



S.F. 2429
(Pappas)

H.F. 2218
(Murphy, M.)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): Volunteer firefighter relief associations
Relevant Provisions of Law: Minnesota Statutes, Chapters 69, 356A, 424A, 424B
General Nature of Proposal: State Auditors Volunteer Fire Working Group recommendations
Date of Summary: March 14, 2014

Specific Proposed Changes

- PERA-P&F covered municipalities excluded from fire state aid filing.
- Five percent limit on unrated or junk bond investments.
- Governing benefit plan provision aggregation and expansion.
- Defined contribution relief association forfeited amounts disposition clarification.
- Inactive former member defined contribution relief association ancillary benefits.
- Entity responsible for ratifying plan amendments.
- Volunteer firefighter relief association funding requirement filing for nonprofit firefighting corporations.
- Lump sum distribution definition for volunteer fire supplemental lump sum benefit.

Policy Issues Raised by the Proposed Legislation

1. Appropriateness of adding an exclusion to fire state aid reporting.
2. Appropriateness of junk bond limitation.
3. Appropriateness of ancillary benefit coverage for defined contribution VFRA inactive former members.
4. Appropriateness of potential continuing encouragement of independent nonprofit firefighting corporations.

Potential Amendments

No suggested amendments by Commission staff.

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TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *JLM*
RE: S.F. 2429 (Pappas); H.F. 2218 (Murphy, M.): State Auditor's Volunteer Fire Working Group Recommendations
DATE: March 14, 2014

General Summary of S.F. 2429 (Pappas); H.F. 2218 (Murphy, M.)

S.F. 2429 (Pappas); H.F. 2218 (Murphy, M.) amends portions of Minnesota Statutes, Chapters 69, 356A, 424A, and 424B, relating primarily or wholly to volunteer firefighter relief associations, as follows:

1. Clarifications and Updates. Various provisions have cross-references clarified or updated (Sec. 1, 4, 9-11, 15, and 17);
2. PERA-P&F Covered Municipalities Excluded from Fire State Aid Filing. Municipalities with full-time fire departments covered by the Public Employees Police and Fire Retirement Plan (PERA-P&F) that do not have a volunteer firefighter relief association, are not covered by the Statewide Lump-Sum Volunteer Firefighter Retirement Plan of the Public Employees Retirement Association (PERA-SVF), and have a PERA-P&F employer contribution requirement equal to or greater than its fire state aid are excluded from filing a fire state aid annual financial report (Sec. 2);
3. Five Percent Limit on Unrated or Junk Bond Investments. A limit of 5% of a retirement plan's assets on a market value basis is specified in the large retirement plan investment legal list of authorized investment securities for unrated bonds or bonds rated below the top four quality categories (Sec. 3);
4. Governing Benefit Plan Provision Aggregation and Expansion. The specification of the benefit plan provisions in force on the date of retirement plan active membership termination as the governing law for deferred service pensions from defined contribution relief associations or defined benefit relief associations are aggregated into a single provision and the aggregated provision is extended to the eligibility for or computation of ancillary benefits (Sec. 5, 7, and 10);
5. Defined Contribution Relief Association Forfeited Amounts Disposition Clarification. Amounts previously forfeited by a defined contribution relief association member who terminated active service or had a break in service is clarified as not open to reinstatement upon a return to active service (Sec. 6);
6. Inactive Former Member Defined Contribution Relief Association Ancillary Benefits. If the defined contribution relief association bylaws or articles so permit, an ancillary benefit (i.e., disability benefit or survivor benefits) may be paid to or on behalf of an inactive former member (Sec. 8);
7. Entity Responsible for Ratifying Plan Amendments. The requirement for ratification of volunteer firefighter relief association plan amendments affecting coverage or benefits are clarified as the municipality served by the fire department to which the relief association is directly associated for municipal volunteer firefighter relief associations or as the independent nonprofit firefighting corporation board for volunteer firefighter relief associations that are subsidiary to independent nonprofit firefighting corporations (Sec. 12, 14);
8. Volunteer Firefighter Relief Association Funding Requirement Filing for Nonprofit Firefighting Corporations. For volunteer firefighter relief associations that are subsidiaries of independent nonprofit firefighting corporations are required to file actuarial condition and funding cost determinations with the nonprofit firefighting corporation board rather than with the municipality in which the relief association is located (Sec. 13); and
9. Lump Sum Distribution Definition for Volunteer Fire Supplemental Lump Sum Benefit. For purposes of the reimbursement of the mandated volunteer fire supplemental benefit for lump sum service pension recipients, the term "regular lump-sum distribution" is defined to be the pre-tax benefit distribution, but to exclude interest credited during deferral periods (Sec. 16).

A section-by-section of summary of S.F. 2429 (Pappas); H.F. 2218 (Murphy, M.) is attached.

Background Information on Relevant Topics

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

- **Attachment A:** Composition and representation of the 2013-2014 Volunteer Fire 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:** 1971 Volunteer Firefighter Relief Association Financing Guidelines Act.
- **Attachment E:** Volunteer firefighter relief association investment authority.
- **Attachment F:** Supplemental lump sum volunteer firefighter benefits.

Discussion and Analysis

S.F. 2429 (Pappas); H.F. 2218 (Murphy, M.) implements the recommendations of the State Auditor's Volunteer Fire Working Group by amending portions of the laws governing volunteer firefighter relief associations (Minn. Stat. Ch. 69, 356A, 424A, and 424B), by:

- making various clarifications and updates;
- excluding PERA-P&F-covered municipalities from filing fire state aid reporting;
- implementing a 5% limit on unrated or junk bond investments;
- aggregating and expanding the specification of the governing benefit plan provisions;
- clarifying the disposition of forfeited amounts in defined contribution volunteer firefighter relief associations after breaks in service;
- authorizing ancillary benefits for inactive former defined contribution volunteer firefighter relief association members;
- clarifying the specification of the entity responsible for ratifying volunteer firefighter relief association plan amendments;
- substituting independent nonprofit firefighting corporation boards for municipalities for the receipt of volunteer firefighter relief association funding determinations; and
- defining lump sum distributions for the volunteer firefighter relief association supplemental lump sum benefit reimbursements.

The proposed legislation raises a number of pension and related public policy issues for consideration and possible discussion by the Commission, as follows:

1. Appropriateness of Adding an Exclusion to Fire State Aid Reporting. The policy issue is the appropriateness of dropping the requirement for filing with the Office of the State Auditor an annual financial report on the expenditure of fire state aid for municipalities without volunteer firefighter relief associations or statewide volunteer fire plan coverage where the fire department has paid firefighters covered by the Public Employees Police and Fire Retirement Plan (PERA-P&F) and the PERA-P&F employer contribution equals or exceeds the amount of fire state aid received by the municipality. The purpose of the current requirement in Minnesota Statutes, Section 69.051, Subdivision 3, is to verify that fire state aid for municipalities without volunteer firefighter relief associations were using the fire state aid for proper purposes. For municipalities with largely or wholly paid fire departments and where the PERA-P&F employer contribution for those firefighters exceeds the fire state aid amount in the past year, there is no likelihood that the fire state aid amount could be used for unapproved purposes, making the reporting unnecessary. The exclusion depends upon a certification by the executive director of the Public Employees Retirement Association (PERA), comparable to the certification required in 2009 for the Statewide Lump-Sum Volunteer Firefighter Retirement Plan, which imposes some additional administrative burden on PERA. With the elimination of all paid firefighter relief associations other than the Bloomington Fire Department Relief Association, all two dozen paid fire departments have PERA-P&F retirement coverage.
2. Appropriateness of Junk Bond Limitation. The policy issue is the appropriateness of the 5% limitation imposed on unrated debt securities and on debt securities rated below the top four quality ratings. The applicable legal list investment security authorizations for a considerable period of time did not include junk bonds. About 20 years ago, junk bond investments were permitted for the State Board of Investment, but extension of that authority to volunteer firefighter relief associations and other local public retirement plans was controversial and that led to the creation of a separate legal list for the State Board of Investment (Minn. Stat. Sec. 11A.24) with junk bond authority, and a separate legal list for all other retirement plans with investment authority (Minn. Stat. Sec. 356A.06, Subd. 7)

without junk bond authority. Junk bond authority has recently been extended to Minnesota Statutes, Section 356A.06, Subdivision 7. The proposal from the State Auditor's Working Group would clarify the limit on those junk bond securities.

3. Appropriateness of Ancillary Benefit Coverage for Defined Contribution VFRA Inactive Former Members. The policy issue is the appropriateness of specifically authorizing defined contribution volunteer firefighter relief associations to provide ancillary benefit coverage to or on behalf of inactive former members. Ancillary coverage is disability benefit coverage or survivor benefit coverage. The authorization is permissive, applying only if the volunteer firefighter relief association so provides in its bylaws or articles of incorporation. Volunteer firefighter retirement coverage is an employment-related benefit practice, intended to assist in recruiting new personnel, retaining existing personnel during the period during which they are likely to be productive, and encouraging an out-transitioning when that productive period normally can be expected to conclude. Providing ancillary benefit coverage to inactive former relief association members is not clearly connected with any of these three purposes for the retirement coverage.

