



S.F. 96
(Chamberlain)

H.F. 156
(Dean, M.)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): White Bear Lake Volunteer Firefighter Relief Association
Relevant Provisions of Law: Uncoded provision
General Nature of Proposal: Permits the reinstatement of an additional lump sum death benefit for pre-2009 retired firefighters
Date of Summary: February 20, 2013

Specific Proposed Changes

- Permits the White Bear Lake Volunteer Firefighter Relief Association, if the local law is approved by the City of White Bear Lake, to amend its bylaws to provide a \$2,000 lump sum death benefit to the estates of firefighters with at least 20 years of service and relief association membership who retired before the effective date of the 2008 provision that restricted the number of death or survivor benefits payable on behalf of retired members.

Policy Issues Raised by the Proposed Legislation

1. Claim for funeral benefit for pre-2009 retired firefighters.
2. Actuarial cost of the special funeral benefit; actuarial condition of the White Bear Lake VFRA.
3. Prospect for local law approval by the city.
4. Prospect for White Bear Lake VFRA implementing a bylaw amendment.

Potential Amendments

No suggested amendments by Commission staff.



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *JLM*
RE: S.F. 96 (Chamberlain); H.F. 156 (Dean, M.): White Bear Lake Volunteer Firefighters Relief Association; Authorization of a Death Benefit for Certain Retired Firefighters
DATE: February 20, 2013

Summary of S.F. 96 (Chamberlain); H.F. 156 (Dean, M.)

S.F. 96 (Chamberlain); H.F. 156 (Dean, M.) permits the White Bear Lake Volunteer Firefighter Relief Association, if the local law is approved by the City of White Bear Lake, to amend its bylaws to provide a \$2,000 lump sum death benefit to the estates of firefighters with at least 20 years of service and relief association membership who retired before the effective date of the 2008 provision that restricted the number of death or survivor benefits payable on behalf of retired members.

White Bear Lake Volunteer Firefighter Relief Association Retiree Request

The White Bear Lake retired firefighters are requesting the reinstatement of an additional lump sum benefit for pre-January 1, 2009, retired firefighters from the relief association in the form of a death benefit payable to the deceased retired firefighter's estate. Currently, Minnesota Statutes, Section 424A.05, Subdivision 3, Clause (4), limits death benefits or survivor benefits only on behalf of active or deferred firefighters and does not authorize the payment of funeral benefits.

Background Information on Authorized Volunteer Firefighter Relief Association Special Fund Disbursements

Background information on the disbursements authorized to be paid from the special fund of a volunteer firefighter relief association is set forth in **Attachment A**.

Discussion and Analysis

S.F. 96 (Chamberlain); H.F. 156 (Dean, M.) revives for pre-January 1, 2009, retired firefighters with at least 20 years of service credit of the White Bear Lake Volunteer Firefighter Relief Association the practice of the relief association in providing a \$2,000 funeral benefit if the City of White Bear Lake approves the local legislation and if the White Bear Lake Volunteer Firefighter Relief Association amends its bylaws accordingly.

The proposed legislation will raise several pension and related public policy issues for Commission consideration and possible Commission discussion, as follows:

1. Claim for Funeral Benefit for Pre-2009 Retired Firefighters. The policy issue is to what extent the Legislature may wish to validate the claims of pre-January 1, 2009, long-service retired firefighters to eligibility for their estates for a funeral benefit that the White Bear Lake Volunteer Firefighter Relief Association paid before 2009. The Legislative Commission on Pensions and Retirement does not maintain a library of local volunteer firefighter relief association bylaws from the 700+ volunteer firefighter relief associations, so the Commission staff cannot verify that it was the practice of the White Bear Lake Volunteer Firefighter Relief Association to pay a funeral benefit to the estates of retired firefighters before January 1, 2009, and cannot verify the funeral benefit amount. The 2008 eliminations of the funeral benefit payment authority represented several policy ends, identified in the Commission staff memorandum for 2008 Session H.F. 3938 (Murphy, M.); S.F. xxxx, as:
 - Eliminate Funeral Benefit Confusion for Lump Sum Volunteer Firefighter Relief Associations. Most volunteer firefighter relief associations are lump sum defined benefit retirement plans or defined contribution retirement plans and do not pay funeral benefits because it is contrary to the limitation on ancillary benefit payments, Minnesota Statutes, Section 424A.02, Subdivision 9 (lump sum defined benefit volunteer firefighter relief associations) or there remains no volunteer firefighter relief association member account balance from which to pay a funeral benefit. Having authority to pay a funeral benefit in one volunteer firefighter relief association statute while another volunteer firefighter relief association statute prohibits a funeral benefit payment beyond a lump sum service pension (because the funeral benefit is not funded) leads to misunderstandings and consequent state law violations. Only 23 (including White Bear Lake) of more than 700 volunteer firefighter relief associations would have had statutory authority to pay a funeral benefit in 2009.

