion. Although the proposed authorization of these governmental filing and application fees would resolve the issue if made retroactive back far enough to cover any disqualified payments, the addition sets a precedent for the need for much greater number of and much greater specificity in the delineation of authorized administrative expenses.
9. Unclear Need For, Unclear Use of, and Unclear Savings from Return to Service Provision (Art. 5). The policy issue is the unclear rationale for permitting retired or former firefighters to return to active firefighting service and continued or additional retirement plan coverage by a volunteer firefighter relief association. From at least 1905, with the passage of the former Minnesota Statutes, Section 69.06, until 2009, with the enactment of Minnesota Statutes, Section 424A.01, Subdivision 6, the state law governing volunteer firefighter relief association service pensions had required a separation from active service for the payment, consistent with the Commission's Principles of Pension Policy, Principle II.A.1., specifying the purpose of public pension plans as assisting the personnel system in attracting new employees, retaining existing employees, and systematically out-transitioning employees at the conclusion of a normal working career.

In 2002, the qualification that the separation from active firefighting be permanent was added to the volunteer firefighter relief association law in response to observations, shared with the Commission staff, from the volunteer firefighting community, that some leadership individuals in volunteer fire departments were engaging in sham separations and in response to the issue identified by the Minnesota Area Relief Association Coalition (MARAC) for a 1999-2000 Interim Fire Subcommittee of the Commission.

In 2009, when the return to service provision was first enacted, it was advocated by the Volunteer Firefighter Relief Association Working Group as a needed cost savings and manpower supply provision to entice retired firefighters to bring their training and experience back to the fire department. Thus far, no data has been forwarded from the State Fire Marshal or any other source on the shortage of firefighters in the state's volunteer fire departments, the number of retired and former firefighters who have returned to active service, and the amount of fire department budgetary savings that have accrued because of the relaxation of the permanent separation of active service rule. The return to service authority does not appear to have represented a priority for the League of Minnesota Cities, although the argued-for budgetary savings would have favored municipalities in these troubled budgetary times. A return to service provision clearly can be viewed as advantageous to firefighters who desire to avail themselves of the earliest possible access to a service pension (age 50) and not lose the fraternal association advantages of the volunteer fire department with the option to return shortly after a service separation. This represents the third year in a row with major revisions in the return to service provision, arguing perhaps that the specific purpose for the provision was not well defined initially and that it consequently lacked clarity in past changes. The Commission may want to take testimony from the League of Minnesota Cities, the Minnesota State Fire Chiefs Association, and the Minnesota Fire Department Association about the extent and geographical distribution of firefighter shortages, the size of the pool of potential returning retired firefighters, the extent of returns to service to date, and the budgetary savings resulting from returns to active service before attempting to determine what deficiencies in the return to service law the proposed legislation corrects.

10. Appropriateness of Organizational Dues Being Recategorized as Member Contributions Supporting the Volunteer Firefighter Relief Association Special Fund (Art. 7). The policy issue is the appropriateness of recategorizing volunteer firefighter relief association dues as member contributions and redirecting them to the special fund of the volunteer firefighter relief association. Historically, although most Minnesota public pension plan active members have been required to make member contributions to their retirement plans, few volunteer firefighter relief associations have required member contributions. Anecdotal evidence indicates that some volunteer firefighter relief associations have been redirecting some or all organizational member dues from the volunteer firefighter relief association general fund to the volunteer firefighter relief association special fund, although Minnesota Statutes, Section 424A.06, Subdivision 2, requires all dues money to be deposited in the volunteer firefighter relief association general fund. If the practice of redesignating portions of member dues as special fund contributions is deemed by the Commission to be appropriate, the recommended statutory change will clearly permit the practice. The Commission may be well advised to obtain information from the State Auditor's Office or the volunteer fire community representatives about the prevalence of relief association member dues handled as volunteer firefighter relief association special fund member contributions before taking action on the proposed change.
  
11. Appropriateness of Discontinuing the Provision of Financial Reports to Counties for Municipalities Without Volunteer Firefighter Relief Associations (Art. 8, Sec. 2). The policy issue is the appropriateness of eliminating the current requirement that the Office of the State Auditor provide to the applicable county the fire state aid financial disbursements reports for municipalities that use fire state aid for municipal firefighting expenses because no volunteer firefighter relief association is associated with the municipal fire department. The requirement is residue from a time, after 1969 and before 1986, when the state did not allocate fire state aid between municipalities, but allocated it only between the state's 87 counties, with county auditors responsible for the allocation of fire state aid amounts within the county. A similar elimination to the proposed change was made for municipalities with volunteer firefighter relief associations in 1986 as part of the 1986 tax bill.

Section-by-Section Summary of H.F. 1554 (Murphy, M.); S.F. 928 (Rosen)

Sec.	Pg.Ln	General Topic	Stat. Provision	Summary
<b>Article 1: Volunteer Firefighter Relief Association Financial Report Countersigners</b>				
1	1.20	Financial reporting for fire state aid	69.011, Subd. 1	Revises the definition of "municipal clerk" for the police state aid and fire state aid programs, redesignating the existing definition for the police state aid program and adding a new definition for the fire state aid program and fire relief association financial reports that permits local governments to designate the chief financial official or the chief administrative official of the municipality instead of the municipal clerk or clerk-treasurer for fire state aid financial reporting.
2	4.1	Larger VFRA financial report and audit	69.051, Subd. 1	Restructures the financial report and audit requirement applicable to relief associations with larger asset amounts and their associated municipalities into two lettered paragraphs, improves the language style and usage of the provision, and requires countersigning of relief association financial reports and audits by the chief county financial officer for relief associations and fire departments outside of organized municipalities.
3	5.1	Smaller VFRA financial statement	69.051, Subd. 1a	Improves the language style and usage in the financial statement filing requirement applicable to relief associations with smaller asset amounts and their associated municipalities and requires countersigning of relief association financial statements by the chief county financial officer for relief associations and fire departments outside of organized municipalities.
<b>Article 2: Volunteer Firefighter Relief Association Funding Requirement Determination Certifications</b>				
1	6.4	Lump Sum VFRA funding requirement certification	69.772, Subd. 4	Reorganizes the letter paragraphs of the requirement for the determination of the financial requirements of the lump sum volunteer firefighter relief associations and the minimum municipal obligation of the associated municipality, clarifying that the certifications must be made to the entity responsible for paying the minimum municipal obligation, with certifications to a joint powers entity under the joint powers agreement or, if no provision, to the joint powers board chair.
2	7.8	Monthly Benefit VFRA funding requirement certification	69.773, Subd. 5	Reorganizes the letter paragraphs of the requirement for the determination of the financial requirements of the monthly benefit volunteer firefighter relief association and the minimum municipal obligation of the associated municipality, clarifying that the certification must be made to the entity responsible for paying the minimum municipal obligation, with certifications to a joint powers entity under the joint powers agreement or, if no provision, to the joint powers board chair.
<b>Article 3: Volunteer Firefighter Relief Association Board of Trustees and Officer Salaries</b>				
1	8.24	Authorized VFRA admin. expenses	69.80	Expands the persons eligible to receive a salary for relief association functions, if approved by the municipal governing body, from the president, secretary, and treasurer, to all relief association officers and all relief association board of trustee members.
<b>Article 4: Volunteer Firefighter Relief Association Filing and Application Fee Expenses</b>				
1	9.29	Authorized VFRA admin. expenses	69.80	Adds as an authorized volunteer firefighter relief association expense federal or other governmental filing and application fees.
<b>Article 5: Volunteer Firefighter Relief Association Return to Service Modifications</b>				
1	10.33	Retiree and other former firefighter return to service and retirement coverage	424A.01, Subd. 6	For firefighters who have a 60-day or greater break in firefighter service and return to service with volunteer firefighter relief association coverage under current law, it is clarified how defined contribution volunteer firefighter relief association service provisions would be computed after a resumption of service and it permits returning firefighters who do not meet the minimum service requirement period to receive service credit for post-break service, with the service pension based on either the original service pension benefit level or the current service pension benefit level, as specified in the bylaws of the relief association.
<b>Article 6: Defined Contribution Volunteer Firefighter Relief Association Survivor Benefit Installment Payments</b>				
1	14.7	Service pension installment payments	424A.016, Subd. 5	The defined contribution volunteer firefighter relief association service pension installment payment election provision is expanded to also include survivor benefits.
<b>Article 7: Member Dues as Volunteer Firefighter Relief Association Special Fund Contributions</b>				
1	14.24	General Fund revenue	424A.06, Subd. 2	Clarifies the general fund revenue item of member dues does not include any member dues amounts payable as member contributions to the special fund.
<b>Article 8: Technical Changes Related to Volunteer Firefighter Relief Associations</b>				
1	15.13	Larger VFRA financial report and audit	69.051, Subd. 1	Eliminates an obsolete reference to "public accountant," correcting an oversight in Laws 2010, Ch. 191.
2	16.9	Fire State Aid report by municipalities without relief associations	69.051, Subd. 3	Eliminates an obsolete requirement that the State Auditor forward a municipal fire state aid report to the applicable county, consistent with the fire state aid change under Laws 1991, Ch. 291, Art. 13, Sec. 6.
3	17.1	VFRA definition for general VFRA law	424A.001, Subd. 4	Upgrades the language style and usage of the 1983 definition of "relief association" and clarifies the operation of the definition by including a specification of those entities which are not covered by M.S., Ch. 424A.
4	17.32	Lump Sum VFRA ancillary benefit limitation	424A.02, Subd. 9	Clarifies the payment priority for death/survivor-related benefits in the limitation on benefits other than service pensions for death benefits payable to an estate when there are no direct family survivors, correcting a language omission in Laws 2010, Ch. 359, Art. 13, Sec. 9.
5	19.27	Required insurance for VFRA consultants	424A.04, Subd. 3	Eliminates an obsolete reference to "licensed public accountant," correcting an omission in Laws 2010, Ch. 191.



## **Background Information on 2010-2011 Interim Volunteer Firefighter Relief Association Working Group**

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.

During the 2010-2011 interim, the working group, chaired by State Auditor Rebecca Otto, included the following members:

Defined Contribution Plans	Wayne Anderson, Inspector Coon Rapids Fire Department
Defined Benefit Lump Sum Plans	Bruce Duncan, President Excelsior Fire Relief Association
Defined Benefit Monthly/Lump Sum Contribution Plans	Dave Ganfield, Administrator Apple Valley Fire Relief Association
Minnesota Area Relief Association Coalition	Jim Hansen, Vice President of Legislative Advocacy Spring Lake Park Fire Relief Association
Defined Benefit Lump Sum Plans	Dave Jaeger, Treasurer Mahnomen Fire Relief Association
Minnesota State Fire Department Association	John King, Secretary LeSueur Fire Relief Association
Defined Contribution Plans	Bruce Roed, Trustee Mentor Fire Relief Association
City Finance Manager	Tim Simon, Finance Director City of Elk River
City Finance Manager	Steven Wallner, Finance Director City of Watertown
Minnesota State Fire Chiefs Association/Monthly Plans	Nyle Zikmund, Chief Spring Lake Park, Blaine & Mounds View Fire Department

## 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 2009):

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

	Number of Plans									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Lump Sum:										
Under \$50/yr	9	13	12	10	10	8	7	--	--	--
\$50-\$100/yr	19	17	16	16	13	13	10	13	13	10
\$100-\$200/yr	55	60	59	55	49	39	45	36	26	20
\$200-\$300/yr	99	84	79	78	74	67	61	51	42	35
\$300+/yr	396	419	429	439	453	445	470	492	512	530
Total Lump Sum	578	593	595	598	599	572	593	592	593	595
Monthly Benefit:										
Under \$2/mo/yr	--	--	--	--	--	--	--	--	--	--
Over \$1.99/mo/yr	26	29	27	12	10	7	8	7	5	5
Total Monthly	26	29	27	12	10	7	8	7	5	5
Mo/Lump Sum Combination	--	--	2	15	15	16	16	16	23	18
Defined Contribution	66	72	73	74	76	76	80	84	85	87
No Benefits	--	--	--	--	--	--	--	--	--	--
Total	671	694	697	699	700	671	697	699	706	705

	Number of Plans								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Lump Sum:									
Under \$50/yr	--	--	1	3	3	5	5	4	5
\$50-\$100/yr	6	7	3	6	6	4	6	6	4
\$100-\$200/yr	19	16	14	13	12	4	8	7	8
\$200-\$300/yr	30	24	24	21	14	13	11	10	13
\$300+/yr	539	549	535	526	528	564	563	564	569
Total Lump Sum	594	596	577	569	563	590	593	591	599
Monthly Benefit:									
Under \$2/mo/yr	--	--	--	--	--	--	--	--	--
Over \$1.99/mo/yr	5	5	5	5	5	5	5	5	5
Total Monthly	5	5	5	5	5	5	5	5	5
Mo/Lump Sum Combination	18	18	20	18	19	18	19	18	18
Defined Contribution	88	89	84	87	86	87	91	92	92
No Benefits	--	--	--	--	--	--	--	--	--
Total	705	708	686	679	673	700	708	706	714

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 association growing from low benefit amounts to higher benefit amounts over the 35-year 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 94.99% 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 currently. Over the period 1984-2009, 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 elimination of volunteer firefighter relief associations which provide no service pension coverage.