4. Appropriateness of Potential Continuing Encouragement of Independent Nonprofit Firefighting Corporations. The policy issue is the appropriateness of two provisions in the proposed legislation that provides potential continuing encouragement or functioning to enshrine the status of independent nonprofit firefighting corporations. All Minnesota volunteer firefighter relief associations are nonprofit corporations and most Minnesota volunteer firefighter relief associations are associated with municipal fire departments and municipalities, either conventional cities, joint powers entities, or designated fire districts. Some Minnesota volunteer firefighter relief associations are subsidiaries of independent nonprofit firefighting corporations, where the fire department is a nonprofit firefighting corporation and, as such, is a legal entity distinct from any municipality, although there is sometimes an intertwining of the two. Independent nonprofit firefighting corporations apparently, as a practice, date from a time before there was general joint powers authority and before there was sufficiently large tax levy authority for townships to support a full fire department, when individuals would create a fire department as a nonprofit corporation and contract with two or more townships needing fire protection. The proposed legislation would place the authority to approve plan changes that have a financial impact on the relief association in the governing body of the independent nonprofit firefighting corporation, rather than in each of the contracting municipalities, and would have the financial requirement determinations for funding the relief association filed with the governing board of the independent nonprofit firefighting corporation, rather than in each of the contracting municipalities. Since the largest single source of funding of volunteer fire retirement benefits is fire state aid, derived from insurance premium taxes collected by the state and dedicated for this purpose (if there is a volunteer firefighter relief association), for both municipal volunteer firefighter relief associations and independent nonprofit firefighting corporation volunteer firefighter relief associations, this means that public tax proceeds are directly provided to nonpublic entities.

Section-by-Section Summary of S.F. 2429 (Pappas); H.F. 2218 (Murphy, M.)

Sec.	Pg.Ln	Stat. Provision	Broad Topic	Summary
1	1.10	69.051, Subd. 1a	Fire state aid financial reporting	Updates the accountant certification requirement by replacing a reference to independent public accountants with a reference to certified public accountants.
2	2.23	69.051, Subd. 3	Fire state aid financial reporting	Excludes from reporting municipalities with only paid firefighters where the fire state aid received is fully used to fund its PERA-P&F employer obligation if so certified by PERA.
3	3.27	356A.06, Subd. 7	Fiduciary responsibility investment regulation	Clarifies the portfolio limit for some "other type" security investments.
4	7.15	356A.06, Subd. 7a	Fiduciary responsibility investment regulation	Corrects a cross-reference in the investment security lending restrictions.
5	7.25	424A.015, New Subd. 6	Volunteer fire benefit regulation	Consolidates in one provision the specification that benefit calculation is governed by the law, article, or bylaw when active fire department service and relief association membership ends.
6	8.1	424A.016, Subd. 4	Volunteer fire benefit regulation	Clarifies the ban on reinstatement of forfeited defined contribution plan account amounts upon the resumption of active service after a break in service.
7	9.11	424A.016, Subd. 6	Volunteer fire benefit regulation	Eliminates the defined contribution plan provision consolidated into a general law provision in section 5.
8	10.24	424A.016, Subd. 7	Volunteer fire benefit regulation	Clarifies authority to pay an ancillary benefit to, or on behalf of, an inactive or deferred member in a defined contribution plan that allows it.
9	11.18	424A.02, Subd. 3	Volunteer fire benefit regulation	Eliminates an obsolete reference and eliminates obsolete internal effective dates.
10	18.28	424A.02, Subd. 7	Volunteer fire benefit regulation	Corrects a board of trustee reference and eliminates the defined benefit plan provision consolidated into a general law provision in section 5.
11	20.18	424A.08	Fire state aid disbursements	Eliminates an obsolete reference.
12	21.14	424A.092, Subd. 6	Volunteer fire benefit plan ratification	Clarifies the municipality or independent nonprofit firefighting corporation benefit increase ratification requirement.
13	22.16	424A.093, Subd. 2	Volunteer fire guidelines act	Clarifies the municipality or independent nonprofit firefighting corporation filing requirement.
14	23.4	424A.093, Subd. 6	Volunteer fire guidelines act	Clarifies the municipality or independent nonprofit firefighting corporation benefit increase ratification requirement.
15	24.4	424A.094, Subd. 2	Volunteer fire guidelines act	Adds a substantively appropriate additional cross-reference.
16	24.31	424A.10, Subd. 2	Volunteer fire supplemental benefit	Defines "lump sum benefit" for supplemental benefit authorization.
17	25.28	424B.12	Volunteer fire consolidation/dissolution	Corrects incorrect cross-references.

**Composition and Representation of the
2013-2014 Volunteer Firefighter Relief Association Working Group
Assembled by the Office of the State Auditor**

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 2013-2014 interim, the working group, chaired by State Auditor Rebecca Otto, included the following members:

Defined Contribution Plans	Aaron Johnston, Treasurer Coon Rapids Fire Relief Association
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
Defined Benefit Lump Sum Plans	Bruce Hemstad, Secretary Bemidji Fire Relief Association
Defined Benefit Lump Sum Plans	Dave Jaeger, Treasurer Mahnommen Fire Relief Association
Minnesota State Fire Department Association	Mark Rosenblum, Member Golden Valley Fire Relief Association
Defined Contribution Plans	Bruce Roed, Trustee Mentor Fire Relief Association
City Finance Manager	Dennis Feller, Finance Director City of Lakeville
City Official	Steve Donney, Mayor City of Harmony
Minnesota State Fire Chiefs Association/Monthly Plans	Nyle Zikmund, Chief Spring Lake Park-Blaine-Mounds View Fire Department

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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 2011):

	Number of Plans, 1974-1990									
	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, 1991-2000									
	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, 2001-2011										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Lump Sum:											
Under \$50/yr	--	--	1	3	3	5	5	4	5	4	2
\$50-\$100/yr	6	7	3	6	6	4	6	6	4	3	4
\$100-\$200/yr	19	16	14	13	12	4	8	7	8	5	4
\$200-\$300/yr	30	24	24	21	14	13	11	10	13	8	5
\$300+/yr	539	549	535	526	528	564	563	564	569	569	563
Total Lump Sum	594	596	577	569	563	590	593	591	599	589	578
Monthly Benefit:											
Under \$2/mo/yr	--	--	--	--	--	--	--	--	--	--	--
Over \$1.99/mo/yr	5	5	5	5	5	5	5	5	5	5	5
Total Monthly	5	5	5	5	5	5	5	5	5	5	5
Mo/Lump Sum Combination	18	18	20	18	19	18	19	18	18	17	18
Defined Contribution	88	89	84	87	86	87	91	92	92	91	90
No Benefits	--	--	--	--	--	--	--	--	--	--	--
Total	705	708	686	679	673	700	708	706	714	702	691

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 associations growing from low benefit amounts to higher benefit amounts over the three decade plus 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 97.4% 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 in 2011.

Over the period 1984-2011, 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 disappearance of volunteer firefighter relief associations which provide no service pension coverage.

	Membership, 1974-1990									
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	--
Total Actives	12,463	14,321	12,258	14,656	15,584	15,412	15,930	16,198	16,395	16,720
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	--
Total Deferreds		268	249	337	438	530	696	616	670	799
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	--
Total Retirees		400	881	668	843	622	672	688	675	660
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	--
Total Members		14,989	13,388	15,661	16,865	16,564	17,263	17,502	19,684	18,179

	Membership, 1991-2000									
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	--	--	--	--	--	--	--	--	--	--
Total Actives	16,656	16,387	16,934	17,094	17,100	16,496	17,082	16,957	15,738	16,398
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	--	--	--	--	--	--	--	--	--	--
Total Deferreds	835	1,051	1,196	1,371	1,547	1,633	2,169	2,052	2,336	2,653

Members	Membership, 1991-2000									
	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, 2001-2011										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Actives:											
Lump Sum	13,691	13,767	13,638	13,545	13,406	13,943	14,032	14,055	14,134	13,946	13,560
Monthly	206	159	188	197	199	183	182	187	187	176	173
Combination	790	847	898	824	866	861	883	854	836	827	832
Def. Contrib.	2,182	2,222	2,136	2,201	2,202	2,249	2,300	2,291	2,290	2,238	2,274
No Benefits	--	--	--	--	--	--	--	--	--	--	--
Total Actives	16,869	16,995	16,860	16,767	16,673	17,236	17,397	17,387	17,447	17,187	16,839
Deferreds:											
Lump Sum	1,948	2,042	2,041	2,021	2,001	2,135	2,201	2,114	2,271	2,186	2,234
Monthly	31	19	30	29	24	31	27	24	33	32	33
Combination	196	216	243	242	240	215	206	177	237	207	237
Def. Contrib.	722	738	781	775	762	721	841	464	824	867	840
No Benefits	--	--	--	--	--	--	--	--	--	--	--
Total Deferreds	2,897	3,015	3,095	3,067	3,027	3,102	3,275	2,779	3,365	3,292	3,344
Retirees:											
Lump Sum	538	507	515	539	473	568	583	583	713	650	633
Monthly	178	149	188	197	208	208	215	214	222	234	234
Combination	400	392	439	417	417	412	468	448	466	462	482
Def. Contrib.	58	64	67	68	87	70	93	104	84	109	104
No Benefits	--	--	--	--	--	--	--	--	--	--	--
Total Retirees	1,174	1,112	1,209	1,221	1,185	1,258	1,359	1,349	1,485	1,455	1,453
Total Members:											
Lump Sum	16,177	16,316	16,194	16,105	15,880	16,656	16,816	16,752	17,118	16,782	16,427
Monthly	415	327	406	423	431	422	424	425	442	442	440
Combination	1,386	1,455	1,580	1,483	1,523	1,488	1,557	1,479	1,539	1,496	1,551
Def. Contrib.	2,962	3,024	2,984	3,044	3,051	3,040	3,234	2,859	3,198	3,214	3,218
No Benefits	--	--	--	--	--	--	--	--	--	--	--
Total Members	20,940	21,122	21,164	21,055	20,885	21,606	22,031	21,515	22,297	21,934	21,636