- Nominal Amount of Funeral Benefit. Funeral benefits, where authorized, usually were of a nominal amount and are never the primary benefit coverage of any volunteer firefighter relief association.
- Funeral Benefits are Generally Provided by Volunteer Firefighter Relief Association General Fund. Funeral benefits and other fraternal organization benefits are those of the type most commonly provided by the general fund of a volunteer firefighter relief association, which is funded from various fundraising activities and not supported from fire state aid or municipal contributions.

The elimination of funeral benefits was one of the recommendations of the Volunteer Firefighter Relief Association Working Group assembled by the Office of the State Auditor and those recommendations were circulated widely in the volunteer fire community when formulated in the Fall of 2008 by the Internet and otherwise. The funeral benefit elimination was flagged as a policy issue for the Legislative Commission on Pensions and Retirement by the Commission staff when H.F. 3938 (Murphy, M.); S.F. xxxx was heard by the Commission and the Commission received no opposition testimony. Following passage of the 2008 legislation the White Bear Lake Volunteer Firefighter Relief Association reportedly modified its bylaws to eliminate the death/funeral benefit. If there is to be a claim for these benefits, the affected firefighters could litigate the claim in Ramsey County District Court against the White Bear Lake Volunteer Firefighter Relief Association.

2. Actuarial Cost of the Special Funeral Benefit; Actuarial Condition of the White Bear Lake Volunteer Firefighter Relief Association. The policy issue is the actuarial impact of adding a funeral benefit for the pre-2009 retired White Bear Lake firefighters and its affordability given the actuarial condition of the White Bear Lake Volunteer Firefighter Relief Association. As an additional benefit, the special funeral benefit will have an actuarial cost for the White Bear Lake Volunteer Firefighter Relief Association and its impact on the funding of the relief association can only be assessed by a competent actuary (i.e. a Fellow in the Society of Actuaries). No actuarial work has been made available by the proponents of the additional benefit. The following summarizes the most recent actuarial condition of the White Bear Lake Volunteer Firefighter Relief Association as reported by the Office of the State Auditor as of December 31, 2010:

White Bear Lake VFRA	
	12/31/2010
Accrued Liability	\$4,872,330
Assets	\$5,492,113
Unfunded Actuarial Accrued Liability	(\$618,783)
Funded Ratio	112.70%
Service Pensions Payable	\$216,361
Normal Cost	\$125,003
Administrative Expenses	\$21,714
Amortization	---
Total Actuarial Requirements	\$146,717
Fire State Aid	\$159,880
Municipal Contribution	0
Total Support	\$159,880
Active Membership	49
Retired Membership	41
Deferred Membership	11
Total Membership	101

3. Prospect for Local Law Approval by the City. The policy issue is the likelihood that the special legislation has the support of the City of White Bear Lake and that, if the potential legislation proceeds, it would be approved by the city. Usually, this support would be documented in the form of a supportive municipal resolution adopted by the city council. If the special legislation is not supported by the White Bear Lake City Council and mayor, the Legislative Commission on Pensions and Retirement and the Legislature would not be well advised to spend valuable legislative time processing the potential legislation during a legislative session.
4. Prospect for White Bear Lake Volunteer Firefighter Relief Association Implementing Bylaw Amendment. The policy issue is the likelihood that the White Bear Lake Volunteer Firefighter Relief Association would enact a bylaw amendment to provide a \$2,000 funeral benefit for its pre-January 1, 2009, retirees. Even if the City of White Bear Lake is supportive of the potential legislation, the benefit can only be provided if the relief association implements through a bylaw amendment. A supportive White Bear Lake Volunteer Firefighter Relief Association board of trustees resolution would provide evidence of relief association support. Again, legislative time should not be wasted on potential legislation if that legislation will not be ultimately implemented.

Background Information on Volunteer Firefighter Relief Association Special Fund Disbursements

Minnesota Statutes, Section 424A.05, governs the special funds of volunteer firefighters' relief associations, including the disbursements authorized from volunteer firefighter relief association special funds.

Minnesota Statutes, Section 424A.05, enacted in 1979, replaced Minnesota Statutes 1978, Section 424.31, in part. Minnesota Statutes 1978, Section 424.31, with respect to authorized volunteer firefighter relief association special fund disbursements, limited expenditures from the volunteer firefighter relief association special fund to the following:

- (1) for the relief of sick, injured, and disabled members of the fire department in the city;
- (2) for the payment of pensions to disabled firefighters and the surviving spouses and orphans of firefighters;
- (3) for the payment of pensions to retired firefighters under the laws of the state;
- (4) for the payment of the fees, dues, and assessments in the Minnesota State Fire Department Association, and in the Volunteer Firemen's Benefit Association of Minnesota so as to entitle the members of any qualified fire department to membership in and benefits of such state association;
- (5) for the payment of such death or funeral benefits as may be from time to time stipulated in the bylaws of the relief association; and
- (6) for the payment of necessary expenses of administering the relief association, including the salaries of the president, secretary, and treasurer.