	Membership									
Members	1974	1977	1980	1982	1984	1986	1987	1988	1989	1990
Actives:										
Lump Sum	9,052	10,915	10,834	12,523	12,980	12,859	13,179	13,406	13,720	14,112
Monthly	1,549	1,592	745	812	1,092	1,125	1,305	1,252	1,178	1,174
Combination	--	--	--	--	--	--	--	--	--	--
Defined Contrib.	1,042	1,256	401	1,207	1,449	1,345	1,411	1,520	1,460	1,434
No Benefits	820	558	278	114	63	83	35	20	37	--
<u>Total Actives</u>	<u>12,463</u>	<u>14,321</u>	<u>12,258</u>	<u>14,656</u>	<u>15,584</u>	<u>15,412</u>	<u>15,930</u>	<u>16,198</u>	<u>16,395</u>	<u>16,720</u>
Deferreds:										
Lump Sum		139	170	296	381	451	609	520	558	639
Monthly		117	68	32	39	50	61	67	76	92
Combination		--	--	--	--	--	--	--	--	--
Defined Contrib.		12	3	9	18	29	26	29	36	68
No Benefits		--	8	0	0	0	0	0	0	--
<u>Total Deferreds</u>		<u>268</u>	<u>249</u>	<u>337</u>	<u>438</u>	<u>530</u>	<u>696</u>	<u>616</u>	<u>670</u>	<u>799</u>
Retirees:										
Lump Sum		--	527	363	410	177	124	177	173	165
Monthly		400	249	302	413	444	547	493	483	472
Combination		--	--	--	--	--	--	--	--	--
Defined Contrib.		--	38	3	20	1	1	18	19	23
No Benefits		--	67	0	0	0	0	0	0	--
<u>Total Retirees</u>		<u>400</u>	<u>881</u>	<u>668</u>	<u>843</u>	<u>622</u>	<u>672</u>	<u>688</u>	<u>675</u>	<u>660</u>
Total Members:										
Lump Sum		11,054	11,531	13,182	13,771	13,487	13,912	14,103	16,395	14,916
Monthly		2,109	1,062	1,146	1,544	1,619	1,913	1,812	1,737	1,738
Combination		--	--	--	--	--	--	--	--	--
Defined Contrib.		1,268	442	1,219	1,487	1,375	1,438	1,567	1,515	1,525
No Benefits		558	353	114	63	83	0	20	37	--
<u>Total Members</u>		<u>14,989</u>	<u>13,388</u>	<u>15,661</u>	<u>16,865</u>	<u>16,564</u>	<u>17,263</u>	<u>17,502</u>	<u>19,684</u>	<u>18,179</u>

	Membership									
Members	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Actives:										
Lump Sum	14,049	13,583	14,051	14,187	14,189	13,655	14,022	13,854	12,612	13,244
Monthly	1,200	1,210	1,218	525	464	307	313	324	208	208
Combination	--	--	100	735	726	807	775	746	879	840
Defined Contrib.	1,407	1,594	1,565	1,647	1,721	1,727	1,972	2,033	2,039	2,106
No Benefits	--	--	--	--	--	--	--	--	--	--
<u>Total Actives</u>	<u>16,656</u>	<u>16,387</u>	<u>16,934</u>	<u>17,094</u>	<u>17,100</u>	<u>16,496</u>	<u>17,082</u>	<u>16,957</u>	<u>15,738</u>	<u>16,398</u>
Deferreds:										
Lump Sum	718	841	945	1,074	1,222	1,333	1,538	1,640	1,660	1,801
Monthly	78	88	100	62	57	45	44	56	34	29
Combination	--	--	1	64	80	89	79	90	114	157
Defined Contrib.	39	122	150	171	188	166	508	266	528	666
No Benefits	--	--	--	--	--	--	--	--	--	--
<u>Total Deferreds</u>	<u>835</u>	<u>1,051</u>	<u>1,196</u>	<u>1,371</u>	<u>1,547</u>	<u>1,633</u>	<u>2,169</u>	<u>2,052</u>	<u>2,336</u>	<u>2,653</u>

Members	Membership									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Retirees:										
Lump Sum	214	148	173	187	184	90	76	56	36	316
Monthly	494	527	566	312	261	198	207	206	153	164
Combination	--	--	26	271	267	312	349	344	424	413
Defined Contrib.	23	14	8	6	7	5	5	11	17	62
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Retirees	731	689	773	776	719	605	637	617	630	955
Total Members:										
Lump Sum	14,981	14,572	15,169	15,448	15,595	15,078	15,636	15,550	14,308	15,361
Monthly	1,772	1,825	1,884	899	782	550	564	586	395	401
Combination	--	--	127	1,070	1,073	1,208	1,203	1,180	1,417	1,410
Defined Contrib.	1,469	1,730	1,723	1,824	1,916	1,898	2,485	2,310	2,584	2,834
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Members	18,222	18,127	18,903	19,241	19,366	18,734	19,888	19,626	18,704	20,006

Members	Membership									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Actives:										
Lump Sum	13,691	13,767	13,638	13,545	13,406	13,943	14,032	14,055	14,134	
Monthly	206	159	188	197	199	183	182	187	187	
Combination	790	847	898	824	866	861	883	854	836	
Defined Contrib.	2,182	2,222	2,136	2,201	2,202	2,249	2,300	2,291	2,290	
No Benefits	--	--	--	--	--	--	--	--	--	
Total Actives	16,869	16,995	16,860	16,767	16,673	17,236	17,397	17,387	17,447	
Deferreds:										
Lump Sum	1,948	2,042	2,041	2,021	2,001	2,135	2,201	2,114	2,271	
Monthly	31	19	30	29	24	31	27	24	33	
Combination	196	216	243	242	240	215	206	177	237	
Defined Contrib.	722	738	781	775	762	721	841	464	824	
No Benefits	--	--	--	--	--	--	--	--	--	
Total Deferreds	2,897	3,015	3,095	3,067	3,027	3,102	3,275	2,779	3,365	
Retirees:										
Lump Sum	538	507	515	539	473	568	583	583	713	
Monthly	178	149	188	197	208	208	215	214	222	
Combination	400	392	439	417	417	412	468	448	466	
Defined Contrib.	58	64	67	68	87	70	93	104	84	
No Benefits	--	--	--	--	--	--	--	--	--	
Total Retirees	1,174	1,112	1,209	1,221	1,185	1,258	1,359	1,349	1,485	
Total Members:										
Lump Sum	16,177	16,316	16,194	16,105	15,880	16,656	16,816	16,752	17,118	
Monthly	415	327	406	423	431	422	424	425	442	
Combination	1,386	1,455	1,580	1,483	1,523	1,488	1,557	1,479	1,539	
Defined Contrib.	2,962	3,024	2,984	3,044	3,051	3,040	3,234	2,859	3,198	
No Benefits	--	--	--	--	--	--	--	--	--	
Total Members	20,940	21,122	21,164	21,055	20,885	21,606	22,031	21,515	22,297	

Over the period 1977-2009, 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 81.01% in 2009), 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 1.07% in 2009 without considering combination relief associations or to 5.86% with the inclusion of combination relief associations in 2009), and a rough doubling from 1977 to 2009 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 1977-2002, 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	1980	1982	1984	1986	1987	1988
<b>Accrued Liabilities:</b>							
Lump Sum	14,278,898	29,501,934	40,937,006	52,985,939	59,057,471	60,643,988	68,071,179
Monthly	9,041,863	7,547,661	10,621,672	46,490,469	25,044,975	34,347,349	35,320,800
Combination	--	--	--	--	--	--	--
Defined Cont.	1,444,286	1,219,645	2,094,808	4,417,375	5,927,094	6,449,852	8,704,595
Total Accrued Liab.	24,765,047	38,269,240	53,653,486	103,893,783	90,029,540	101,441,189	112,096,574
<b>Assets:</b>							
Lump Sum	15,054,337	29,791,110	40,565,620	51,654,774	61,032,069	62,395,065	69,774,320
Monthly	8,211,852	7,250,784	9,900,259	31,055,648	23,220,944	31,624,291	32,759,213
Combination	--	--	--	--	--	--	--
Defined Cont.	1,444,286	1,219,645	2,094,808	4,417,375	5,927,094	6,449,852	8,704,595
Total Assets	24,710,475	38,261,539	52,560,687	87,127,797	90,180,107	100,469,208	111,238,128
<b>Normal Cost:</b>							
Lump Sum	1,470,015	498,536	3,926,658	5,212,341	5,058,195	5,273,113	4,994,302
Monthly	463,651	337,988	515,211	1,503,450	934,147	957,484	859,673
Combination	--	--	--	--	--	--	--
Defined Cont.	151,019	500	8,769	32,776	504,008	539,181	632,067
Total Normal Cost	2,084,685	837,024	4,450,638	6,748,567	6,496,350	6,769,778	6,486,042
<b>Fire State Aid:</b>							
Lump Sum	1,419,035	2,912,095	3,690,695	4,047,173	4,512,805	4,552,052	4,733,327
Monthly	602,368	581,600	693,007	1,276,954	1,320,346	1,700,437	1,684,158
Combination	--	--	--	--	--	--	--
Defined Cont.	143,460	166,375	205,638	334,357	430,992	436,382	550,993
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
<b>Municipal Contribution:</b>							
Lump Sum	357,973	664,700	834,832	1,197,277	1,299,731	1,176,333	1,246,509
Monthly	277,370	164,259	284,988	2,434,045	441,115	751,488	620,926
Combination	--	--	--	--	--	--	--
Defined Cont.	21,569	11,296	26,879	36,797	73,016	102,799	81,074
Total Municipal Contr.	656,912	840,255	1,146,699	3,668,119	1,813,862	2,030,620	1,948,509

## Liabilities, Assets, Fire State Aid, and Municipal Contributions

	1989	1990	1991	1992	1993	1994	1995
<b>Accrued Liabilities:</b>							
Lump Sum	78,070,344	86,588,461	92,771,460	94,145,127	102,546,702	107,486,014	113,855,616
Monthly	37,432,078	39,749,215	44,543,835	47,327,072	52,161,236	28,830,599	24,678,407
Combination	--	--	--	--	2,454,593	27,615,459	28,819,704
Defined Cont.	9,581,000	10,434,995	11,349,299	16,586,370	18,095,687	17,590,749	25,919,681
Total Accrued Liab.	125,083,422	136,772,671	148,664,594	158,058,569	175,258,218	181,522,821	193,273,408
<b>Assets:</b>							
Lump Sum	80,004,613	86,825,688	95,265,007	95,375,295	105,920,681	105,073,259	122,226,938
Monthly	34,603,998	36,463,717	40,225,667	46,002,578	47,765,817	27,362,519	22,953,953
Combination	--	--	--	--	2,196,505	21,609,884	25,008,817
Defined Cont.	9,581,000	10,434,995	11,349,299	16,586,370	18,095,687	17,590,749	25,919,681
Total Assets	124,189,611	133,724,400	146,839,973	157,964,243	173,978,690	171,636,411	196,109,389
<b>Normal Cost:</b>							
Lump Sum	5,964,120	8,224,582	9,004,068	8,965,833	9,921,518	10,211,254	10,869,651
Monthly	755,699	1,355,894	1,575,915	1,600,109	1,625,173	875,806	686,563
Combination	--	--	--	--	120,725	939,552	981,755
Defined Cont.	616,205	611,359	603,678	919,866	855,696	928,280	1,411,551
Total Normal Cost	7,336,024	10,191,835	11,183,661	11,485,808	12,523,112	12,954,892	13,949,520
<b>Fire State Aid:</b>							
Lump Sum	4,881,199	4,805,462	4,929,212	4,739,140	4,242,494	4,950,397	5,211,582
Monthly	1,609,808	1,620,559	1,667,813	1,801,399	1,548,161	858,681	689,483
Combination	--	--	--	--	154,328	934,346	995,205
Defined Cont.	533,395	517,789	504,419	774,684	707,024	782,147	1,172,687
Total Fire St Aid	7,024,402	6,943,810	7,101,444	7,315,223	6,652,007	7,525,571	8,068,957
<b>Municipal Contribution:</b>							
Lump Sum	1,557,416	1,842,447	1,858,245	2,281,421	2,613,573	2,691,177	2,803,095
Monthly	633,533	739,970	849,286	1,085,807	1,223,934	613,418	724,911
Combination	--	--	--	--	37,957	680,895	870,130
Defined Cont.	82,810	93,570	99,259	145,182	148,672	146,133	238,864
Total Municipal Contr.	2,273,759	2,675,987	2,806,790	3,512,410	4,024,136	4,131,623	4,637,000