Over the period 1977-2011, 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 80.52% in 2011), 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 1.02% in 2011 without considering combination relief associations or to 5.84% with the inclusion of combination relief associations in 2010), and a rough doubling from 1977 to 2010 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, 1977-1989								
	1977	1980	1982	1984	1986	1987	1988	1989
Accrued Liabilities:								
Lump Sum	14,278,898	29,501,934	40,937,006	52,985,939	59,057,471	60,643,988	68,071,179	78,070,344
Monthly	9,041,863	7,547,661	10,621,672	46,490,469	25,044,975	34,347,349	35,320,800	37,432,078
Combination	--	--	--	--	--	--	--	--
Defined Cont.	1,444,286	1,219,645	2,094,808	4,417,375	5,927,094	6,449,852	8,704,595	9,581,000
Total Accrued Liab.	24,765,047	38,269,240	53,653,486	103,893,783	90,029,540	101,441,189	112,096,574	125,083,422
Assets:								
Lump Sum	15,054,337	29,791,110	40,565,620	51,654,774	61,032,069	62,395,065	69,774,320	80,004,613
Monthly	8,211,852	7,250,784	9,900,259	31,055,648	23,220,944	31,624,291	32,759,213	34,603,998
Combination	--	--	--	--	--	--	--	--
Defined Cont.	1,444,286	1,219,645	2,094,808	4,417,375	5,927,094	6,449,852	8,704,595	9,581,000
Total Assets	24,710,475	38,261,539	52,560,687	87,127,797	90,180,107	100,469,208	111,238,128	124,189,611
Normal Cost:								
Lump Sum	1,470,015	498,536	3,926,658	5,212,341	5,058,195	5,273,113	4,994,302	5,964,120
Monthly	463,651	337,988	515,211	1,503,450	934,147	957,484	859,673	755,699
Combination	--	--	--	--	--	--	--	--
Defined Cont.	151,019	500	8,769	32,776	504,008	539,181	632,067	616,205
Total Normal Cost	2,084,685	837,024	4,450,638	6,748,567	6,496,350	6,769,778	6,486,042	7,336,024
Fire State Aid:								
Lump Sum	1,419,035	2,912,095	3,690,695	4,047,173	4,512,805	4,552,052	4,733,327	4,881,199
Monthly	602,368	581,600	693,007	1,276,954	1,320,346	1,700,437	1,684,158	1,609,808
Combination	--	--	--	--	--	--	--	--
Defined Cont.	143,460	166,375	205,638	334,357	430,992	436,382	550,993	533,395
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	7,024,402
Municipal Contribution:								
Lump Sum	357,973	664,700	834,832	1,197,277	1,299,731	1,176,333	1,246,509	1,557,416
Monthly	277,370	164,259	284,988	2,434,045	441,115	751,488	620,926	633,533
Combination	--	--	--	--	--	--	--	--
Defined Cont.	21,569	11,296	26,879	36,797	73,016	102,799	81,074	82,810
Total Municipal Contr.	656,912	840,255	1,146,699	3,668,119	1,813,862	2,030,620	1,948,509	2,273,759

Liabilities, Assets, Fire State Aid, and Municipal Contributions, 1990-1996							
	1990	1991	1992	1993	1994	1995	1996
Accrued Liabilities:							
Lump Sum	86,588,461	92,771,460	94,145,127	102,546,702	107,486,014	113,855,616	119,936,745
Monthly	39,749,215	44,543,835	47,327,072	52,161,236	28,830,599	24,678,407	14,839,392
Combination	--	--	--	2,454,593	27,615,459	28,819,704	38,743,123
Defined Cont.	10,434,995	11,349,299	16,586,370	18,095,687	17,590,749	25,919,681	28,832,841
Total Accrued Liab.	136,772,671	148,664,594	158,058,569	175,258,218	181,522,821	193,273,408	202,352,101
Assets:							
Lump Sum	86,825,688	95,265,007	95,375,295	105,920,681	105,073,259	122,226,938	133,172,234
Monthly	36,463,717	40,225,667	46,002,578	47,765,817	27,362,519	22,953,953	13,813,247
Combination	--	--	--	2,196,505	21,609,884	25,008,817	37,619,149
Defined Cont.	10,434,995	11,349,299	16,586,370	18,095,687	17,590,749	25,919,681	28,832,841
Total Assets	133,724,400	146,839,973	157,964,243	173,978,690	171,636,411	196,109,389	213,437,471
Normal Cost:							
Lump Sum	8,224,582	9,004,068	8,965,833	9,921,518	10,211,254	10,869,651	11,214,171
Monthly	1,355,894	1,575,915	1,600,109	1,625,173	875,806	686,563	346,433
Combination	--	--	--	120,725	939,552	981,755	1,322,315
Defined Cont.	611,359	603,678	919,866	855,696	928,280	1,411,551	2,098,195
Total Normal Cost	10,191,835	11,183,661	11,485,808	12,523,112	12,954,892	13,949,520	14,981,114
Fire State Aid:							
Lump Sum	4,805,462	4,929,212	4,739,140	4,242,494	4,950,397	5,211,582	8,060,595
Monthly	1,620,559	1,667,813	1,801,399	1,548,161	858,681	689,483	512,496
Combination	--	--	--	154,328	934,346	995,205	1,486,949
Defined Cont.	517,789	504,419	774,684	707,024	782,147	1,172,687	1,536,620
Total Fire St Aid	6,943,810	7,101,444	7,315,223	6,652,007	7,525,571	8,068,957	11,596,660
Municipal Contribution:							
Lump Sum	1,842,447	1,858,245	2,281,421	2,613,573	2,691,177	2,803,095	3,276,302
Monthly	739,970	849,286	1,085,807	1,223,934	613,418	724,911	341,465
Combination	--	--	--	37,957	680,895	870,130	1,029,153
Defined Cont.	93,570	99,259	145,182	148,672	146,133	238,864	561,575
Total Municipal Contr.	2,675,987	2,806,790	3,512,410	4,024,136	4,131,623	4,637,000	5,208,495

	Liabilities, Assets, Fire State Aid, and Municipal Contributions, 1997-2003						
	1997	1998	1999	2000	2001	2002	2003
Accrued Liabilities:							
Lump Sum	130,642,738	145,966,781	150,761,568	171,611,378	186,795,976	192,569,597	194,794,196
Monthly	17,085,291	20,340,226	14,338,052	15,008,219	16,915,086	12,923,387	17,273,137
Combination	39,644,188	42,204,240	54,526,028	54,173,717	57,952,711	62,876,598	64,965,158
Defined Cont.	38,390,049	44,757,368	50,606,325	47,427,772	47,259,294	43,432,178	52,255,072
Total Accrued Liab.	225,762,266	253,268,615	270,231,973	288,221,086	308,923,067	311,801,760	329,287,563
Assets:							
Lump Sum	153,037,774	172,113,829	179,343,843	183,279,497	179,424,046	165,317,015	191,684,693
Monthly	16,602,144	20,504,773	14,132,149	13,960,203	13,385,232	9,532,988	14,070,080
Combination	40,851,421	43,579,741	59,072,419	55,443,773	51,172,825	47,442,209	58,629,038
Defined Cont.	38,390,049	44,757,368	50,606,325	47,427,772	47,259,294	43,432,178	52,255,072
Total Assets	248,881,388	280,955,711	303,154,736	300,111,245	291,241,397	265,724,390	316,638,883
Normal Cost:							
Lump Sum	12,219,929	13,311,487	13,514,162	15,189,092	16,483,865	16,892,504	17,049,848
Monthly	358,792	470,770	284,860	312,019	340,067	261,434	306,217
Combination	1,269,951	1,307,322	1,515,019	1,662,901	1,674,601	1,844,560	1,949,341
Defined Cont.	2,684,271	2,553,138	2,640,890	2,753,206	3,004,038	3,288,331	3,759,743
Total Normal Cost	16,532,943	17,642,717	17,954,931	19,917,218	21,502,571	22,286,829	23,065,149
Fire State Aid:							
Lump Sum	7,140,394	7,731,336	7,391,107	7,937,916	8,644,841	9,378,276	11,297,078
Monthly	554,859	643,057	379,802	395,685	426,640	418,469	611,511
Combination	1,434,117	1,386,971	1,765,592	1,753,859	1,789,869	2,148,174	2,656,437
Defined Cont.	1,855,313	2,038,308	2,091,608	2,212,814	2,385,099	2,639,147	3,206,483
Total Fire St Aid	10,984,683	11,799,672	11,628,109	12,300,274	13,246,449	14,584,066	17,771,509
Municipal Contribution:							
Lump Sum	2,680,940	2,442,795	2,360,961	2,375,285	2,732,044	4,202,331	4,806,194
Monthly	305,466	353,220	273,287	279,476	309,149	176,255	307,461
Combination	1,010,042	1,029,535	1,113,773	1,069,335	1,106,226	1,351,792	1,553,591
Defined Cont.	828,958	514,830	549,282	540,392	618,939	649,184	553,260
Total Municipal Contr.	4,825,406	4,340,380	4,297,303	4,264,488	4,766,358	6,379,562	7,220,506