Laws 1979, Chapter 201, Section 15, Subdivision 3, coded as Minnesota Statutes 1979 Supplement, Section 424A.05, Subdivision 3, limited the expenditures payable from a volunteer firefighter relief association special fund to the following:

- (1) for the payment of service pensions to retired members of the relief association if authorized and paid pursuant to law and the bylaws governing the relief association;
- (2) for the payment of temporary or permanent disability retirement benefits to disabled members of the relief association if authorized and paid pursuant to law and specified in amount in the bylaws governing the relief association;
- (3) for the payment of survivor retirement benefits to surviving spouses and surviving children of deceased members of the relief association if authorized by and paid pursuant to law and specified in amount in the bylaws governing the relief association;
- (4) for the payment of any funeral benefits to the surviving spouse, or if no surviving spouse, the estate, of the deceased member of the relief association if authorized by law and specified in amount in the bylaws governing the relief association;
- (5) for the payment of the fees, dues and assessments to the Minnesota State Fire Department Association and to the State Volunteer Firefighters Benefit Association in order to entitle relief association members to membership in and the benefits of these state associations; and
- (6) for the payment of administrative expenses of the relief association as authorized pursuant to Section 69.80.

In 2000 (Laws 2000, Ch. 461, Art. 15, Sec. 11), Minnesota Statutes, Section 424A.05, Subdivision 3, was amended, based primarily on volunteer firefighter relief association changes suggested by the Minnesota Area Relief Association Coalition (MARAC) and recommended by the Fire Subcommittee of the Legislative Commission on Pensions and Retirement, allowing the payment of a survivor benefit to a designated beneficiary if the designated beneficiary is a natural person and if there is no surviving spouse or surviving child, and allowing the payment of MARAC dues.

In 2006 (Laws 2006, Ch. 271, Art. 13, Sec. 4), Minnesota Statutes, Section 424A.05, Subdivision 3, was again amended, based on a recommendation from the Volunteer Fire Relief Association Working Group assembled by the Office of the State Auditor to permit the payment of a death benefit to the estate of a deceased active firefighter if there is no designated beneficiary.

In 2008 (Laws 2008, Ch. 349, Art. 14, Sec. 11), Minnesota Statutes, Section 424A.05, Subdivision 3, was amended upon the recommendation of the State Auditor's Volunteer Firefighter Relief Association Working Group to eliminate authority for the payment of funeral benefits that were authorized by law and provided for nit he relief association bylaws.

In 2009 (Laws 2009, Ch. 169, Art. 10, Sec. 41), Minnesota Statutes, Section 424A.05, Subdivision 3, was amended to expand the survivor benefit payment authority to include survivors of deceased deferred firefighters and to permit the purchase of casualty insurance coverage from a licensed insurance carrier instead of the volunteer firefighter relief association.

In 2010 (Laws 2010, Ch. 359, Art. 13, Sec. 11), Minnesota Statutes, Section 424A.05, Subdivision 3, was amended to include as an authorized disbursement annuity purchase, individual retirement account transfers, or Minnesota deferred compensation plan transfers authorized by law and to eliminate the specific payment priority order for the payment of survivor benefits in deference to the priority order specification added to Minnesota Statutes, Sections 424A.016, Subdivision 7, and 424A.02, Subdivision 9.

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE

S.F. No. 96

(SENATE AUTHORS: CHAMBERLAIN and Wiger)

DATE	D-PG	OFFICIAL STATUS
01/24/2013	90	Introduction and first reading Referred to State and Local Government
01/28/2013	107	Author added Wiger

1.1 A bill for an act
 1.2 relating to retirement; White Bear Lake Volunteer Fire Department Relief
 1.3 Association; authorizing the payment of retired member death benefits from
 1.4 the special fund.

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

1.6 Section 1. **WHITE BEAR LAKE VOLUNTEER FIRE DEPARTMENT RELIEF**
 1.7 **ASSOCIATION; RETIREE DEATH BENEFIT.**

1.8 Notwithstanding any provision of Minnesota Statutes, section 424A.05, subdivision
 1.9 3, clause (4), to the contrary, the White Bear Lake Volunteer Fire Department Relief
 1.10 Association may provide, if its bylaws so provide, for the payment of a \$2,000 lump sum
 1.11 death benefit from the special fund of the relief association to the estate of a person who
 1.12 was a member of the relief association, who rendered at least 20 years of firefighting
 1.13 service in the fire department and membership in the relief association, who retired
 1.14 before January 1, 2009, who received a monthly benefit service pension from the relief
 1.15 association for the month in which this section became effective, and who died after the
 1.16 effective date of the bylaw amendment that implements the authority under this section.

1.17 **EFFECTIVE DATE.** This section is effective the day after the governing body of
 1.18 the city of White Bear Lake and its chief clerical officer timely complete their compliance
 1.19 with Minnesota Statutes, section 645.021, subdivisions 2 and 3.