## Liabilities, Assets, Fire State Aid, and Municipal Contributions

	1996	1997	1998	1999	2000	2001	2002
<b>Accrued Liabilities:</b>							
Lump Sum	119,936,745	130,642,738	145,966,781	150,761,568	171,611,378	186,795,976	192,569,597
Monthly	14,839,392	17,085,291	20,340,226	14,338,052	15,008,219	16,915,086	12,923,387
Combination	38,743,123	39,644,188	42,204,240	54,526,028	54,173,717	57,952,711	62,876,598
Defined Cont.	28,832,841	38,390,049	44,757,368	50,606,325	47,427,772	47,259,294	43,432,178
Total Accrued Liab.	202,352,101	225,762,266	253,268,615	270,231,973	288,221,086	308,923,067	311,801,760
<b>Assets:</b>							
Lump Sum	133,172,234	153,037,774	172,113,829	179,343,843	183,279,497	179,424,046	165,317,015
Monthly	13,813,247	16,602,144	20,504,773	14,132,149	13,960,203	13,385,232	9,532,988
Combination	37,619,149	40,851,421	43,579,741	59,072,419	55,443,773	51,172,825	47,442,209
Defined Cont.	28,832,841	38,390,049	44,757,368	50,606,325	47,427,772	47,259,294	43,432,178
Total Assets	213,437,471	248,881,388	280,955,711	303,154,736	300,111,245	291,241,397	265,724,390
<b>Normal Cost:</b>							
Lump Sum	11,214,171	12,219,929	13,311,487	13,514,162	15,189,092	16,483,865	16,892,504
Monthly	346,433	358,792	470,770	284,860	312,019	340,067	261,434
Combination	1,322,315	1,269,951	1,307,322	1,515,019	1,662,901	1,674,601	1,844,560
Defined Cont.	2,098,195	2,684,271	2,553,138	2,640,890	2,753,206	3,004,038	3,288,331
Total Normal Cost	14,981,114	16,532,943	17,642,717	17,954,931	19,917,218	21,502,571	22,286,829
<b>Fire State Aid:</b>							
Lump Sum	8,060,595	7,140,394	7,731,336	7,391,107	7,937,916	8,644,841	9,378,276
Monthly	512,496	554,859	643,057	379,802	395,685	426,640	418,469
Combination	1,486,949	1,434,117	1,386,971	1,765,592	1,753,859	1,789,869	2,148,174
Defined Cont.	1,536,620	1,855,313	2,038,308	2,091,608	2,212,814	2,385,099	2,639,147
Total Fire St Aid	11,596,660	10,984,683	11,799,672	11,628,109	12,300,274	13,246,449	14,584,066
<b>Municipal Contribution:</b>							
Lump Sum	3,276,302	2,680,940	2,442,795	2,360,961	2,375,285	2,732,044	4,202,331
Monthly	341,465	305,466	353,220	273,287	279,476	309,149	176,255
Combination	1,029,153	1,010,042	1,029,535	1,113,773	1,069,335	1,106,226	1,351,792
Defined Cont.	561,575	828,958	514,830	549,282	540,392	618,939	649,184
Total Municipal Contr.	5,208,495	4,825,406	4,340,380	4,297,303	4,264,488	4,766,358	6,379,562

## Liabilities, Assets, Fire State Aid, and Municipal Contributions

	2003	2004	2005	2006	2007	2008	2009
<b>Accrued Liabilities:</b>							
Lump Sum	194,794,196	203,853,989	213,118,264	231,926,073	251,981,586	263,361,245	260,646,854
Monthly	17,273,137	17,553,960	17,955,395	19,099,696	20,339,123	21,063,656	21,560,679
Combination	64,965,158	66,391,848	71,303,719	72,001,594	77,431,237	79,378,310	80,249,377
Defined Cont.	52,255,072	59,427,576	63,913,404	72,770,246	79,281,167	60,578,401	73,472,630
Total Accrued Liab.	329,287,563	347,227,373	366,290,782	395,797,609	429,033,113	424,381,612	435,929,540
<b>Assets:</b>							
Lump Sum	191,684,693	212,747,877	225,090,170	259,293,564	278,475,236	215,355,660	243,989,115
Monthly	14,070,080	15,517,757	16,703,427	18,847,441	20,332,280	16,198,872	21,560,679
Combination	58,629,038	63,251,682	68,547,108	71,325,838	78,416,917	56,178,110	80,249,377
Defined Cont.	52,255,072	59,427,576	63,913,404	72,770,246	79,281,167	60,578,401	73,472,630
Total Assets	316,638,883	350,944,892	374,254,109	422,237,089	456,505,600	348,311,043	402,729,534
<b>Normal Cost:</b>							
Lump Sum	17,049,848	17,789,289	18,575,701	20,032,670	21,807,598	22,809,822	22,469,022
Monthly	306,217	328,271	363,133	357,569	369,740	379,526	376,156
Combination	1,949,341	1,868,049	1,966,756	1,865,294	2,280,932	2,321,993	2,227,449
Defined Cont.	3,759,743	4,644,018	4,655,090	5,068,303	4,785,144	4,513,026	4,057,170
Total Normal Cost	23,065,149	24,629,627	25,560,680	27,323,836	29,243,414	30,024,367	29,129,797
<b>Fire State Aid:</b>							
Lump Sum	11,297,078	14,484,884	14,064,593	15,456,748	13,812,683	12,031,502	10,108,885
Monthly	611,511	800,985	756,976	806,357	700,644	598,168	514,647
Combination	2,656,437	3,370,816	3,260,210	3,186,403	2,872,382	2,414,573	2,045,048
Defined Cont.	3,206,483	4,111,912	3,993,034	4,228,956	3,736,552	3,246,341	2,708,779
Total Fire St Aid	17,771,509	22,768,597	22,074,813	23,678,464	21,122,261	18,290,584	15,377,359
<b>Municipal Contribution:</b>							
Lump Sum	4,806,194	5,562,093	4,140,141	4,036,956	4,063,363	4,030,479	4,513,978
Monthly	307,461	386,110	511,574	488,211	502,135	616,359	585,188
Combination	1,553,591	1,331,760	1,239,171	1,238,386	1,190,737	1,382,615	1,394,748
Defined Cont.	553,260	532,106	662,056	839,347	1,048,592	1,266,685	1,348,391
Total Municipal Contr.	7,220,506	7,812,069	6,552,942	6,602,900	6,804,827	7,296,138	7,842,305

Over the period 1977-2009, there has been almost an 18-fold increase in volunteer firefighter relief association accrued liabilities. For defined contribution volunteer firefighter relief associations, the relief association accrued liability 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 and a resumption of growth after 2002 until 2007, with a significant decline in 2008.

There also has been a significant increase in the normal cost of volunteer firefighter relief associations over the period 1977 to 2009, especially in lump sum volunteer firefighter relief associations with more than 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. The average amount of fire state aid per active member in 2009 was \$881.38, ranging from a high average per active member fire state aid amount for monthly benefit volunteer firefighter relief associations of \$2,752.12, an average per active member fire state aid amount for combination volunteer firefighter relief associations of \$2,446.23, and an average per active member fire state aid amount for defined contribution volunteer firefighter relief associations of \$1,182.87, to an average per active member fire state aid amount for lump sum volunteer firefighter relief associations of \$715.22. 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 1977-2009. The average amount of municipal contribution per active firefighter in 2009 varies, following essentially the same pattern as with the average amount of fire state aid, with combination volunteer firefighter relief associations receiving an average per active member of \$906.77 in municipal contributions, with monthly benefit volunteer firefighter relief associations receiving an average per active member of \$1,323.95 in municipal contributions, with lump sum volunteer firefighter relief associations receiving an average per active member of \$263.70 in municipal contributions, and with defined contribution volunteer firefighter relief associations receiving an average per active member of \$421.64 in municipal contributions.

## **Background Information on Volunteer Firefighter Relief Association Financial Reporting**

Since 1965 (Laws 1965, Ch. 359, Sec. 1), Minnesota public pension plans have been required to prepare annual financial reporting. The general statutory public pension plan financial reporting requirement is codified as Minnesota Statutes, Section 356.20. For volunteer firefighter relief associations, a financial report meeting the requirements of Minnesota Statutes, Section 69.051, is deemed to meet the reporting requirements of Minnesota Statutes, Section 356.20.

The financial reporting requirement under Minnesota Statutes, Section 69.051, was first imposed as part of the fire state aid revisions of 1969 (Laws 1969, Ch. 1001, Sec. 5). From 1969 to 1986, all volunteer firefighter relief associations filed the same reporting form, which was initially prescribed by the Commissioner of Insurance and then by the Commissioner of Commerce. The 1969-1986 form was required to include the information needed by the Commissioner to reveal the true financial condition of the relief association and to reveal the extent of compliance by the relief association with the regulatory, financing, and funding provisions of the applicable state law. The financial report was to be prepared as of December 31 for the prior calendar year, was required to be countersigned by the municipal clerk, and was to be certified by an independent accountant or auditor, who was required to provide an opinion on the condition of the relief association and any exceptions.

In 1986, after the discovery of a significant fraud and misappropriation of funds involving the secretary of the Winona Police Relief Association, the local relief association financial reporting requirements to qualify for state aid under Minnesota Statutes, Section 69.051, were modified. The 1986 financial reporting law amendments gave the State Auditor authority and responsibility to audit all relief associations and centralized the receipt and certification of financial statements of all relief associations in the Office of the State Auditor, provided that the Commissioner of Revenue process the distribution of state aid only after notification by the State Auditor that a relief association's financial reports and actuarial valuations are complete, and provided more municipal oversight of the relief associations by requiring annual reports to the municipality of relief association financial affairs. The 1986 legislation also gave the Commission authority to request information from the various funds and the funds are authorized and directed to promptly furnish any data requested and required the State Auditor in performing an audit or examination of a pension plan to notify the Commission if the audit or examination reveals malfeasance, misfeasance, or nonfeasance in office and requires the Commissioner of Revenue to notify the Commission if the State Auditor has not filed with the Commissioner of Revenue the required financial compliance reports by the July 1 deadline. The State Auditor was required to oversee the completion and auditing of financial statements of fire relief associations rather than the Commissioner of Revenue and was required to notify the Commissioner of Revenue by July 1 in any year which relief associations that with the financial reporting requirements necessary to qualify for fire state aid, and the primary administration of the fire and police state aid program was transferred from the Department of Revenue to the State Auditor. The deadline for fire state aid applications was moved from June 1 to July 1.

The requirements for the preparation and submission of financial reports are based on the size of the relief association, and for volunteer associations with assets or liabilities currently and previously of at least \$200,000, the relief association must:

1. prepare its annual financial reports on forms prescribed by the State Auditor;
2. file the report in its office for public inspection and present it to the city council; and
3. submit audited financial statements to the State Auditor within 180 days after the close of the fiscal year.

For volunteer associations with assets and liabilities currently and previously less than \$200,000, the relief association must:

1. prepare annually a detailed financial statement on a form prescribed by the State Auditor;
2. have the detailed financial statement certified by an independent public accountant or auditor or the auditor that regularly examines the books of the municipality;
3. file the statement in its office for public inspection and present it to the city council within 45 days of the close of the fiscal year; and
4. send a copy of the statement to the State Auditor within 90 days of the end of the fiscal year.

The surety bond of the volunteer firefighter relief association treasurer must be at least 10% of the assets, but is not required to exceed \$500,000.