	Liabilities, Assets, Fire State Aid, and Municipal Contributions, 2004-2011							
	2004	2005	2006	2007	2008	2009	2010	2011
Accrued Liabilities:								
Lump Sum	203,853,989	213,118,264	231,926,073	251,981,586	263,361,245	260,646,854	259,432,719	255,740,868
Monthly	17,553,960	17,955,395	19,099,696	20,339,123	21,063,656	21,560,679	22,172,895	22,628,587
Combination	66,391,848	71,303,719	72,001,594	77,431,237	79,378,310	80,249,377	82,040,956	83,779,496
Defined Cont.	59,427,576	63,913,404	72,770,246	79,281,167	60,578,401	73,472,630	81,180,754	79,371,244
Total Accrued Liab.	347,227,373	366,290,782	395,797,609	429,033,113	424,381,612	435,929,540	444,827,324	441,520,195
Assets:								
Lump Sum	212,747,877	225,090,170	259,293,564	278,475,236	215,355,660	243,989,115	264,075,431	255,740,868
Monthly	15,517,757	16,703,427	18,847,441	20,332,280	16,198,872	21,560,679	20,722,926	20,748,308
Combination	63,251,682	68,547,108	71,325,838	78,416,917	56,178,110	80,249,377	73,805,912	72,544,764
Defined Cont.	59,427,576	63,913,404	72,770,246	79,281,167	60,578,401	73,472,630	81,180,754	79,371,244
Total Assets	350,944,892	374,254,109	422,237,089	456,505,600	348,311,043	402,729,534	439,785,023	428,405,184
Normal Cost:								
Lump Sum	17,789,289	18,575,701	20,032,670	21,807,598	22,809,822	22,469,022	22,539,626	22,167,314
Monthly	328,271	363,133	357,569	369,740	379,526	376,156	375,201	384,694
Combination	1,868,049	1,966,756	1,865,294	2,280,932	2,321,993	2,227,449	2,231,956	2,244,090
Defined Cont.	4,644,018	4,655,090	5,068,303	4,785,144	4,513,026	4,057,170	4,317,198	4,306,654
Total Normal Cost	24,629,627	25,560,680	27,323,836	29,243,414	30,024,367	29,129,797	29,463,981	29,102,752
Fire State Aid:								
Lump Sum	14,484,884	14,064,593	15,456,748	13,812,683	12,031,502	10,108,885	11,458,340	11,632,926
Monthly	800,985	756,976	806,357	700,644	598,168	514,647	535,827	549,995
Combination	3,370,816	3,260,210	3,186,403	2,872,382	2,414,573	2,045,048	2,099,338	2,075,167
Defined Cont.	4,111,912	3,993,034	4,228,956	3,736,552	3,246,341	2,708,779	2,984,058	2,923,918
Total Fire St Aid	22,768,597	22,074,813	23,678,464	21,122,261	18,290,584	15,377,359	17,077,564	17,182,006
Municipal Contribution:								
Lump Sum	5,562,093	4,140,141	4,036,956	4,063,363	4,030,479	4,513,978	8,387,556	7,567,939
Monthly	386,110	511,574	488,211	502,135	616,359	585,188	626,372	736,191
Combination	1,331,760	1,239,171	1,238,386	1,190,737	1,382,615	1,394,748	2,851,507	2,397,498
Defined Cont.	532,106	662,056	839,347	1,048,592	1,266,685	1,348,391	1,291,483	1,382,736
Total Municipal Contr.	7,812,069	6,552,942	6,602,900	6,804,827	7,296,138	7,842,305	13,156,918	12,084,364

Over the period 1977-2011, there has been an 18-fold increase in volunteer firefighter relief association accrued liabilities. For defined contribution volunteer firefighter relief associations, the relief association accrued liability by definition 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 during a recession and there was a resumption of growth after 2002 until 2007, with a significant decline in 2008, followed by growth in 2009 and 2010, and another slight dip in 2011.

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 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 before beginning to rebound in 2010. The average amount of fire state aid per active member in 2010 was \$1,020.37, with the average amount of fire state aid per active member was \$857.89 for lump sum volunteer firefighter relief associations, \$3,179.16 for monthly benefit volunteer firefighter relief associations, \$2,494.19 for combination volunteer firefighter relief associations, and \$1,285.80 for defined contribution volunteer firefighter relief associations. 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 1977-2011. The average amount of municipal contribution per active firefighter in 2011 varies, following essentially the same pattern as with the average amount of fire state aid per active member, with combination volunteer firefighter relief associations receiving an average per active member of \$2,881.61 in municipal contributions, with monthly benefit volunteer firefighter relief associations receiving an average per active member of \$4,255.44 in municipal contributions, with lump sum volunteer firefighter relief associations receiving an average per active member of \$558.11 in municipal contributions, and with defined contribution volunteer firefighter relief associations receiving an average per active member of \$608.06 in municipal contributions. The average per active member municipal contribution amounts in 1977 were \$32.80 for lump sum volunteer firefighter relief associations, \$174.23 for monthly benefit volunteer firefighter relief associations, and \$17.17 for defined contribution volunteer firefighter relief associations.

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.

In 2012 (Laws 2012, Ch. 286, Art. 12, Sec. 2-3) these financial report and audit requirement provisions were revised by clarifying language, and by requiring the chief county financial officer to countersign relief association financial reports and audits if the relief association and fire department are outside of organized municipalities.

In 2013 (Laws 2013, Ch. 123), the asset or liability threshold for the requirement of preparing an annual financial report rather than an annual financial statement and having an audit by a certified public accountant was increased from \$200,000 to \$500,000.

As revised through 2013, the requirements for the preparation and submission of financial reports are based on the size of the relief association. Volunteer firefighter relief associations with assets or liabilities of at least \$500,000 must:

- 1) prepare its annual financial reports and statements with an audit and attestation by a certified public accountant;
- 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.

Volunteer firefighter relief associations with assets and liabilities less than \$500,000 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.

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Background Information on the Volunteer Fire Relief Association Financing Guidelines Act of 1971

1. In General. The Volunteer Firefighter Relief Association Financing Guidelines Act of 1971 (Laws 1971, Ch. 261) was the result of an interim study by the Legislative Commission on Pensions and Retirement during the 1969-1971 Interim. The 1971 Guidelines Act was adapted from the Local Police and Paid Firefighter Relief Association Guidelines Act of 1969 (Laws 1969, Ch. 223).

The Volunteer Firefighter Relief Association Financing Guidelines Act of 1971 was initially coded as Minnesota Statutes, Sections 69.771 to 69.776. In 2013 (Laws 2013, Ch. 111, Art. 5, Sec. 8, and Art. 6, Sec. 1), the Guidelines Act was repositioned as Minnesota Statutes, Sec. 424A.171 to 424A.196.

Minnesota Statutes, Sections Sec. 424A.171 to 424A.196, 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. Determination of Volunteer Fire Relief Association Asset Values for Funding Purposes. Under Minnesota Statutes, Section 424A.192, Subdivision 3, Paragraph (b), Clause (2), for lump sum volunteer fire relief associations, the determination of the relief association's funded condition and financial requirements is based on the total present assets of the special fund projected to December 31 of the current year, including receipts by and disbursements from the special fund anticipated through the upcoming December 31. The asset value is to be based on the current market value of assets to the extent possible for assets for which a market value is readily ascertainable. For assets for which no market value is readily ascertainable, the cost or book value of the assets must be used. Under Minnesota Statutes, Section 424A.193, Subdivision 4, Paragraph (c), for monthly benefit volunteer fire relief associations, the determination of the relief association's funded condition and financial requirements is based on the current market value of assets for which there is a readily ascertainable market value and on the cost or book value, whichever is applicable, of assets for which there is no readily ascertainable market value.

The value of assets for funding purposes for lump sum and monthly benefit volunteer fire relief associations differs from the value of assets for funding purposes for other Minnesota public pension plans. For all statewide retirement plans and for the Duluth Teachers Retirement Fund Association (DTRFA), the St. Paul Teachers Retirement Fund Association (SPTRFA), the MERF Division of PERA, and the Bloomington Firefighters Relief Association, the pension plan assets are valued based on a five-year moving average of expected and market values where, at the end of each plan year, an average asset value is calculated as the average of the market asset value at the beginning and end of the fiscal year net of investment income for the fiscal year, the investment gain or loss is taken as the excess of actual investment income over the expected investment income based on the average asset value as calculated, and is recognized over five years at 20% per year, and the total asset value is the sum of the expected asset value plus the scheduled recognition of investment gains or losses during the current and the preceding four plan years.

3. Calculation of Volunteer Firefighter Relief Association Actuarial Accrued Liability and Annual Funding Requirement. State law differentiates in the calculation of volunteer firefighter relief association actuarial accrued liabilities or its equivalent and the annual funding requirements. For volunteer firefighter 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 424A.193, to utilize an approved actuary and have a quadrennial actuarial valuation prepared. For volunteer firefighter 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 424A.192, to estimate the association's actuarial liabilities and its annual funding requirement.

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 will 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 five items:

- a. The normal cost; plus
- b. the prior year's administrative expense, multiplied by a factor of 1.035; plus
- c. the amount needed to amortize the relief association unfunded actuarial accrued liability on a level-dollar basis by the December 31 occurring ten years later if there is an unfunded actuarial accrued liability and there has been no benefit increase, actuarial assumption change, or actuarial method change since the last actuarial valuation; plus
- d. the amount needed to amortize the unfunded actuarial accrued liability from a recent benefit increase, actuarial assumption change, or actuarial method change over 20 years for each change and aggregated into a single figure, if there is an unfunded actuarial accrued liability; and less
- e. one-tenth of the amount of relief association assets in excess of relief association actuarial accrued liability if there is no unfunded actuarial accrued liability.

The lump sum volunteer firefighter relief association computations are required to follow simplified calculation procedures set forth in Minnesota Statutes, Section 424A.192, Subdivision 2. The Commission and its consulting actuary developed the table and related provisions in Minnesota Statutes, Section 424A.192, Subdivision 2, 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
1	\$60	12	\$962
2	\$124	13	\$1,070
3	\$190	14	\$1,184
4	\$260	15	\$1,304
5	\$334	16	\$1,428
6	\$410	17	\$1,560
7	\$492	18	\$1,698
8	\$576	19	\$1,844
9	\$666	20	\$2,000
10	\$760	21 and thereafter	\$100 add'l per year
11	\$858		

The financial requirement of the lump sum relief association is the combination of the following items:

- a. The annual accruing liability (difference between the current accrued liability and the accrued liability determined assuming an additional year of service for each member); plus
- b. the prior year's administrative expenses, multiplied by a factor of 1.035; plus
- c. one-tenth of the original amount of the unfunded liability resulting from the last benefit increase if there is an unfunded liability; plus
- d. one-tenth of the unfunded liability resulting from a net accrued investment loss occurring since the most recent benefit increase if there is an unfunded liability (added by First Special Session Laws 2005, Chapter 8, Article 9, Section 6); and less
- e. one-fifth of the amount by which relief association assets exceed relief association liabilities if there is no unfunded liability.

4. Calculation of the Minimum Municipal Obligation. The Volunteer Firefighter Relief Association Financing Guidelines Act of 1971, Minnesota Statutes, Sections 424A.191 through 424A.196, 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 424A.192, Subdivision 3, for lump sum volunteer firefighter relief associations, and Minnesota Statutes, Section 424A.193, 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.
5. 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 424A.192, Subdivision 4, for lump sum volunteer firefighter relief associations, and Minnesota Statutes, Section 424A.193, 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.

6. Municipal Ratification of Plan Amendments. Minnesota Statutes, Section 424A.192, Subdivision 6, for lump sum volunteer firefighter relief associations, and Minnesota Statutes, Section 424A.193, Subdivision 6, for monthly benefit volunteer firefighter relief associations, generally require municipal ratification of benefit plan amendments made by volunteer firefighter relief associations. This municipal ratification requirement applies unless the volunteer firefighter relief association has assets in excess of its actuarial accrued liability and hence does not require municipal support, when the relief association can approve benefit plan amendments and improve benefit increases with an estimate of the actuarial impact of the change if the actuarial impact does not exceed 90% of the asset surplus and does not require the annual financial requirements to exceed the anticipated fire state aid of the municipality. After a benefit change that is subject to relief association approval only is implemented, if the financial requirements of the relief association exceed the fire state aid, the benefit change is no longer effective without subsequent municipal ratification.
7. Application to Relief Associations Subsidiary to Independent Nonprofit Firefighting Corporations. Volunteer firefighter relief associations that are subsidiaries of independent nonprofit firefighting corporations are also covered by the 1971 Guidelines Act. Subsidiary volunteer firefighter relief associations that provide lump sum service pensions are governed through Minnesota Statutes, Section 424A.194, Subdivision 2, Clause (a), by the applicable provisions of the lump sum volunteer firefighter relief association accrued liability and financial requirements determination statute. Subsidiary volunteer firefighter relief associations that provide monthly benefit service pensions are governed through Minnesota Statutes, Section 424A.194, Subdivision 2, Clause (b), by the applicable provisions of the monthly benefit volunteer firefighter relief association accrued liability and financial requirements determination statute. Under Minnesota Statutes, Section 424A.194, Subdivision 2, Clauses (c) and (d), the independent nonprofit firefighting corporation has the same obligation that a municipality would have under Minnesota Statutes, Section 424A.192 or 424A.193.
8. Investments. Volunteer firefighter relief associations are required to invest special fund assets under the short list of authorized investments or the long list of authorized investments set forth in public pension plan fiduciary obligation law, whichever applies. An exception is provided for sizeable (maximum of 75%) mutual fund investments if the mutual fund conforms with the authorized investment list in its holdings. Volunteer firefighter relief associations are also permitted to invest through the State Board of Investment in the Minnesota Supplemental Investment Fund.

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Background Information on Volunteer Firefighter Relief Association Investment Authority

1. Definitions. For purposes of investment authority, volunteer firefighter relief associations are divided into limited list plans and expanded list plans. Minnesota Statutes, Section 356A.06, Subdivision 6, defines a limited list plan as any plan with a pension fund with \$1 million or less in market value, unless the relief association:
 - a. invests at least 60% of its assets using the services of an investment advisor, licensed under state law or registered with the securities and exchange commission in accordance with the federal Investment Advisors Act of 1940 or;
 - b. invests at least 60% of its assets through the State Board of Investment (SBI) or;
 - c. uses a combination of a registered/licensed investment advisor and SBI to invest at least 75% of its assets.

Any plan which is not a limited list plan is an expanded list plan. Given the definition of limited list plan, any plan which has more than \$1 million in assets is automatically an expanded list plan. In addition some portion of the hundreds of small volunteer fire plans which have \$1 million or less in assets are also expanded list plans, because the applicable relief association has chosen to have a sufficient portion of its assets professionally invested through SBI and/or an investment advisor.

Permitted investments for limited list and expanded list plans are indicated below. As a practical matter there is not much difference between the permissible investments for limited list and expanded list plans. Limited list plans can invest in most of the same securities as an expanded list plan, if the limited list plan invests through mutual funds rather than buying individual securities.

2. Expanded List Investment Authority. Minnesota Statutes, Section 356A.06, Subdivision 7, is the investment authority provision for expanded list plans. The subdivision authorizes expanded list plans to purchase, sell, lend, and exchange authorized securities, which may be owned directly through mutual funds, exchange-traded funds, or as units of commingled trusts. Some of the investments below refer to investment grade securities. An investment grade security is one that is rated within the top four quality ratings by a nationally recognized rating agency. A non-investment grade security is one that is rated below the top four categories.

Authorized securities include:

- a. investment-grade government obligations, including notes, bills, bonds, and mortgages backed by the full faith and credit of the issuer. These include guaranteed and insured issues of the United States and its agencies, the states and their political subdivisions, Canadian issues if principal and interest are payable in United States dollars, or any United States Government sponsored organization of which the United States is a member, provided that the principal and interest is payable in United States dollars;
- b. investment grade domestic corporate debt, including bonds, notes, debentures, and transportation equipment obligations; and Canadian debt meeting these quality requirements if the principal and interest payments are in United States dollars;
- c. non-investment grade debt securities (junk bonds) if the total value of these securities does not exceed 5% of the pension fund's value, and the pension fund's participation must be limited to no more than 50% of any single offering, and the pension fund's participation must be limited to no more than 25% of an issuer's below-investment-grade obligations;
- d. bankers acceptances from highly rated banks;
- e. certificates of deposit from banks, savings institutions, or credit unions which are fully insured;
- f. commercial paper if rated in the two highest categories;
- g. investment grade mortgage securities and asset-backed securities;
- h. collateralized repurchase agreements and reverse repurchase securities;
- i. high quality guaranteed investment contracts, or those collateralized by authorized securities;
- j. guaranty fund certificates, surplus notes, or debentures if issued by a domestic mutual insurance company;
- k. Minnesota Housing Finance Agency residential mortgage pools;

- l. stocks and convertibles of any domestic or Canadian corporation listed on a regulated stock exchange if no stock or convertible investment exceeds 5% of the outstanding shares of the given corporation;
- m. real estate investment trusts if the pension fund owns no more than 20% of the trust's shares;
- n. closed mutual funds if the pension fund does not own more than 20% of the closed fund's shares;
- o. international securities;
- p. investments in the SBI Supplemental Investment Fund (a group of mutual fund-like investments administered by SBI with offerings in a range of debt and domestic and foreign stock investment vehicles); and
- q. various miscellaneous investments including equity and debt limited partnerships, trusts, private placements, limited liability companies, corporations, or partnerships in real estate investment trusts, and all forms of resource investments, if the investments under this clause do not exceed 35% of the total portfolio.

There are two asset mix restrictions or limitations which apply to authorized investments. The first is that the value of investments under clause (q) above must not exceed 35% of the total portfolio. The second limitation is an equity limit. The pension plan's total portfolio must not exceed 85% equity.

3. Limited List Investment Authority. Minnesota Statutes, Section 356A.06, Subdivision 6, is the limited list investment authority provision, which includes the following:
 - a. if the investments are through a mutual fund and if these investments do not exceed 75% of the total portfolio's value, the same investments as permitted by expanded list plans (except the miscellaneous investments described under clause (q) above);
 - b. insured certificates of deposit and savings accounts;
 - c. investments in the SBI Supplemental Investment Fund;
 - d. high quality guaranteed investment contracts, or those collateralized by authorized securities; and
 - e. the same investment-grade government and corporate debt obligations as is permitted for expanded list plans.

All investments under clause (a) must be held through a mutual fund, and all other permissible investments may be held in mutual fund form. Also, like the expanded list plans, the equity limit applies. The total portfolio must not hold more than 85% of its assets in equity investments.

4. General Prudence Requirement. Although an investment may be permissible under law, that investment may not be prudent. All pension plan fiduciaries are subject to Minnesota Statutes, Chapter 356A, Public Pension Plan Fiduciary Responsibility. The many requirements there include requirements that a plan's assets must be properly diversified, that the fund must have adequate liquidity, and that pension plan fiduciaries must be prudent in their actions. They must act in good faith and exercise that degree of judgment a care that persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, considering the probable safety of the plan capital as well as the probable investment returns to be derived from the assets.

Background Information on Supplemental Lump Sum Volunteer Firefighter Benefits

Minnesota Statutes, Section 424A.10, enacted in 1988 (Laws 1988, Ch. 719, Art. 19, Sec. 22, the 1988 tax bill), and substantively amended in 2006 (Laws 2006, Ch. 271, Art. 13, Sec. 5) and in 2007 (Laws 2007, Ch. 134, Art. 10, Sec. 1-3), mandates that all volunteer firefighter relief associations that provide a lump sum service pension or retirement benefit provide an additional lump sum supplemental benefit. The supplemental benefit is an amount equal to 10% of the lump sum service pension for a retiring firefighter, but not to exceed \$1,000, an amount equal to 20% of the lump sum survivor benefit for the survivor of a deceased active or deferred firefighter, but not to exceed \$2,000. The supplemental benefit is reimbursable in the following year by the state Department of Revenue.