## Background Information on Volunteer Firefighter Relief Association Funding Requirements

1. Volunteer Firefighter Relief Association Financing Guidelines Act of 1971. Minnesota Statutes, Sections 69.771 through 69.776, the 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. Calculation of Monthly Benefit Service Pension Volunteer Firefighter Relief Association Annual Funding Requirements. State law differentiates in the calculation of volunteer firefighter relief association actuarial accrued liabilities or its equivalent and the annual funding requirements. For 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 69.773, to utilize an approved actuary and have an actuarial valuation prepared at least every four years. For 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 69.772, to estimate the association's actuarial liabilities and its annual funding requirement by using a simplified statutory valuation procedure.
  - a. 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 must 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 four items:
    - i. the normal cost;
    - ii. the amortization requirement if the relief association has an unfunded actuarial accrued liability;
    - iii. the prior year's administrative expenses, multiplied by a factor of 1.035; and
    - iv. one-tenth of the relief association's funding surplus, if the relief association has assets in excess of its actuarial accrued liability.
  - b. The lump sum volunteer firefighter relief association computations are required to follow simplified calculation procedures set forth in Minnesota Statutes, Section 69.772, Subdivision 2. The table and related provisions in Minnesota Statutes, Section 69.772, Subdivision 2, were developed by the Commission and its consulting actuary 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	Cumulative Year	Accrued Liability
1	\$ 60	8	\$ 576	15	\$ 1,304
2	124	9	666	16	1,428
3	190	10	760	17	1,560
4	260	11	858	18	1,698
5	334	12	962	19	1,844
6	410	13	1,070	20	2,000
7	492	14	1,184	21 and thereafter	\$100 additional per year

The relief association's accrued liability is calculated annually using the table, after being multiplied by a factor to adjust the \$100 lump sum per year of service table to the actual lump sum service pension amount provided by the volunteer firefighter relief association. Thus, for a volunteer firefighter relief association paying a \$1,000 per year of service lump sum service pension, the factor would be 10 (\$1,000 divided by \$100). The calculated accrued liability is compared to the special fund assets to determine whether or not the relief association has an unfunded actuarial accrued liability. The following year's projected liability is then calculated, based on an additional year of service per member, and the increase in the accrued liability over the current year's accrued liability is the annual accruing liability of the relief association, which is the functional equivalent of the normal cost calculation in an actuarial valuation prepared by

an actuary under Minnesota Statutes, Section 356.215. The financial requirements of the relief association are the combination of three or four items:

- i. the computed annual accruing liability;
  - ii. one-tenth of the computed current year's unfunded actuarial accrued liability, if the relief association has an unfunded accrued liability;
  - iii. the prior year's administrative expense, multiplied by a factor of 1.035; and
  - iv. one-tenth of the relief association's funding surplus, if the relief association has assets in excess of the accrued liability.
3. Calculation of the Minimum Municipal Obligation. Prior to the enactment of the 1971 Volunteer Firefighter Relief Association Financing Guidelines Act, under Minnesota Statutes 1969, Section 424.30, various municipalities were required to provide funding to its associated volunteer firefighter relief association equal to one-tenth of one mill on all taxable property in the municipality and were authorized to provide additional volunteer firefighter relief association funding to a maximum of one and nine-tenths mill on all taxable property of the municipality. If the municipality failed to make the required levy, the volunteer firefighter relief association board of trustees was authorized to certify the levy to the county auditor.

In 1971 (Laws 1971, Ch. 261), the Volunteer Firefighter Relief Association Financing Guidelines Act was enacted and was deemed to implicitly repeal Minnesota Statutes 1969, Section 424.30. Minnesota Statutes 1978, Section 424.30, was formally repealed by Laws 1979, Chapter 201. The 1971 Volunteer Firefighter Relief Association Financing Guidelines Act requires that municipalities fund their associated volunteer firefighter relief association based on the actuarial requirements of the relief association and establishes a procedure for determining the annual financial requirements of the special fund of the volunteer firefighter relief association and the minimum municipal obligation to the relief association. For relief associations providing monthly defined benefit service pensions, the relief association financial requirements are based on periodic actuarial valuations (required quadrennially under statute, more frequently under generally accepted accounting principles (GAAP)). The minimum municipal obligation is the annual financial requirements of the relief association reduced by the anticipated amount of fire state aid, one-tenth of any funding surplus (assets in excess of calculated accrued liability), and, for lump sum volunteer firefighter relief associations, an amount equal to 5% of the current assets of the special fund.

The officers of the volunteer firefighter relief association are required under the 1971 Volunteer Firefighter Relief Association Financing Guidelines Act to certify their calculations of the financial requirements of the relief association and the minimum municipal obligation each August. The municipality, after verifying those calculations, is required to include the minimum municipal obligation in the municipal budget and if the municipality fails to budget for the minimum municipal obligation, the volunteer firefighter relief association officers are obligated to certify the minimum municipal obligation as a tax levy to the applicable county auditor, who is required to spread the levy over the taxable property of the municipality.

The Volunteer Firefighter Relief Association Financing Guidelines Act of 1971, Minnesota Statutes, Sections 69.771 through 69.776, 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 69.772, Subdivision 3, for lump sum volunteer firefighter relief associations, and Minnesota Statutes, Section 69.773, 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.

4. 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 69.773, 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 as part of the property taxes of that municipality
5. Applicable Actuarial Funding and Procedures, Relief Association Discontinuing Monthly Pensions, Or Purchasing Annuities to Finance Monthly Pensions. If a volunteer fire relief association discontinues providing monthly benefit service pensions or purchases insurance company annuities to cover the monthly pensions, the funding procedures and minimum municipal obligation requirements applicable to lump sum plans apply, rather than those applicable to those converted monthly benefit service pension volunteer firefighter relief associations.

## Background Information on Membership of Volunteer Firefighter Relief Association Boards of Trustees and Officers

1. Board of Trustee Membership. Minnesota Statutes, Section 424A.04, Subdivision 1, requires a nine-member board of trustees. The board composition differs depending on whether the relief association is associated with a municipal fire department or is subsidiary to an independent nonprofit firefighting corporation, as follows:

Relief Association Associated With Municipal Fire Department	Relief Association Subsidiary to Independent Nonprofit Firefighting Corporation
Six trustees elected from the relief association membership (one can be a retiree receiving a monthly benefit, at the direction of a monthly benefit volunteer firefighter relief association).	Six trustees elected from the relief association membership (one can be retiree receiving a monthly benefit, at the direction of a monthly benefit volunteer firefighter relief association).
One trustee who is an elected municipal official, designated by the municipal governing board annually.	Two trustees who are elected or appointed municipal officials, designated annually (if one municipality is served, the officials are designated by the governing body of that municipality; if two or more municipalities are served, the two officials are designated by the governing bodies of the two largest municipalities).
One trustee who is either an elected or an appointed municipal official, designated by the municipal governing board annually.	
One trustee who is the chief of the municipal fire department.	One trustee who is the fire chief of the independent nonprofit firefighting corporation.

If a fire department is not located in or associated with an organized municipality, the county board of commissioners must appoint the ex-officio board members from the fire department service area. If a fire department is operated by a joint powers entity, the board of the joint powers entity must appoint the ex-officio board members. If the fire department is associated with a township, the township board must appoint the ex-officio board members.

Ex-officio trustees have the same rights and duties as elected trustees, except that ex-officio trustees may not serve as an officer of the board of trustees. Elected trustees have a term length as specified in the relief association bylaws, but it may not be longer than three years and it must be staggered if it is more than one year in length.

2. Relief Association Officers. Minnesota Statutes, Section 424A.04, Subdivision 1, provides for at least three officers of a volunteer firefighter relief association. The three officers must include a president, a secretary, and a treasurer. The officers must be drawn from the relief association board of trustees, from the elected board membership. The officers can be elected either by the board of trustees or by the relief association membership as the bylaws specify. No person is permitted to occupy more than one officer position at one time. Officers have a term length as specified in the relief association bylaws, but the term may not be longer than three years. If the term of officers exceeds one year, officer elections must be staggered.
- a. The relief association president has no specific duties prescribed by Minnesota Statutes, Chapter 69, 424A, or 424B.
  - b. For the relief association secretary:
    - i. under Minnesota Statutes, Section 424A.016, Subdivisions 4 and 5, relating to defined contribution volunteer firefighter relief associations, the position is required to certify individual account allocations to the State Auditor annually and is the recipient of the election of installment payments of service pension;
    - ii. under Minnesota Statutes, Section 424A.02, Subdivision 8, relating to lump sum volunteer firefighter relief associations, the position is the required recipient of an election of installment payments of service pensions or survivor benefits;
    - iii. under Minnesota Statutes, Section 424A.04, Subdivision 3, the position is obligated to obtain evidence of insurance from every consultant of the volunteer firefighter relief association;

- iv. under Minnesota Statutes, Section 424B.02, the position is required to meet notification and filing requirements on the initiation of a consolidation of volunteer firefighter relief associations;
  - v. under Minnesota Statutes, Section 424B.06, Subdivisions 3 and 4, the position conducts various record and related transfers as part of a consolidation of volunteer firefighter relief associations;
  - vi. under Minnesota Statutes, Section 424B.08, the position is responsible for providing various notifications of the termination of a volunteer firefighter relief association after its consolidation with another volunteer firefighter relief association; and
  - vii. under Minnesota Statutes, Section 424B.10, Subdivision 2, the position is responsible for making the certification of the funding obligations of a consolidated volunteer firefighter relief association.
- c. For the relief association treasurer:
- i. under Minnesota Statutes, Section 69.031, Subdivision 5, the position is the recipient of the fire state aid transmitted by the municipal treasurer following state payment;
  - ii. under Minnesota Statutes, Section 69.051, Subdivision 2, the position must be bonded at a minimum of 10% of the amount of volunteer firefighter relief association assets up to \$50,000;
  - iii. under Minnesota Statutes, Section 424A.02, Subdivision 3a, the position can be ordered by the State Auditor to recover any overpayments of service pension amounts;
  - iv. under Minnesota Statutes, Section 424A.05, Subdivision 2, the position functions as the custodian of the volunteer firefighter relief association special fund assets and is required to maintain adequate records for that fund;
  - v. under Minnesota Statutes, Section 424A.06, Subdivision 2, the position is the custodian of the volunteer firefighter relief association general fund assets and is required to maintain adequate records for that fund;
  - vi. under Minnesota Statutes, Section 424A.10, Subdivision 3, the position is the recipient of the state volunteer firefighter supplemental aid reimbursement amount payment; and
  - vii. under Minnesota Statutes, Section 424B.06, Subdivisions 3 and 4, the position is responsible for participating in asset transfers in a consolidation of volunteer firefighter relief associations.
- d. For the officers of the volunteer firefighter relief association as a group:
- i. in Minnesota Statutes, Section 69.771, subdivision 3, their duties to determine the municipal obligation to the volunteer firefighter relief association and other documents filed with the Office of the State Auditor are referenced;
  - ii. under Minnesota Statutes, Section 69.772, Subdivisions 3, 4, and 6, relating to lump sum volunteer firefighter relief associations, they are required to determine the volunteer firefighter relief association funding requirements, to certify those determinations to the applicable municipality, to certify any underpayment of required municipal contributions to the county auditor for levying additional property taxes, and to provide a fiscal impact estimate to the applicable municipality in conjunction with proposed benefit changes; and
  - iii. under Minnesota Statutes, Section 69.773, Subdivisions 3, 4, and 5, relating to monthly benefit volunteer firefighter relief associations, they are required to determine the volunteer firefighter relief association funding requirements, to certify those determinations to the applicable municipality, to certify any underpayment of required municipal contributions to the county auditor for levying additional property taxes, and to arrange for the provision of an actuarial cost estimate to the applicable municipality in conjunction with proposed benefit changes.

## Background Information on Local Police and Fire Relief Association Administrative Expenses

For the various local police, salaried firefighter and volunteer firefighter relief associations, state law is relatively specific in regulating administrative expenses, through defining what constitutes authorized administrative expenses, Minnesota Statutes, Section 69.80, sets forth six categories of authorized administrative expenses that are payable from the special fund of the relief association. All other expenses are payable from the relief association general fund, which is not supported by local tax revenues or state aid. The authorized administrative expenses categories payable from the relief association special fund are as follows:

- a. office expense including but not limited to rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;
- b. salaries of the president, secretary, and treasurer of the association, or their designees, and any other official of the relief association to whom a salary is payable under bylaws or articles of incorporation in effect on January 1, 1986, and their itemized expenses incurred as a result of fulfilling their responsibilities as administrators of the special fund;
- c. 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;
- d. audit, actuarial, medical, legal, and investment and performance evaluation expenses;
- e. 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
- f. premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

Minnesota Statutes, Section 69.80, was initially enacted in 1978 (Laws 1978, Ch. 690, Sec. 8), after the State Auditor disqualified expenditures made by:

- the Austin Firefighters Relief Association in 1976 for replacement wages for relief association members who were attending meetings related to the relief association and who were scheduled for active duty;
- the Minneapolis Fire Department Relief Association in 1976 for replacement salaries for substitute firefighters for relief association members excused from active firefighting duties while on relief association business; and
- the Richfield Firefighters Relief Association for arbitration expenses that partially dealt with pension-related matters.

The initial specification of the categories of administrative expenses that were to be authorized by a more definitive statement of the regulation was prepared by the Insurance Commissioner's Office, with that document circulated by the Pension Commission staff among local police, paid fire, and volunteer firefighter relief association representatives. Some additional specific expense items were added to the original circulating draft and it was unchanged by the Commission and the Legislature when enacted in 1978.