The lump sum supplemental volunteer fire benefit stems from a late 1980s tax law change which made Minnesota public pensions taxable and the supplemental benefit was intended to offset some or all of the effects of that tax law change. Given the relatively modest level of most volunteer fire pensions, at least as of the late 1980s, the 1988 enactment of the volunteer fire lump sum supplemental benefit may have been intended to offset the negative impact of that new Minnesota taxation, so that the new tax treatment did not discourage individuals from providing volunteer fire services.

The volunteer fire lump sum supplemental benefit state reimbursement is payable from an open and standing general fund appropriation to the Department of Revenue. The supplemental benefit is reimbursable by the state if the volunteer firefighter relief association that paid the supplemental benefit applies with the Commissioner of Revenue by the subsequent February 15, with the reimbursement paid on March 15. The amounts expended by the Department of Revenue in reimbursing volunteer fire lump sum supplemental benefits for the period 1989-2012 are as follows:

Fiscal Year	Number of Payments	Supplemental Benefit Reimbursement Appropriation
1989	169	\$248,877.98
1990	253	\$355,340.44
1991	259	\$357,604.39
1992	268	\$394,324.32
1993	264	\$384,550.40
1994	248	\$330,629.36
1995	263	\$366,189.08
1996	261	\$414,799.08
1997	262	\$371,903.61
1998	277	\$365,561.84
1999	285	\$411,695.58
2000	287	\$420,388.00
2001	275	\$439,660.80
2002	297	\$456,594.53
2003	313	\$480,665.19
2004	351	\$534,653.75
2005	336	\$521,665.15
2006	328	\$485,738.34
2007	342	\$572,199.67
2008	337	\$571,218.90
2009	356	\$608,950.98
2010	384	\$722,024.47
2011	357	\$627,806.43
2012	348	\$669,643.79

The state reimbursement of volunteer fire lump sum supplemental benefits are required to be deposited into the special fund of the applicable volunteer firefighter relief association and may be subsequently expended for any lawful purpose for the special fund of the relief association.

There are approximately 700 volunteer firefighter relief associations in Minnesota, with most relief associations paying lump sum retirement benefits, either as lump sum defined benefit retirement plans or as defined contribution plans. The table on page 2 sets forth general information from the annual compilation of volunteer firefighter relief association data assembled by the Office of the State Auditor (with two or three dozen volunteer firefighter relief associations failing to file the required data in a timely fashion every year).

General Information from the Annual Compilation of Volunteer Firefighter Relief Association Data Assembled by the Office of the State Auditor

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Number of Reporting Plans	692	695	686	679	673	700	708	706	714	702	691
<u>Lump Sum Associations</u>											
Defined Contribution Plans	87	88	84	87	86	87	91	92	92	91	90
Lump Sum Defined Benefit Plans	583	585	577	569	563	590	593	591	599	589	563
<u>Monthly/Combination Associations</u>											
Monthly Benefit Plans	5	4	5	5	5	5	5	5	5	5	5
Comb. Lump Sum/Mo. Benefit Plans	17	18	20	18	19	18	19	18	18	17	18
Total Active Members	16,869	16,995	16,860	16,767	16,673	17,236	17,397	17,387	17,447	17,187	16,839
Total Deferred Inactive Memb.	2,897	3,015	3,095	3,067	3,027	3,102	3,275	2,779	3,365	3,292	3,344
Total Retired Members	<u>1,174</u>	<u>1,112</u>	<u>1,209</u>	<u>1,221</u>	<u>1,185</u>	<u>1,258</u>	<u>1,359</u>	<u>1,349</u>	<u>1,485</u>	<u>1,455</u>	<u>1,453</u>
Total Membership	20,940	21,122	21,164	21,055	20,885	21,596	22,031	21,515	22,297	21,934	21,636
Total Actuarial Accrued Liability	\$308,923,067	\$311,801,760	\$329,287,563	\$347,227,373	\$366,290,782	\$395,797,609	\$429,033,113	\$424,381,612	\$435,929,540	\$444,827,324	\$441,403,950
Assets	\$291,241,397	\$265,724,390	\$316,638,883	\$350,944,892	\$374,254,109	\$422,237,089	\$456,505,600	\$348,311,043	\$402,729,534	\$439,785,023	\$428,405,184
Unfunded Actuarial Accrued Liability	\$17,681,670	\$46,077,370	\$12,648,680	-\$3,717,519	-\$7,963,327	-\$26,439,480	-\$27,472,487	\$76,070,569	33,200,006	5,042,301	12,998,766
Funding Ratio	94.28%	85.22%	96.16%	101.07%	102.17%	106.68%	106.40%	82.07%	92.38%	98.87%	97.06%
Total Normal Cost	\$21,502,571	\$22,286,829	\$23,065,149	\$24,629,327	\$25,560,680	\$27,323,836	\$29,243,414	\$30,024,367	\$29,129,797	\$29,463,991	\$29,167,314
Total Amortization Contrib.	\$1,675,033	\$3,498,283	\$4,787,932	\$3,162,278	\$2,396,127	\$2,357,404	\$1,731,787	\$3,414,339	\$7,748,890	\$5,760,077	\$4,036,250
Total Fire State Aid	\$13,246,449	\$14,584,066	\$17,771,509	\$22,768,597	\$22,074,813	\$23,678,464	\$21,122,261	\$18,290,587	\$15,377,359	\$17,077,564	\$17,182,006
Total Municipal Contribution	\$4,766,358	\$6,379,562	\$7,220,506	\$7,812,069	\$6,552,942	\$6,602,900	\$6,804,827	\$7,296,138	\$7,842,305	\$13,156,918	\$12,084,364
Total Other Revenue	\$763,428	\$765,056	\$745,795	\$1,100,045	\$533,011	\$969,384	\$1,107,166	\$1,181,642	\$1,223,643	\$1,220,239	\$476,828

The number of volunteer firefighter relief associations receiving volunteer fire supplemental aid following the payment of a lump sum service pension vary over time, as follows:

Year	Number of Volunteer Firefighter Relief Associations:	
	Receiving Aid	Paying Less than Maximum Supplemental Benefit
2001	43.4%	19.0% (43.8% of associations receiving aid)
2002	45.7	18.4% (40.3% of associations receiving aid)
2003	49.1	17.8% (36.2% of associations receiving aid)
2004	--insufficient data reported by the Office of the State Auditor--	
2005	52.2	18.9% (39.6% of associations receiving aid)

Year	Number of Volunteer Firefighter Relief Associations:	
	Receiving Aid	Paying Less than Maximum Supplemental Benefit
2006	46.9	19.7% (42.1% of associations receiving aid)
2007	48.3	18.5% (38.3% of associations receiving aid)
2008	47.7	20.1% (42.1% of associations receiving aid)
2009	49.9	20.2% (40.4% of associations receiving aid)
2010	54.7	18.9% (34.6% of associations receiving aid)
2011	46.1	15.5% (33.6% of associations receiving aid)

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH SESSION

S.F. No. 2429

(SENATE AUTHORS: PAPPAS)

DATE	D-PG	OFFICIAL STATUS
03/06/2014	6003	Introduction and first reading Referred to State and Local Government

A bill for an act

1.1 relating to retirement; volunteer firefighter relief associations; implementing
 1.2 the recommendations of the 2013-2014 state auditor volunteer fire working
 1.3 group; amending Minnesota Statutes 2012, sections 356A.06, subdivisions 7,
 1.4 7a; 424A.015, by adding a subdivision; 424A.016, subdivisions 4, 7; 424A.08;
 1.5 424B.12; Minnesota Statutes 2013 Supplement, sections 69.051, subdivisions 1a,
 1.6 3; 424A.016, subdivision 6; 424A.02, subdivisions 3, 7; 424A.092, subdivision
 1.7 6; 424A.093, subdivisions 2, 6; 424A.094, subdivision 2; 424A.10, subdivision 2.
 1.8

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

1.10 Section 1. Minnesota Statutes 2013 Supplement, section 69.051, subdivision 1a,
 1.11 is amended to read:

1.12 Subd. 1a. **Financial statement.** (a) The board of each volunteer firefighters relief
 1.13 association, as defined in section 424A.001, subdivision 4, that is not required to file a
 1.14 financial report and audit under subdivision 1 must prepare a detailed statement of the
 1.15 financial affairs for the preceding fiscal year of the relief association's special and general
 1.16 funds in the style and form prescribed by the state auditor. The detailed statement must
 1.17 show:

1.18 (1) the sources and amounts of all money received;
 1.19 (2) all disbursements, accounts payable and accounts receivable;
 1.20 (3) the amount of money remaining in the treasury;
 1.21 (4) total assets, including a listing of all investments;
 1.22 (5) the accrued liabilities; and
 1.23 (6) all other items necessary to show accurately the revenues and expenditures and
 1.24 financial position of the relief association.

1.25 (b) The detailed financial statement required under paragraph (a) must be certified
 1.26 by ~~an independent~~ a certified public accountant or by the state auditor ~~or by the auditor or~~

2.1 ~~accountant who regularly examines or audits the financial transactions of the municipality.~~
 2.2 In addition to certifying the financial condition of the special and general funds of the relief
 2.3 association, the accountant or auditor conducting the examination shall give an opinion
 2.4 as to the condition of the special and general funds of the relief association, and shall
 2.5 comment upon any exceptions to the report. The ~~independent accountant or auditor~~ must
 2.6 have at least five years of public accounting, auditing, or similar experience, and must not
 2.7 be an active, inactive, or retired member of the relief association or the fire department.

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

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

2.10 (2) where applicable, by the municipal clerk or clerk-treasurer of the largest
 2.11 municipality in population which contracts with the independent nonprofit firefighting
 2.12 corporation if the relief association is a subsidiary of an independent nonprofit firefighting
 2.13 corporation and by the secretary of the independent nonprofit firefighting corporation; or

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

2.17 (d) The volunteer firefighters' relief association board must file the detailed statement
 2.18 required under paragraph (a) in the relief association office for public inspection and
 2.19 present it to the governing body of the municipality within 45 days after the close of the
 2.20 fiscal year, and must submit a copy of the detailed statement to the state auditor within 90
 2.21 days of the close of the fiscal year.