The 1978 provision was amended three times after 1978:

- In 1986 (Laws 1986, Ch. 359, Sec. 13), expenses for investment performance evaluation services was specifically authorized.
- In 1987 (Laws 1987, Ch. 372, Art. 1, Sec. 1), in addition to the salaries of the president, secretary, and treasurer, the salary of any other relief association official to whom the relief association bylaws or articles of incorporation as of January 1, 1986, was also specifically permitted. The 1987 salary authorization expansion was intended to address the situation of the St. Paul Firefighters Relief Association, which had the practice of paying a nominal salary to its Board of Examiners, where the practice was not reported to the Commission in 1978, and was questioned by the Office of the State Auditor in a 1985 audit.
- In 2002 (Laws 2002, Ch. 392, Art. 1, Sec. 2), the language style and usage of the provision was improved, including a division of the provision into lettered paragraphs, and lettered clauses were converted into numbered clauses, all without apparent substantive impact.

## **Background Information on Volunteer Firefighter Relief Association Return to Service Authorization**

Volunteer firefighter relief associations, akin to other Minnesota public pension plans, require a separation from active covered employment or service before a service pension is payable. The general separation requirement is currently set forth in Minnesota Statutes, Section 424A.015, Subdivision 1, and the specific separation requirement is set forth in Minnesota Statutes, Section 424A.016, Subdivision 2, Paragraph (a), Clause (1), for defined contribution relief associations, or Minnesota Statutes, Section 424A.02, Subdivision 1, Paragraph (a), Clause (1).

The separation requirement was included in the initial enactment regulating volunteer firefighter relief associations, Revised Laws of 1905, Section 1655, and continued in general statute as Minnesota Statutes, Section 69.06, until it was replaced (and repealed) in 1979 (Laws 1979, Ch. 201, Sec. 12, 44) as part of the comprehensive reorganization, recodification, and revision of volunteer firefighter relief association laws.

In 1996 (Laws 1996, Ch. 438, Art. 8, Sec. 1-2), as part of a provision sought by the Spring Lake Park-Blaine-Mounds View Fire Department to allow for membership of fire prevention personnel in volunteer firefighter relief association coverage that was broadened to a statewide proposal by the Pension Commission, the term “firefighting service” was defined to include fire prevention personnel service and the term “separate from active service” was defined as cessation to perform fire suppression duties, fire prevention duties, fire suppression supervisor duties, or fire prevention supervisor duties.

In 2000 (Laws 2000, Ch. 461, Art. 15, Sec. 4, 8), the definition of the term “separate from active service” was amended to specify that the service separation be permanent and added a service pension repayment penalty for retired volunteer firefighter relief association members who return to active service with the same fire department associated with the volunteer firefighter relief association, representing recommendations approved by a 1999-2000 Interim subcommittee of the Pension Commission that were drawn from volunteer firefighter relief association law revisions requested by the Minnesota Area Relief Association Coalition (MARAC), Nyle Zikmund, President.

In 2002 (Laws 2002, Ch. 392, Art. 13, Sec. 1), the separation from active service requirement of Minnesota Statutes, Section 424A.02, Subdivision 1, was modified, following a request from the City of White Bear Lake to allow it flexibility in hiring one of its retirement-eligible volunteer firefighters as its full-time fire chief, by the addition of an exception to the requirement for full-time fire department employees where the city files a determination that the firefighter’s experience and prior service would be difficult to replace, and where the volunteer firefighter relief association bylaws were amended to allow for the service pension or disability benefit payment.

In 2009 (Laws 2009, Ch. 169, Art. 10, Sec. 21; Sec. 58, Subd. 3), from a recommendation made by the 2009 Office of the State Auditor Volunteer Firefighter Relief Association Working Group, a return to active firefighting after a break in service was authorized, and the prior penalty on retirees returning to active firefighting service was repealed. Following a break of at least 60 days, under the 2009 legislation a firefighter who returns to service may qualify for a pension on the new service if permitted in the bylaws. If a pension had been paid, any new pension would be based solely on the service after the return, and if a monthly benefit is being paid, the benefit ceases upon return to service and resumes following the final termination. If a pension was not paid, the eventual pension may be based on the combination of the new and old service.

In 2010 (Laws 2010, Ch. 359, Art. 13, Sec. 5), the return to service provision was revised by reformatting it, by exempting from the provision any service break mandated under state or federal law, by clarifying the return to service duration requirements and permitting firefighters with a break of less than one year who were not on an authorized leave to be exempt from minimum return to service requirements if permitted under plan bylaws, and by permitting monthly benefit retirees to receive a service pension after a return to service.

**Background Information on  
Volunteer Firefighter Relief Association  
Ancillary Benefit Limits**

Minnesota Statutes, Section 424A.02, Subdivision 9, places 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. In 1873, with the creation of fire state aid, municipalities were permitted to pay relief to disabled firefighters and to survivors of deceased firefighters from fire state aid if no relief association is located in the municipality. In 1909, firefighter relief associations were specifically permitted to make payments for the relief of sick, injured, and disabled firefighters and to make payments to widows and orphans of deceased firefighters. The term “widow” was not defined until 1937, requiring three years of marriage before the occurrence of death and dependency for eligibility. The provision became Minnesota Statutes 1978, Section 424.31.

In 1979 (Laws 1979, Ch. 201, Sec. 12, Subd. 9; and Sec. 14-16), as part of the reorganization and recodification of the volunteer firefighter relief association coverage, benefit, and structure laws, former Minnesota Statutes 1978, Section 424.31, was incorporated into new Minnesota Statutes, Chapter 424A. The limitations are needed to protect the financial solvency 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:

1. 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.
2. 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.

## **Background Information on the Volunteer Firefighter Relief Association Fund Structure**

- a. Volunteer Firefighter Relief Association Special Fund. Minnesota Statutes, Section 424A.05, requires that every relief association establish and maintain a special fund. The special fund is the fund from which volunteer firefighter pension benefits are payable and into which state aid, municipal contributions, and other public money is deposited. Beyond fire state aid and municipal tax revenue, the special fund also must receive all money or property donated by any person if so designated. Investment income on special fund assets also must be deposited in the special fund. Beyond the payment of service pensions, the special fund can also be disbursed for disability benefits, survivor benefits, Minnesota State Fire Department Association dues, Minnesota Area Relief Association Coalition dues, Volunteer Firefighters Benefit Association of Minnesota insurance premiums, state licensed insurance company casualty insurance premiums, and authorized administrative expenses. A survivor benefit may be paid to a designated beneficiary (who must be a natural person) if there is no surviving spouse or children. All benefit payments are required to be in accord with the requirements of law and the relief association bylaws.

The relief association treasurer is required to be the custodian of the special fund and recipient on behalf of the special fund of its revenue. The treasurer is required to maintain records documenting any transaction affecting the assets or revenues of the special fund. The records of the treasurer, as well as the relief association bylaws, are public and open for public inspection.

The assets of the special fund must be invested in authorized securities, which are either a limited list of securities for small relief associations, or a separate codified list which represents the pre-1994 list of authorized investment securities for the State Board of Investment for larger relief associations.

Relief associations under Minnesota Statutes, Section 69.775, also have authority to invest in mutual funds that are restricted to the same authorized securities, or to invest in the Minnesota Supplemental Investment Fund administered by the State Board of Investment.

- b. Volunteer Firefighter Relief Association General Fund. Minnesota Statutes, Section 424A.06, allows a volunteer firefighter relief association to establish and maintain a general fund. The general fund is the fund into which non-tax or non-public funds are deposited and from which moneys can be expended as the relief association sees fit, as governed by its bylaws. The general fund traditionally is supported by member dues and by revenues raised from community fundraising events.



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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH  
SESSION

HOUSE FILE No. **1554**

April 26, 2011

Authored by Murphy, M.

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

1.1 A bill for an act  
 1.2 relating to retirement; volunteer fire relief association working group  
 1.3 recommendations; clarifying countersigners on certain financial reports;  
 1.4 clarifying recipients of certain financial requirement determination certifications;  
 1.5 authorizing an expansion of relief association board salaries; authorizing filing  
 1.6 and application fees as authorized administrative expenses; modifying various  
 1.7 former firefighter return to service and relief association coverage provisions;  
 1.8 authorizing defined contribution relief association survivor benefit installment  
 1.9 payments; clarifying the disposition of member dues that are relief association  
 1.10 member contributions; making various technical amendments in volunteer  
 1.11 firefighter relief association provisions; amending Minnesota Statutes 2010,  
 1.12 sections 69.011, subdivision 1; 69.051, subdivisions 1, 1a, 3; 69.772, subdivision  
 1.13 4; 69.773, subdivision 5; 69.80; 424A.001, subdivision 4; 424A.01, subdivision  
 1.14 6; 424A.016, subdivision 5; 424A.02, subdivision 9; 424A.04, subdivision 3;  
 1.15 424A.06, subdivision 2.

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

1.17 **ARTICLE 1**

1.18 **VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION**  
1.19 **FINANCIAL REPORT COUNTERSIGNERS**

1.20 Section 1. Minnesota Statutes 2010, section 69.011, subdivision 1, is amended to read:

1.21 Subdivision 1. **Definitions.** Unless the language or context clearly indicates that  
 1.22 a different meaning is intended, the following words and terms, for the purposes of this  
 1.23 chapter and chapters 423, 423A, 424 and 424A, have the meanings ascribed to them:

- 1.24 (a) "Commissioner" means the commissioner of revenue.
- 1.25 (b) "Municipality" means:
- 1.26 (1) a home rule charter or statutory city;
- 1.27 (2) an organized town;
- 1.28 (3) a park district subject to chapter 398;

2.1 (4) the University of Minnesota;

2.2 (5) for purposes of the fire state aid program only, an American Indian tribal  
2.3 government entity located within a federally recognized American Indian reservation;

2.4 (6) for purposes of the police state aid program only, an American Indian tribal  
2.5 government with a tribal police department which exercises state arrest powers under  
2.6 section 626.90, 626.91, 626.92, or 626.93;

2.7 (7) for purposes of the police state aid program only, the Metropolitan Airports  
2.8 Commission; and

2.9 (8) for purposes of the police state aid program only, the Department of Natural  
2.10 Resources and the Department of Public Safety with respect to peace officers covered  
2.11 under chapter 352B.

2.12 (c) "Minnesota Firetown Premium Report" means a form prescribed by the  
2.13 commissioner containing space for reporting by insurers of fire, lightning, sprinkler  
2.14 leakage and extended coverage premiums received upon risks located or to be performed  
2.15 in this state less return premiums and dividends.

2.16 (d) "Firetown" means the area serviced by any municipality having a qualified fire  
2.17 department or a qualified incorporated fire department having a subsidiary volunteer  
2.18 firefighters' relief association.

2.19 (e) "Market value" means latest available market value of all property in a taxing  
2.20 jurisdiction, whether the property is subject to taxation, or exempt from ad valorem  
2.21 taxation obtained from information which appears on abstracts filed with the commissioner  
2.22 of revenue or equalized by the State Board of Equalization.

2.23 (f) "Minnesota Aid to Police Premium Report" means a form prescribed by the  
2.24 commissioner for reporting by each fire and casualty insurer of all premiums received  
2.25 upon direct business received by it in this state, or by its agents for it, in cash or otherwise,  
2.26 during the preceding calendar year, with reference to insurance written for insuring against  
2.27 the perils contained in auto insurance coverages as reported in the Minnesota business  
2.28 schedule of the annual financial statement which each insurer is required to file with  
2.29 the commissioner in accordance with the governing laws or rules less return premiums  
2.30 and dividends.

2.31 (g) "Peace officer" means any person:

2.32 (1) whose primary source of income derived from wages is from direct employment  
2.33 by a municipality or county as a law enforcement officer on a full-time basis of not less  
2.34 than 30 hours per week;

2.35 (2) who has been employed for a minimum of six months prior to December 31  
2.36 preceding the date of the current year's certification under subdivision 2, clause (b);

3.1 (3) who is sworn to enforce the general criminal laws of the state and local  
3.2 ordinances;

3.3 (4) who is licensed by the Peace Officers Standards and Training Board and is  
3.4 authorized to arrest with a warrant; and

3.5 (5) who is a member of the Minneapolis Police Relief Association, the State Patrol  
3.6 retirement plan, or the public employees police and fire fund.

3.7 (h) "Full-time equivalent number of peace officers providing contract service" means  
3.8 the integral or fractional number of peace officers which would be necessary to provide  
3.9 the contract service if all peace officers providing service were employed on a full-time  
3.10 basis as defined by the employing unit and the municipality receiving the contract service.

3.11 (i) "Retirement benefits other than a service pension" means any disbursement  
3.12 authorized under section 424A.05, subdivision 3, clauses (3) and (4).

3.13 (j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means:

3.14 (1) for the police state aid program and police relief association financial reports:

3.15 (i) the person who was elected or appointed to the specified position or, in the  
3.16 absence of the person, another person who is designated by the applicable governing body;

3.17 (ii) in a park district, the ~~clerk is the~~ secretary of the board of park district  
3.18 commissioners;

3.19 (iii) in the case of the University of Minnesota, the ~~clerk is the~~ official designated  
3.20 by the Board of Regents;

3.21 (iv) for the Metropolitan Airports Commission, the ~~clerk is the~~ person designated  
3.22 by the commission;

3.23 (v) for the Department of Natural Resources or the Department of Public Safety,  
3.24 the ~~clerk is the~~ respective commissioner;

3.25 (vi) for a tribal police department which exercises state arrest powers under section  
3.26 626.90, 626.91, 626.92, or 626.93, the ~~clerk is the~~ person designated by the applicable  
3.27 American Indian tribal government; and

3.28 (2) for the fire state aid program and fire relief association financial reports, the  
3.29 person who was elected or appointed to the specified position, or, for governmental  
3.30 entities other than counties, if the governing body of the governmental entity designates  
3.31 the position to perform the function, the chief financial official of the governmental entity  
3.32 or the chief administrative official of the governmental entity.

3.33 (k) "Voluntary statewide lump-sum volunteer firefighter retirement plan" means the  
3.34 retirement plan established by chapter 353G.

3.35 **EFFECTIVE DATE.** This section is effective July 1, 2011.

4.1 Sec. 2. Minnesota Statutes 2010, section 69.051, subdivision 1, is amended to read:

4.2 Subdivision 1. **Financial report and audit.** (a) The board of each salaried  
 4.3 firefighters relief association, police relief association, and volunteer firefighters relief  
 4.4 association as defined in section 424A.001, subdivision 4, with assets of at least \$200,000  
 4.5 or liabilities of at least \$200,000 in the prior year or in any previous year, according to  
 4.6 the applicable actuarial valuation or financial report if no valuation is required, shall: ~~(1)~~  
 4.7 prepare a financial report covering the special and general funds of the relief association  
 4.8 for the preceding fiscal year ~~on a form prescribed by the state auditor,~~ file the financial  
 4.9 report, and submit financial statements.

4.10 (b) The financial report must contain financial statements and disclosures which  
 4.11 present the true financial condition of the relief association and the results of relief  
 4.12 association operations in conformity with generally accepted accounting principles and in  
 4.13 compliance with the regulatory, financing and funding provisions of this chapter and any  
 4.14 other applicable laws. The financial report must be countersigned by:

4.15 (1) the municipal clerk or clerk-treasurer of the municipality in which the relief  
 4.16 association is located if the relief association is a firefighters relief association which is  
 4.17 directly associated with a municipal fire department or is a police relief association; ~~or~~  
 4.18 ~~countersigned by the secretary of the independent nonprofit firefighting corporation and~~

4.19 (2) by the municipal clerk or clerk-treasurer of the largest municipality in population  
 4.20 which contracts with the independent nonprofit firefighting corporation if the volunteer  
 4.21 firefighter relief association is a subsidiary of an independent nonprofit firefighting  
 4.22 corporation and by the secretary of the independent nonprofit firefighting corporation; or

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

4.26 ~~(2) file~~ (c) The financial report must be retained in its office for public inspection  
 4.27 and ~~present it to~~ must be filed with the city council governing body of the government  
 4.28 subdivision in which the associated fire department is located after the close of the fiscal  
 4.29 year. One copy of the financial report must be furnished to the state auditor after the  
 4.30 close of the fiscal year; ~~and.~~

4.31 ~~(3) submit to the state auditor~~ (d) Audited financial statements ~~which have been~~ must  
 4.32 be attested to by a certified public accountant, public accountant, or the state auditor and  
 4.33 must be filed with the state auditor within 180 days after the close of the fiscal year. The  
 4.34 state auditor may accept this report in lieu of the report required in ~~clause (2)~~ paragraph (c).

4.35 **EFFECTIVE DATE.** This section is effective July 1, 2011.

5.1 Sec. 3. Minnesota Statutes 2010, section 69.051, subdivision 1a, is amended to read:

5.2 Subd. 1a. **Financial statement.** (a) The board of each volunteer firefighters relief  
 5.3 association, as defined in section 424A.001, subdivision 4, that is not required to file  
 5.4 a financial report and audit under subdivision 1 must prepare a detailed statement of  
 5.5 the financial affairs for the preceding fiscal year of the relief association's special and  
 5.6 general funds in the style and form prescribed by the state auditor. The detailed statement  
 5.7 must show the sources and amounts of all money received; all disbursements, accounts  
 5.8 payable and accounts receivable; the amount of money remaining in the treasury; total  
 5.9 assets including a listing of all investments; the accrued liabilities; and all items necessary  
 5.10 to show accurately the revenues and expenditures and financial position of the relief  
 5.11 association.

5.12 (b) The detailed financial statement required under paragraph (a) must be certified  
 5.13 by an independent public accountant or auditor or by the auditor or accountant who  
 5.14 regularly examines or audits the financial transactions of the municipality. In addition to  
 5.15 certifying the financial condition of the special and general funds of the relief association,  
 5.16 the accountant or auditor conducting the examination shall give an opinion as to the  
 5.17 condition of the special and general funds of the relief association, and shall comment  
 5.18 upon any exceptions to the report. The independent accountant or auditor must have at  
 5.19 least five years of public accounting, auditing, or similar experience, and must not be an  
 5.20 active, inactive, or retired member of the relief association or the fire or police department.

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

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

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

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

5.31 (d) The volunteer firefighters' relief association board must file the detailed statement  
 5.32 required under paragraph (a) in the relief association office for public inspection and  
 5.33 present it to the city council within 45 days after the close of the fiscal year, and must  
 5.34 submit a copy of the detailed statement to the state auditor within 90 days of the close of  
 5.35 the fiscal year.

5.36 **EFFECTIVE DATE.** This section is effective July 1, 2011.

6.1 **ARTICLE 2**

6.2 **VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION**  
 6.3 **FUNDING REQUIREMENT DETERMINATION CERTIFICATIONS**

6.4 Section 1. Minnesota Statutes 2010, section 69.772, subdivision 4, is amended to read:

6.5 Subd. 4. **Certification of financial requirements and minimum municipal**  
 6.6 **obligation; levy.** (a) The officers of the relief association shall certify the financial  
 6.7 requirements of the special fund of the relief association and the minimum obligation of  
 6.8 the municipality with respect to the special fund of the relief association as determined  
 6.9 under subdivision 3 ~~to the governing body of the municipality~~ on or before August 1 of  
 6.10 each year. The certification must be made to the entity that is responsible for satisfying  
 6.11 the minimum obligation with respect to the special fund of the relief association. If the  
 6.12 responsible entity is a joint powers entity, the certification must be made in the manner  
 6.13 specified in the joint powers agreement, or if the joint powers agreement is silent on this  
 6.14 point, the certification must be made to the chair of the joint powers board.

6.15 (b) The financial requirements of the relief association and the minimum municipal  
 6.16 obligation must be included in the financial report or financial statement under section  
 6.17 69.051. The schedule forms related to the determination of the financial requirements  
 6.18 must be filed with the state auditor by March 31, annually, if the relief association is  
 6.19 required to file a financial statement under section 69.051, subdivision 1a, or by June 30,  
 6.20 annually, if the relief association is required to file a financial report and audit under  
 6.21 section 69.051, subdivision 1.

6.22 ~~(b)~~ (c) The municipality shall provide for at least the minimum obligation of the  
 6.23 municipality with respect to the special fund of the relief association by tax levy or from  
 6.24 any other source of public revenue.

6.25 ~~(c)~~ (d) The municipality may levy taxes for the payment of the minimum municipal  
 6.26 obligation without any limitation as to rate or amount and irrespective of any limitations  
 6.27 imposed by other provisions of law upon the rate or amount of taxation until the balance  
 6.28 of the special fund or any fund of the relief association has attained a specified level. In  
 6.29 addition, any taxes levied under this section must not cause the amount or rate of any other  
 6.30 taxes levied in that year or to be levied in a subsequent year by the municipality which are  
 6.31 subject to a limitation as to rate or amount to be reduced.

6.32 ~~(d)~~ (e) If the municipality does not include the full amount of the minimum  
 6.33 municipal obligations in its levy for any year, the officers of the relief association shall  
 6.34 certify that amount to the county auditor, who shall spread a levy in the amount of the  
 6.35 certified minimum municipal obligation on the taxable property of the municipality.

7.1           (e) (f) If the state auditor determines that a municipal contribution actually made  
 7.2 in a plan year was insufficient under section 69.771, subdivision 3, paragraph (c), clause  
 7.3 (5), the state auditor may request a copy of the certifications under this subdivision  
 7.4 from the relief association or from the city. The relief association or the city, whichever  
 7.5 applies, must provide the certifications within 14 days of the date of the request from  
 7.6 the state auditor.

7.7           **EFFECTIVE DATE.** This section is effective July 1, 2011.

7.8           Sec. 2. Minnesota Statutes 2010, section 69.773, subdivision 5, is amended to read:

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

7.13           (b) The minimum obligation of the municipality with respect to the special fund is  
 7.14 an amount equal to the financial requirements of the special fund of the relief association  
 7.15 determined under subdivision 4, reduced by the estimated amount of any fire state  
 7.16 aid payable under sections 69.011 to 69.051 reasonably anticipated to be received by  
 7.17 the municipality for transmittal to the special fund of the relief association during the  
 7.18 following year and the amount of any anticipated contributions to the special fund  
 7.19 required by the relief association bylaws from the active members of the relief association  
 7.20 reasonably anticipated to be received during the following calendar year. A reasonable  
 7.21 amount of anticipated fire state aid is an amount that does not exceed the fire state aid  
 7.22 actually received in the prior year multiplied by the factor 1.035.

7.23           (c) The officers of the relief association shall certify the financial requirements of  
 7.24 the special fund of the relief association and the minimum obligation of the municipality  
 7.25 with respect to the special fund of the relief association as determined under subdivision 4  
 7.26 and this subdivision ~~to the governing body of the municipality~~ by August 1 of each year.  
 7.27 The certification must be made to the entity that is responsible for satisfying the minimum  
 7.28 obligation with respect to the special fund of the relief association. If the responsible  
 7.29 entity is a joint powers entity, the certification must be made in the manner specified in  
 7.30 the joint powers agreement, or if the joint powers agreement is silent on this point, the  
 7.31 certification must be made to the chair of the joint powers board.

7.32           (d) The financial requirements of the relief association and the minimum municipal  
 7.33 obligation must be included in the financial report or financial statement under section  
 7.34 69.051.

8.1 ~~(d)~~ (e) The municipality shall provide for at least the minimum obligation of the  
 8.2 municipality with respect to the special fund of the relief association by tax levy or from  
 8.3 any other source of public revenue. The municipality may levy taxes for the payment of the  
 8.4 minimum municipal obligation without any limitation as to rate or amount and irrespective  
 8.5 of any limitations imposed by other provisions of law or charter upon the rate or amount  
 8.6 of taxation until the balance of the special fund or any fund of the relief association has  
 8.7 attained a specified level. In addition, any taxes levied under this section must not cause  
 8.8 the amount or rate of any other taxes levied in that year or to be levied in a subsequent year  
 8.9 by the municipality which are subject to a limitation as to rate or amount to be reduced.

8.10 ~~(e)~~ (f) If the municipality does not include the full amount of the minimum municipal  
 8.11 obligation in its levy for any year, the officers of the relief association shall certify that  
 8.12 amount to the county auditor, who shall spread a levy in the amount of the minimum  
 8.13 municipal obligation on the taxable property of the municipality.

8.14 ~~(f)~~ (g) If the state auditor determines that a municipal contribution actually made  
 8.15 in a plan year was insufficient under section 69.771, subdivision 3, paragraph (c), clause  
 8.16 (5), the state auditor may request from the relief association or from the city a copy of  
 8.17 the certifications under this subdivision. The relief association or the city, whichever  
 8.18 applies, must provide the certifications within 14 days of the date of the request from  
 8.19 the state auditor.

8.20 **EFFECTIVE DATE.** This section is effective July 1, 2011.

### 8.21 **ARTICLE 3**

#### 8.22 **VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION** 8.23 **BOARD SALARIES**

8.24 Section 1. Minnesota Statutes 2010, section 69.80, is amended to read:

#### 8.25 **69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.**

8.26 (a) Notwithstanding any provision of law to the contrary, the payment of the  
 8.27 following necessary, reasonable and direct expenses of maintaining, protecting and  
 8.28 administering the special fund, when provided for in the bylaws of the association and  
 8.29 approved by the board of trustees, constitutes authorized administrative expenses of a  
 8.30 police, salaried firefighters', or volunteer firefighters' relief association organized under  
 8.31 any law of this state:

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



9.1 (2) salaries of the ~~president, secretary, and treasurer~~ officers of the association, or  
 9.2 their designees, and ~~any other official~~ salaries of the members of the board of trustees of  
 9.3 the relief association to whom a salary is payable under bylaws or articles of incorporation  
 9.4 in effect on January 1, 1986 if the salary amounts are approved by the governing body of  
 9.5 the entity that is responsible for meeting any minimum obligation under section 69.77,  
 9.6 69.772, or 69.773, and their the itemized expenses of relief association officers and board  
 9.7 members that are incurred as a result of fulfilling their responsibilities as administrators  
 9.8 of the special fund;

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

9.12 (4) audit, actuarial, medical, legal, and investment and performance evaluation  
 9.13 expenses;

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

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

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

9.25 **EFFECTIVE DATE.** This section is effective July 1, 2011.