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

2.23 Sec. 2. Minnesota Statutes 2013 Supplement, section 69.051, subdivision 3, is
 2.24 amended to read:

2.25 Subd. 3. **Report by certain municipalities; exceptions.** (a) The chief
 2.26 administrative officer of each municipality which has an organized fire department but
 2.27 which does not have a firefighters' relief association governed by section 69.77 or sections
 2.28 424A.091 to 424A.095 and which is not exempted under paragraph (b) or (c) shall annually
 2.29 prepare a detailed financial report of the receipts and disbursements by the municipality
 2.30 for fire protection service during the preceding calendar year on a form prescribed by the
 2.31 state auditor. The financial report must contain any information which the state auditor
 2.32 deems necessary to disclose the sources of receipts and the purpose of disbursements for
 2.33 fire protection service. The financial report must be signed by the municipal clerk or
 2.34 clerk-treasurer of the municipality. The financial report must be filed by the municipal clerk
 2.35 or clerk-treasurer with the state auditor on or before July 1 annually. The municipality does

3.1 not qualify initially to receive, and is not entitled subsequently to retain, state aid under
 3.2 this chapter if the financial reporting requirement or the applicable requirements of this
 3.3 chapter or any other statute or special law have not been complied with or are not fulfilled.

3.4 (b) Each municipality that has an organized fire department and provides retirement
 3.5 coverage to its firefighters through the voluntary statewide lump-sum volunteer firefighter
 3.6 retirement plan under chapter 353G qualifies to have fire state aid transmitted to and
 3.7 retained in the statewide lump-sum volunteer firefighter retirement fund without filing
 3.8 a detailed financial report if the executive director of the Public Employees Retirement
 3.9 Association certifies compliance by the municipality with the requirements of sections
 3.10 353G.04 and 353G.08, paragraph (e), and certifies conformity by the applicable fire chief
 3.11 with the requirements of section 353G.07.

3.12 (c) Each municipality qualifies to receive fire state aid under this chapter without
 3.13 filing a financial report under paragraph (a) if the municipality:

3.14 (1) has an organized fire department;

3.15 (2) does not have a volunteer firefighters relief association directly associated with
 3.16 its fire department;

3.17 (3) does not participate in the statewide lump-sum volunteer firefighter retirement
 3.18 plan under chapter 353G;

3.19 (4) provides retirement coverage to its firefighters through the public employees
 3.20 police and fire retirement plan under sections 353.63 to 353.68; and

3.21 (5) is certified by the executive director of the Public Employees Retirement
 3.22 Association to the state auditor to have had an employer contribution under section
 3.23 353.65, subdivision 3, for its firefighters for the immediately prior calendar year equal to
 3.24 or greater than its fire state aid for the immediately prior calendar year.

3.25 **EFFECTIVE DATE.** This section is effective the day following final enactment
 3.26 and applies to fire state aid payable on October 1, 2014.

3.27 Sec. 3. Minnesota Statutes 2012, section 356A.06, subdivision 7, is amended to read:

3.28 Subd. 7. **Expanded list of authorized investment securities.** (a) **Authority.** A
 3.29 covered pension plan not described by subdivision 6, paragraph (a), is an expanded list
 3.30 plan and shall invest its assets as specified in this subdivision. The governing board of an
 3.31 expanded list plan may select and appoint investment agencies to act for or on its behalf.

3.32 (b) **Securities generally; investment forms.** An expanded list plan is authorized
 3.33 to purchase, sell, lend, and exchange the investment securities authorized under this
 3.34 subdivision, including puts and call options and future contracts traded on a contract
 3.35 market regulated by a governmental agency or by a financial institution regulated by

4.1 a governmental agency. These securities may be owned directly or through shares
4.2 in exchange-traded or mutual funds, or as units in commingled trusts, subject to any
4.3 limitations specified in this subdivision.

4.4 (c) **Government obligations.** An expanded list plan is authorized to invest funds in
4.5 governmental bonds, notes, bills, mortgages, and other evidences of indebtedness if the
4.6 issue is backed by the full faith and credit of the issuer or the issue is rated among the top
4.7 four quality rating categories by a nationally recognized rating agency. The obligations in
4.8 which funds may be invested under this paragraph are guaranteed or insured issues of:

4.9 (1) the United States, one of its agencies, one of its instrumentalities, or an
4.10 organization created and regulated by an act of Congress;

4.11 (2) the Dominion of Canada or one of its provinces if the principal and interest are
4.12 payable in United States dollars;

4.13 (3) a state or one of its municipalities, political subdivisions, agencies, or
4.14 instrumentalities; and

4.15 (4) a United States government-sponsored organization of which the United States is
4.16 a member if the principal and interest are payable in United States dollars.

4.17 (d) **Investment-grade corporate obligations.** An expanded list plan is authorized
4.18 to invest funds in bonds, notes, debentures, transportation equipment obligations, or
4.19 any other longer term evidences of indebtedness issued or guaranteed by a corporation
4.20 organized under the laws of the United States or any of its states, or the Dominion of
4.21 Canada or any of its provinces if:

4.22 (1) the principal and interest are payable in United States dollars; and

4.23 (2) the obligations are rated among the top four quality categories by a nationally
4.24 recognized rating agency.

4.25 (e) **Below-investment-grade corporate obligations.** An expanded list plan is
4.26 authorized to invest in unrated corporate obligations or in corporate obligations that are
4.27 not rated among the top four quality categories by a nationally recognized rating agency if:

4.28 (1) the aggregate value of these obligations does not exceed five percent of the
4.29 covered pension plan's market value;

4.30 (2) the covered pension plan's participation is limited to 50 percent of a single
4.31 offering subject to this paragraph; and

4.32 (3) the covered pension plan's participation is limited to 25 percent of an issuer's
4.33 obligations subject to this paragraph.

4.34 (f) **Other obligations.** (1) An expanded list plan is authorized to invest funds in:

4.35 (i) bankers acceptances and deposit notes if issued by a United States bank that is
4.36 rated in the highest four quality categories by a nationally recognized rating agency;

5.1 (ii) certificates of deposit if issued by a United States bank or savings institution
5.2 rated in the highest four quality categories by a nationally recognized rating agency or
5.3 whose certificates of deposit are fully insured by federal agencies, or if issued by a credit
5.4 union in an amount within the limit of the insurance coverage provided by the National
5.5 Credit Union Administration;

5.6 (iii) commercial paper if issued by a United States corporation or its Canadian
5.7 subsidiary and if rated in the highest two quality categories by a nationally recognized
5.8 rating agency;

5.9 (iv) mortgage securities and asset-backed securities if rated in the top four quality
5.10 categories by a nationally recognized rating agency;

5.11 (v) repurchase agreements and reverse repurchase agreements if collateralized with
5.12 letters of credit or securities authorized in this section;

5.13 (vi) guaranteed investment contracts if issued by an insurance company or a bank
5.14 that is rated in the top four quality categories by a nationally recognized rating agency
5.15 or alternative guaranteed investment contracts if the underlying assets comply with the
5.16 requirements of this subdivision;

5.17 (vii) savings accounts if fully insured by a federal agency; and

5.18 (viii) guaranty fund certificates, surplus notes, or debentures if issued by a domestic
5.19 mutual insurance company.

5.20 (2) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates
5.21 of deposit and collateralization agreements executed by the covered pension plan under
5.22 clause (1), item (ii).

5.23 (3) In addition to investments authorized by clause (1), item (iv), an expanded list
5.24 plan is authorized to purchase from the Minnesota Housing Finance Agency all or any part
5.25 of a pool of residential mortgages, not in default, that has previously been financed by the
5.26 issuance of bonds or notes of the agency. The covered pension plan may also enter into
5.27 a commitment with the agency, at the time of any issue of bonds or notes, to purchase
5.28 at a specified future date, not exceeding 12 years from the date of the issue, the amount
5.29 of mortgage loans then outstanding and not in default that have been made or purchased
5.30 from the proceeds of the bonds or notes. The covered pension plan may charge reasonable
5.31 fees for any such commitment and may agree to purchase the mortgage loans at a price
5.32 sufficient to produce a yield to the covered pension plan comparable, in its judgment,
5.33 to the yield available on similar mortgage loans at the date of the bonds or notes. The
5.34 covered pension plan may also enter into agreements with the agency for the investment
5.35 of any portion of the funds of the agency. The agreement must cover the period of the
5.36 investment, withdrawal privileges, and any guaranteed rate of return.

6.1 (g) **Corporate stocks.** An expanded list plan is authorized to invest in stocks or
6.2 convertible issues of any corporation organized under the laws of the United States or any
6.3 of its states, any corporation organized under the laws of the Dominion of Canada or any
6.4 of its provinces, or any corporation listed on an exchange that is regulated by an agency of
6.5 the United States or of the Canadian national government.

6.6 An investment in any corporation must not exceed five percent of the total
6.7 outstanding shares of that corporation, except that an expanded list plan may hold up
6.8 to 20 percent of the shares of a real estate investment trust and up to 20 percent of the
6.9 shares of a closed mutual fund.