9.26 **ARTICLE 4**

9.27 **VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION**  
 9.28 **FILING AND APPLICATION FEE EXPENSES**

9.29 Section 1. Minnesota Statutes 2010, section 69.80, is amended to read:

9.30 **69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.**

9.31 (a) Notwithstanding any provision of law to the contrary, the payment of the  
 9.32 following necessary, reasonable and direct expenses of maintaining, protecting and  
 9.33 administering the special fund, when provided for in the bylaws of the association and  
 9.34 approved by the board of trustees, constitutes authorized administrative expenses of a

10.1 police, salaried firefighters', or volunteer firefighters' relief association organized under  
 10.2 any law of this state:

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

10.6 (2) salaries of the president, secretary, and treasurer of the association, or their  
 10.7 designees, and any other official of the relief association to whom a salary is payable  
 10.8 under bylaws or articles of incorporation in effect on January 1, 1986, and their itemized  
 10.9 expenses incurred as a result of fulfilling their responsibilities as administrators of the  
 10.10 special fund;

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

10.14 (4) audit, actuarial, medical, legal, and investment and performance evaluation  
 10.15 expenses;

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

10.18 ~~(5)~~ (6) reimbursement to the officers and members of the board of trustees, or  
 10.19 their designees, for reasonable and necessary expenses actually paid and incurred in the  
 10.20 performance of their duties as officers or members of the board; and

10.21 ~~(6)~~ (7) premiums on fiduciary liability insurance and official bonds for the officers,  
 10.22 members of the board of trustees, and employees of the relief association.

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

10.29 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2010.

10.30

## ARTICLE 5

10.31

### VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION RETURN TO SERVICE MODIFICATIONS

10.32

10.33 Section 1. Minnesota Statutes 2010, section 424A.01, subdivision 6, is amended to  
 10.34 read:

11.1 Subd. 6. **Return to active firefighting after break in service.** (a) The requirements  
 11.2 of this section apply to all breaks in service, except breaks in service mandated by federal  
 11.3 or state law.

11.4 (b)(1) If a firefighter who has ceased to perform or supervise fire suppression and  
 11.5 fire prevention duties for at least 60 days resumes performing active firefighting with the  
 11.6 fire department associated with the relief association, if the bylaws of the relief association  
 11.7 so permit, the firefighter may again become an active member of the relief association. A  
 11.8 firefighter who returns to active service and membership is subject to the service pension  
 11.9 calculation requirements under this section.

11.10 (2) A firefighter who has been granted an approved leave of absence not exceeding  
 11.11 one year by the fire department or by the relief association is exempt from the minimum  
 11.12 period of resumption service requirement of this section.

11.13 (3) A person who has a break in service not exceeding one year but has not been  
 11.14 granted an approved leave of absence and who has not received a service pension or  
 11.15 disability benefit may be made exempt from the minimum period of resumption service  
 11.16 requirement of this section by the relief association bylaws.

11.17 (4) If the bylaws so provide, a firefighter who returns to active relief association  
 11.18 membership under this paragraph may continue to collect a monthly service pension,  
 11.19 notwithstanding the service pension eligibility requirements under chapter 424A.

11.20 (c) If a former firefighter who has received a service pension or disability benefit  
 11.21 returns to active relief association membership under paragraph (b), the firefighter may  
 11.22 qualify for the receipt of a service pension from the relief association for the resumption  
 11.23 service period if the firefighter meets the service requirements of section 424A.016,  
 11.24 subdivision 3, or 424A.02, subdivision 2. No firefighter may be paid a service pension  
 11.25 more than once for the same period of service.

11.26 (d) If a former firefighter who has not received a service pension or disability benefit  
 11.27 returns to active relief association membership under paragraph (b), the firefighter may  
 11.28 qualify for the receipt of a service pension from the relief association for the original  
 11.29 and resumption service period periods if the firefighter meets the ~~minimum period of~~  
 11.30 ~~resumption service specified in the relief association bylaws and the~~ service requirements  
 11.31 of section 424A.016, subdivision 3, or 424A.02, subdivision 2, based on the original and  
 11.32 resumption years of service credit.

11.33 (e) A firefighter who returns to active lump-sum relief association membership  
 11.34 under paragraph (b) and who qualifies for a service pension under paragraph (c) ~~or (d)~~  
 11.35 must have, upon a subsequent cessation of duties, any service pension for the resumption  
 11.36 service period calculated as a separate benefit. If a lump-sum service pension had

12.1 been paid to the firefighter upon the firefighter's previous cessation of duties, a second  
 12.2 lump-sum service pension for the resumption service period must be calculated ~~to apply~~  
 12.3 by applying the service pension amount in effect on the date of the firefighter's termination  
 12.4 of the resumption service for all years of the resumption service. ~~No firefighter may be~~  
 12.5 ~~paid a service pension twice for the same period of service. If a lump-sum service pension~~  
 12.6 ~~had not been paid to the firefighter upon the firefighter's previous cessation of duties and~~  
 12.7 ~~the firefighter meets the minimum service requirement of section 424A.016, subdivision~~  
 12.8 ~~3, or 424A.02, subdivision 2, a service pension must be calculated to apply the service~~  
 12.9 ~~pension amount in effect on the date of the firefighter's termination of the resumption~~  
 12.10 ~~service for all years of service credit.~~

12.11 (f) A firefighter who had not been paid a lump-sum service pension returns to  
 12.12 active relief association membership under paragraph (b), who ~~does~~ did not qualify for  
 12.13 ~~a service pension under paragraph (d)~~ meet the minimum period of resumption service  
 12.14 requirement specified in the relief association's bylaws, but who does meet the minimum  
 12.15 service requirement of section ~~424A.016, subdivision 3, or~~ 424A.02, subdivision 2, based  
 12.16 on the firefighter's ~~previous~~ original and resumption years of active service, must have,  
 12.17 upon a subsequent cessation of duties, a service pension ~~calculated~~ for the ~~previous years~~  
 12.18 ~~of~~ original and resumption service ~~based on periods calculated by applying~~ the service  
 12.19 pension amount in effect on the date of the firefighter's termination of the resumption  
 12.20 service, or, if the bylaws so provide, based on the service pension amount in effect on the  
 12.21 date of the firefighter's previous cessation of duties. The service pension for a firefighter  
 12.22 who returns to active lump-sum relief association membership under this paragraph, but  
 12.23 who had met the minimum period of resumption service requirement specified in the relief  
 12.24 association's bylaws, must be calculated by applying the service pension amount in effect  
 12.25 on the date of the firefighter's termination of the resumption service.

12.26 (g) If a firefighter receiving a monthly benefit service pension returns to active  
 12.27 monthly benefit relief association membership under paragraph (b), and if the relief  
 12.28 association bylaws do not allow for the firefighter to continue collecting a monthly service  
 12.29 pension, any monthly benefit service pension payable to the firefighter is suspended as  
 12.30 of the first day of the month next following the date on which the firefighter returns to  
 12.31 active membership. If the firefighter was receiving a monthly benefit service pension, and  
 12.32 qualifies for a service pension under paragraph (c), the firefighter is entitled to an additional  
 12.33 monthly benefit service pension upon a subsequent cessation of duties calculated based  
 12.34 on the resumption service credit and the service pension accrual amount in effect on the  
 12.35 date of the termination of the resumption service. A suspended initial service pension  
 12.36 resumes as of the first of the month next following the termination of the resumption

13.1 service. If the firefighter was not receiving a monthly benefit service pension and meets  
13.2 the minimum service requirement of section 424A.02, subdivision 2, a service pension  
13.3 must be calculated ~~to apply~~ by applying the service pension amount in effect on the date  
13.4 of the firefighter's termination of the resumption service for all years of service credit.

13.5 (h) A firefighter who was not receiving a monthly benefit service pension returns to  
13.6 active relief association membership under paragraph (b), who ~~does~~ did not qualify for  
13.7 a service pension under paragraph (d) meet the minimum period of resumption service  
13.8 requirement specified in the relief association's bylaws, but who does meet the minimum  
13.9 service requirement of section 424A.02, subdivision 2, based on the firefighter's ~~previous~~  
13.10 original and resumption years of active service, must have, upon a subsequent cessation  
13.11 of duties, a service pension ~~calculated~~ for the ~~previous years of~~ original and resumption  
13.12 service based on periods calculated by applying the service pension amount in effect on  
13.13 the date of the firefighter's termination of the resumption service, or, if the bylaws so  
13.14 provide, based on the service pension amount in effect on the date of the firefighter's  
13.15 previous cessation of duties. The service pension for a firefighter who returns to active  
13.16 relief association membership under this paragraph, but who had met the minimum period  
13.17 of resumption service requirement specified in the relief association's bylaws, must be  
13.18 calculated by applying the service pension amount in effect on the date of the firefighter's  
13.19 termination of the resumption service.

13.20 (i) For defined contribution plans, a firefighter who returns to active relief  
13.21 association membership under paragraph (b) and who qualifies for a service pension  
13.22 under paragraph (c) or (d) must have, upon a subsequent cessation of duties, any service  
13.23 pension for the resumption service period calculated as a separate benefit. If a service  
13.24 pension had been paid to the firefighter upon the firefighter's previous cessation of duties,  
13.25 and if the firefighter meets the minimum service requirement of section 424A.016,  
13.26 subdivision 3, based on the resumption years of service, a second service pension for  
13.27 the resumption service period must be calculated to include allocations credited to the  
13.28 firefighter's individual account during the resumption period of service and deductions  
13.29 for administrative expenses, if applicable.

13.30 (j) For defined contribution plans, if a firefighter who had not been paid a service  
13.31 pension returns to active relief association membership under paragraph (b), and who  
13.32 meets the minimum service requirement of section 424A.016, subdivision 3, based on  
13.33 the firefighter's original and resumption years of service, must have, upon a subsequent  
13.34 cessation of duties, a service pension for the original and resumption service periods  
13.35 calculated to include allocations credited to the firefighter's individual account during the

14.1 resumption period of service and deductions for administrative expenses, if applicable,  
 14.2 less any amounts previously forfeited under section 424A.016, subdivision 4.

14.3 **EFFECTIVE DATE.** This section is effective July 1, 2011.

14.4 **ARTICLE 6**

14.5 **DEFINED CONTRIBUTION VOLUNTEER FIREFIGHTER RELIEF**  
 14.6 **ASSOCIATION SURVIVOR BENEFIT INSTALLMENT PAYMENTS**

14.7 Section 1. Minnesota Statutes 2010, section 424A.016, subdivision 5, is amended to  
 14.8 read:

14.9 Subd. 5. **Service pension installment payments.** (a) A defined contribution relief  
 14.10 association, if the governing bylaws so provide, may pay, at the option of the ~~retiring~~  
 14.11 ~~member~~ intended recipient and in lieu of a single payment of a service pension or a  
 14.12 survivor benefit, the service pension or survivor benefit in installments.

14.13 (b) The election of installment payments is irrevocable and must be made by the  
 14.14 ~~retiring member~~ intended recipient in writing and filed with the secretary of the relief  
 14.15 association no later than 30 days before the commencement of payment of the service  
 14.16 pension or survivor benefit.

14.17 (c) The amount of the installment payments must be the fractional portion of the  
 14.18 remaining account balance equal to one divided by the number of remaining annual  
 14.19 installment payments.

14.20 **EFFECTIVE DATE.** This section is effective July 1, 2011.

14.21 **ARTICLE 7**

14.22 **MEMBER DUES AS VOLUNTEER FIREFIGHTER**  
 14.23 **RELIEF ASSOCIATION SPECIAL FUND CONTRIBUTIONS**

14.24 Section 1. Minnesota Statutes 2010, section 424A.06, subdivision 2, is amended to  
 14.25 read:

14.26 Subd. 2. **General fund assets and revenues.** ~~To~~ (a) The general fund, if established,  
 14.27 must be credited with the following:

14.28 (1) all ~~moneys~~ money received from dues; other than dues payable as contributions  
 14.29 under the bylaws of the relief association to the special fund;

14.30 (2) all money received from fines;

14.31 (3) all money received from initiation fees;

14.32 (4) all money received as entertainment revenues; and

15.1           (5) any ~~moneys~~ money or property donated, given, granted or devised by any  
15.2 person, either for the support of the general fund of the relief association or for unspecified  
15.3 uses purposes.

15.4           (b) The treasurer of the relief association is the custodian of the assets of the general  
15.5 fund and must be the recipient on behalf of the general fund of all revenues payable to the  
15.6 general fund. The treasurer shall maintain adequate records documenting any transaction  
15.7 involving the assets or the revenues of the general fund. These records must be open for  
15.8 inspection by any member of the relief association at reasonable times and places.

15.9           **EFFECTIVE DATE.** This section is effective July 1, 2011.

15.10

## ARTICLE 8

15.11

### TECHNICAL CHANGES RELATED TO

15.12

### VOLUNTEER FIREFIGHTER RELIEF ASSOCIATIONS

15.13           Section 1. Minnesota Statutes 2010, section 69.051, subdivision 1, is amended to read:

15.14           Subdivision 1. **Financial report and audit.** The board of each salaried firefighters  
15.15 relief association, police relief association, and volunteer firefighters relief association as  
15.16 defined in section 424A.001, subdivision 4, with assets of at least \$200,000 or liabilities  
15.17 of at least \$200,000 in the prior year or in any previous year, according to the applicable  
15.18 actuarial valuation or financial report if no valuation is required, shall:

15.19           (1) prepare a financial report covering the special and general funds of the relief  
15.20 association for the preceding fiscal year on a form prescribed by the state auditor. The  
15.21 financial report must contain financial statements and disclosures which present the true  
15.22 financial condition of the relief association and the results of relief association operations  
15.23 in conformity with generally accepted accounting principles and in compliance with the  
15.24 regulatory, financing and funding provisions of this chapter and any other applicable laws.  
15.25 The financial report must be countersigned by the municipal clerk or clerk-treasurer of  
15.26 the municipality in which the relief association is located if the relief association is a  
15.27 firefighters relief association which is directly associated with a municipal fire department  
15.28 or is a police relief association, or countersigned by the secretary of the independent  
15.29 nonprofit firefighting corporation and by the municipal clerk or clerk-treasurer of the  
15.30 largest municipality in population which contracts with the independent nonprofit  
15.31 firefighting corporation if the volunteer firefighter relief association is a subsidiary of an  
15.32 independent nonprofit firefighting corporation;

16.1 (2) file the financial report in its office for public inspection and present it to the city  
 16.2 council after the close of the fiscal year. One copy of the financial report must be furnished  
 16.3 to the state auditor after the close of the fiscal year; and

16.4 (3) submit to the state auditor audited financial statements which have been attested  
 16.5 to by a certified public accountant, ~~public accountant~~, or the state auditor within 180  
 16.6 days after the close of the fiscal year. The state auditor may accept this report in lieu of  
 16.7 the report required in clause (2).

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

16.9 Sec. 2. Minnesota Statutes 2010, section 69.051, subdivision 3, is amended to read:

16.10 Subd. 3. **Report by certain municipalities.** (a) Each municipality which has  
 16.11 an organized fire department but which does not have a firefighters' relief association  
 16.12 governed by section 69.77 or sections 69.771 to 69.775 and which is not exempted  
 16.13 under paragraph (b) shall annually prepare a detailed financial report of the receipts and  
 16.14 disbursements by the municipality for fire protection service during the preceding calendar  
 16.15 year, on a form prescribed by the state auditor. The financial report must contain any  
 16.16 information which the state auditor deems necessary to disclose the sources of receipts  
 16.17 and the purpose of disbursements for fire protection service. The financial report must be  
 16.18 signed by the municipal clerk or clerk-treasurer of the municipality. The financial report  
 16.19 must be filed by the municipal clerk or clerk-treasurer with the state auditor on or before  
 16.20 July 1 annually. ~~The state auditor shall forward one copy to the county auditor of the~~  
 16.21 ~~county wherein the municipality is located.~~ The municipality shall not qualify initially to  
 16.22 receive, or be entitled subsequently to retain, state aid under this chapter if the financial  
 16.23 reporting requirement or the applicable requirements of this chapter or any other statute or  
 16.24 special law have not been complied with or are not fulfilled.

16.25 (b) Each municipality that has an organized fire department and provides retirement  
 16.26 coverage to its firefighters through the voluntary statewide lump-sum volunteer firefighter  
 16.27 retirement plan under chapter 353G qualifies to have fire state aid transmitted to and  
 16.28 retained in the statewide lump-sum volunteer firefighter retirement fund without filing  
 16.29 a detailed financial report if the executive director of the Public Employees Retirement  
 16.30 Association certifies compliance by the municipality with the requirements of sections  
 16.31 353G.04 and 353G.08, paragraph (e), and by the applicable fire chief with the requirements  
 16.32 of section 353G.07.

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



17.1 Sec. 3. Minnesota Statutes 2010, section 424A.001, subdivision 4, is amended to read:

17.2 Subd. 4. **Relief association.** (a) "Relief association" or "volunteer firefighters'  
 17.3 relief association" means ~~(1)~~ a volunteer firefighters' relief association or a volunteer  
 17.4 firefighters' division or account of a partially salaried and partially volunteer firefighters'  
 17.5 relief association that is:

17.6 (1) organized and incorporated as a nonprofit corporation to provide retirement  
 17.7 benefits to volunteer firefighters under chapter 317A and any laws of the state;

17.8 (2) is governed by this chapter and ~~chapter 69, sections 69.771 to 69.775;~~ and

17.9 (3) is directly associated with:

17.10 (i) a fire department established by municipal ordinance; ~~or~~

17.11 ~~(2) any separately incorporated volunteer firefighters' relief association that is~~  
 17.12 ~~subsidiary to and that provides service pension and retirement benefit coverage for~~  
 17.13 ~~members of (ii) an independent nonprofit firefighting corporation that is organized under~~  
 17.14 ~~the provisions of chapter 317A, is governed by this chapter, and that operates exclusively~~  
 17.15 ~~primarily for firefighting purposes; or~~

17.16 (iii) a fire department operated as or by a joint powers entity that operates primarily  
 17.17 for firefighting purposes.

17.18 (b) "Relief association" or "volunteer firefighters' relief association" does not mean:

17.19 (1) the Bloomington Fire Department Relief Association governed by section 69.77;  
 17.20 Minnesota Statutes 2000, chapter 424; and Laws 1965, chapter 446, as amended;

17.21 (2) the Minneapolis Firefighters Relief Association governed by section 69.77;  
 17.22 chapter 423A, and chapter 423C;

17.23 (3) the Virginia Fire Department Relief Association governed by section 69.77;  
 17.24 chapter 423A; and Laws 1953, chapter 399, as amended; or

17.25 (4) the voluntary statewide lump-sum volunteer firefighter retirement plan governed  
 17.26 by Minnesota Statutes, chapter 353G.

17.27 (c) A relief association or volunteer firefighters' relief association is a governmental  
 17.28 entity that receives and manages public money to provide retirement benefits for  
 17.29 individuals providing the governmental services of firefighting and emergency first  
 17.30 response.

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

17.32 Sec. 4. Minnesota Statutes 2010, section 424A.02, subdivision 9, is amended to read:

17.33 Subd. 9. **Limitation on ancillary benefits.** A defined benefit relief association,  
 17.34 including any volunteer firefighters relief association governed by section 69.77 or any  
 17.35 volunteer firefighters division of a relief association governed by chapter 424, may only

18.1 pay ancillary benefits which would constitute an authorized disbursement as specified in  
18.2 section 424A.05 subject to the following requirements or limitations:

18.3 (1) with respect to a defined benefit relief association in which governing bylaws  
18.4 provide for a lump-sum service pension to a retiring member, no ancillary benefit may  
18.5 be paid to any former member or paid to any person on behalf of any former member  
18.6 after the former member (i) terminates active service with the fire department and active  
18.7 membership in the relief association; and (ii) commences receipt of a service pension as  
18.8 authorized under this section; and

18.9 (2) with respect to any defined benefit relief association, no ancillary benefit paid or  
18.10 payable to any member, to any former member, or to any person on behalf of any member  
18.11 or former member, may exceed in amount the total earned service pension of the member  
18.12 or former member. The total earned service pension must be calculated by multiplying  
18.13 the service pension amount specified in the bylaws of the relief association at the time of  
18.14 death or disability, whichever applies, by the years of service credited to the member or  
18.15 former member. The years of service must be determined as of (i) the date the member or  
18.16 former member became entitled to the ancillary benefit; or (ii) the date the member or  
18.17 former member died entitling a survivor or the estate of the member or former member to  
18.18 an ancillary benefit. The ancillary benefit must be calculated without regard to whether the  
18.19 member had attained the minimum amount of service and membership credit specified in  
18.20 the governing bylaws. For active members, the amount of a permanent disability benefit  
18.21 or a survivor benefit must be equal to the member's total earned service pension except  
18.22 that the bylaws of a defined benefit relief association may provide for the payment of a  
18.23 survivor benefit in an amount not to exceed five times the yearly service pension amount  
18.24 specified in the bylaws on behalf of any member who dies before having performed five  
18.25 years of active service in the fire department with which the relief association is affiliated.

18.26 (3)(i) If a lump sum survivor or death benefit is payable under the articles of  
18.27 incorporation or bylaws, the benefit must be paid:

18.28 (A) as a survivor benefit to the surviving spouse of the deceased firefighter;

18.29 (B) as a survivor benefit to the surviving children of the deceased firefighter if  
18.30 no surviving spouse;

18.31 (C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no  
18.32 surviving spouse or surviving children; or

18.33 (D) as a death benefit to the estate of the deceased active or deferred firefighter if no  
18.34 surviving spouse, no surviving children, and no beneficiary designated.

18.35 (ii) If there are no surviving children, the surviving spouse may waive, in writing,  
18.36 wholly or partially, the spouse's entitlement to a survivor benefit.

19.1 (4)(i) If a monthly benefit survivor or death benefit is payable under the articles of  
 19.2 incorporation or bylaws, the benefit must be paid:

19.3 (A) as a survivor benefit to the surviving spouse of the deceased firefighter;

19.4 (B) as a survivor benefit to the surviving children of the deceased firefighter if  
 19.5 no surviving spouse;

19.6 (C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no  
 19.7 surviving spouse or surviving children; or

19.8 (D) as a death benefit to the estate of the deceased active or deferred firefighter if no  
 19.9 surviving spouse, no surviving children, and no beneficiary designated.

19.10 (ii) If there are no surviving children, the surviving spouse may waive, in writing,  
 19.11 wholly or partially, the spouse's entitlement to a survivor benefit.

19.12 (iii) For purposes of this clause, if the relief association bylaws authorize a monthly  
 19.13 survivor benefit payable to a designated beneficiary, the relief association bylaws may  
 19.14 limit the total survivor benefit amount payable.

19.15 (5) For purposes of this section, for a monthly benefit volunteer fire relief association  
 19.16 or for a combination lump-sum and monthly benefit volunteer fire relief association where  
 19.17 a monthly benefit service pension has been elected by or a monthly benefit is payable with  
 19.18 respect to a firefighter, a designated beneficiary must be a natural person. For purposes  
 19.19 of this section, for a lump-sum volunteer fire relief association or for a combination  
 19.20 lump-sum and monthly benefit volunteer fire relief association where a lump-sum service  
 19.21 pension has been elected by or a lump-sum benefit is payable with respect to a firefighter,  
 19.22 a trust created under chapter 501B may be a designated beneficiary. If a trust is payable to  
 19.23 the surviving children organized under chapter 501B as authorized by this section and  
 19.24 there is no surviving spouse, the survivor benefit may be paid to the trust, notwithstanding  
 19.25 a requirement of this section to the contrary.

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

19.27 Sec. 5. Minnesota Statutes 2010, section 424A.04, subdivision 3, is amended to read:

19.28 Subd. 3. **Conditions on relief association consultants.** (a) If a volunteer firefighter  
 19.29 relief association employs or contracts with a consultant to provide legal or financial  
 19.30 advice, the secretary of the relief association shall obtain and the consultant shall provide  
 19.31 to the secretary of the relief association a copy of the consultant's certificate of insurance.

19.32 (b) A consultant is any person who is employed under contract to provide legal or  
 19.33 financial advice and who is or who represents to the volunteer firefighter relief association  
 19.34 that the person is:

19.35 (1) an actuary;

- 20.1 (2) ~~a licensed public accountant~~ or a certified public accountant;
- 20.2 (3) an attorney;
- 20.3 (4) an investment advisor or manager, or an investment counselor;
- 20.4 (5) an investment advisor or manager selection consultant;
- 20.5 (6) a pension benefit design advisor or consultant; or
- 20.6 (7) any other financial consultant.

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