6.10 (h) **Other investments.** (1) In addition to the investments authorized in paragraphs
6.11 (b) to (g), and subject to the provisions in clause (2), an expanded list plan is authorized
6.12 to invest funds in:

6.13 (i) equity and debt investment businesses through participation in limited
6.14 partnerships, trusts, private placements, limited liability corporations, limited liability
6.15 companies, limited liability partnerships, and corporations;

6.16 (ii) real estate ownership interests or loans secured by mortgages or deeds of trust
6.17 or shares of real estate investment trusts, through investment in limited partnerships,
6.18 bank-sponsored collective funds, trusts, mortgage participation agreements, and insurance
6.19 company commingled accounts, including separate accounts;

6.20 (iii) resource investments through limited partnerships, trusts, private placements,
6.21 limited liability corporations, limited liability companies, limited liability partnerships,
6.22 and corporations; and

6.23 (iv) international securities.

6.24 (2) The investments authorized in clause (1) must conform to the following
6.25 provisions:

6.26 (i) the aggregate value of all investments made under clause (1), items (i), (ii), and
6.27 (iii), may not exceed 35 percent of the market value of the fund for which the expanded
6.28 list plan is investing;

6.29 (ii) there must be at least four unrelated owners of the investment other than the
6.30 expanded list plan for investments made under clause (1), item (i), (ii), or (iii);

6.31 (iii) the expanded list plan's participation in an investment vehicle is limited to 20
6.32 percent thereof for investments made under clause (1), item (i), (ii), or (iii);

6.33 (iv) the expanded list plan's participation in a limited partnership does not include a
6.34 general partnership interest or other interest involving general liability. The expanded list
6.35 plan may not engage in any activity as a limited partner which creates general liability; and

7.1 (v) the aggregate value of all unrated obligations and obligations that are not rated
 7.2 among the top four quality categories by a nationally recognized rating agency authorized
 7.3 by paragraph (f) and clause (1), item (iv), must not exceed five percent of the covered
 7.4 plan's market value; and

7.5 (vi) for volunteer firefighter relief associations, emerging market equity and
 7.6 international debt investments authorized under clause (1), item (iv), must not exceed 15
 7.7 percent of the association's special fund market value.

7.8 (i) **Supplemental plan investments.** The governing body of an expanded list plan
 7.9 may certify assets to the State Board of Investment for investment under section 11A.17.

7.10 (j) **Asset mix limitations.** The aggregate value of an expanded list plan's
 7.11 investments under paragraphs (g) and (h) and equity investments under paragraph (i),
 7.12 regardless of the form in which these investments are held, must not exceed 85 percent of
 7.13 the covered plan's market value.

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

7.15 Sec. 4. Minnesota Statutes 2012, section 356A.06, subdivision 7a, is amended to read:

7.16 Subd. 7a. **Restrictions.** Any agreement to lend securities must be concurrently
 7.17 collateralized with cash or securities with a market value of not less than 100 percent of the
 7.18 market value of the loaned securities at the time of the agreement. For a covered pension
 7.19 authorized to purchase put and call options and futures contracts under subdivision 7, any
 7.20 agreement for put and call options and futures contracts may only be entered into with a
 7.21 fully offsetting amount of cash or securities. Only securities authorized by this section,
 7.22 excluding those under subdivision 7, paragraph ~~(g)~~ (h), clause (1), items (i) to (iv), may be
 7.23 accepted as collateral or offsetting securities.

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

7.25 Sec. 5. Minnesota Statutes 2012, section 424A.015, is amended by adding a
 7.26 subdivision to read:

7.27 Subd. 6. **Governing benefit plan provisions.** A service pension or ancillary benefit
 7.28 payable under this chapter is governed by and must be calculated under the general statute,
 7.29 special law, relief association articles of incorporation, and relief association bylaw
 7.30 provisions applicable on the date on which the member separated from active service with
 7.31 the fire department and active membership in the relief association.

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

8.1 Sec. 6. Minnesota Statutes 2012, section 424A.016, subdivision 4, is amended to read:

8.2 Subd. 4. **Individual accounts.** (a) An individual account must be established for
8.3 each firefighter who is a member of the relief association.

8.4 (b) To each individual active member account must be credited an equal share of:

8.5 (1) any amounts of fire state aid received by the relief association;

8.6 (2) any amounts of municipal contributions to the relief association raised from
8.7 levies on real estate or from other available municipal revenue sources exclusive of fire
8.8 state aid; and

8.9 (3) any amounts equal to the share of the assets of the special fund to the credit of:

8.10 (i) any former member who terminated active service with the fire department to
8.11 which the relief association is associated before meeting the minimum service requirement
8.12 provided for in subdivision 2, paragraph (b), and has not returned to active service with
8.13 the fire department for a period no shorter than five years; or

8.14 (ii) any retired member who retired before obtaining a full nonforfeitable interest in
8.15 the amounts credited to the individual member account under subdivision 2, paragraph
8.16 (b), and any applicable provision of the bylaws of the relief association. In addition, any
8.17 investment return on the assets of the special fund must be credited in proportion to the
8.18 share of the assets of the special fund to the credit of each individual active member
8.19 account. Administrative expenses of the relief association payable from the special
8.20 fund may be deducted from individual accounts in a manner specified in the bylaws of
8.21 the relief association.

8.22 (c) If the bylaws so permit and as the bylaws define, the relief association may credit
8.23 any investment return on the assets of the special fund to the accounts of inactive members.

8.24 (d) Amounts to be credited to individual accounts must be allocated uniformly
8.25 for all years of active service and allocations must be made for all years of service,
8.26 except for caps on service credit if so provided in the bylaws of the relief association.

8.27 Amounts forfeited under paragraph (b), clause (3), before a resumption of active service
8.28 and membership under section 424A.01, subdivision 6, remain forfeited and may not be

8.29 reinstated upon the resumption of active service and membership. The allocation method
8.30 may utilize monthly proration for fractional years of service, as the bylaws or articles of
8.31 incorporation of the relief association so provide. The bylaws or articles of incorporation
8.32 may define a "month," but the definition must require a calendar month to have at least 16
8.33 days of active service. If the bylaws or articles of incorporation do not define a "month," a
8.34 "month" is a completed calendar month of active service measured from the member's
8.35 date of entry to the same date in the subsequent month.

9.1 (e) At the time of retirement under subdivision 2 and any applicable provision of the
 9.2 bylaws of the relief association, a retiring member is entitled to that portion of the assets
 9.3 of the special fund to the credit of the member in the individual member account which is
 9.4 nonforfeitable under subdivision 3 and any applicable provision of the bylaws of the relief
 9.5 association based on the number of years of service to the credit of the retiring member.

9.6 (f) Annually, the secretary of the relief association shall certify the individual
 9.7 account allocations to the state auditor at the same time that the annual financial statement
 9.8 or financial report and audit of the relief association, whichever applies, is due under
 9.9 section 69.051.

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

9.11 Sec. 7. Minnesota Statutes 2013 Supplement, section 424A.016, subdivision 6, is
 9.12 amended to read:

9.13 Subd. 6. **Deferred service pensions.** (a) A member of a relief association is entitled
 9.14 to a deferred service pension if the member separates from active service and membership
 9.15 and has completed the minimum service and membership requirements in subdivision 2.
 9.16 The requirement that a member separate from active service and membership is waived
 9.17 for persons who have discontinued their volunteer firefighter duties and who are employed
 9.18 on a full-time basis under section 424A.015, subdivision 1.

9.19 (b) The deferred service pension is payable when the former member reaches at
 9.20 least age 50, or at least the minimum age specified in the bylaws governing the relief
 9.21 association if that age is greater than age 50, and when the former member makes a valid
 9.22 written application.

9.23 (c) A defined contribution relief association may, if its governing bylaws so provide,
 9.24 credit interest or additional investment performance on the deferred lump-sum service
 9.25 pension during the period of deferral. If provided for in the bylaws, the interest must be
 9.26 paid:

9.27 (1) at the investment performance rate actually earned on that portion of the assets
 9.28 if the deferred benefit amount is invested by the relief association in a separate account
 9.29 established and maintained by the relief association;

9.30 (2) at the investment performance rate actually earned on that portion of the assets
 9.31 if the deferred benefit amount is invested in a separate investment vehicle held by the
 9.32 relief association; or

9.33 (3) at the investment return on the assets of the special fund of the defined contribution
 9.34 volunteer firefighter relief association in proportion to the share of the assets of the special

10.1 fund to the credit of each individual deferred member account through the accounting date
10.2 on which the investment return is recognized by and credited to the special fund.

10.3 (d) Unless the bylaws of a relief association that has elected to pay interest or
10.4 additional investment performance on deferred lump-sum service pensions under
10.5 paragraph (c) specifies a different interest or additional investment performance method,
10.6 including the interest or additional investment performance period starting date and ending
10.7 date, the interest or additional investment performance on a deferred service pension
10.8 is creditable as follows:

10.9 (1) for a relief association that has elected to pay interest or additional investment
10.10 performance under paragraph (c), clause (1) or (3), beginning on the date that the
10.11 member separates from active service and membership and ending on the accounting
10.12 date immediately before the deferred member commences receipt of the deferred service
10.13 pension; or

10.14 (2) for a relief association that has elected to pay interest or additional investment
10.15 performance under paragraph (c), clause (2), beginning on the date that the member
10.16 separates from active service and membership and ending on the date that the separate
10.17 investment vehicle is valued immediately before the date on which the deferred member
10.18 commences receipt of the deferred service pension.

10.19 ~~(e) The deferred service pension is governed by and must be calculated under~~
10.20 ~~the general statute, special law, relief association articles of incorporation, and relief~~
10.21 ~~association bylaw provisions applicable on the date on which the member separated from~~
10.22 ~~active service with the fire department and active membership in the relief association.~~

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

10.24 Sec. 8. Minnesota Statutes 2012, section 424A.016, subdivision 7, is amended to read:

10.25 Subd. 7. **Limitation on ancillary benefits.** (a) A defined contribution relief
10.26 association may only pay an ancillary benefit which would constitute an authorized
10.27 disbursement as specified in section 424A.05. The ancillary benefit for active members
10.28 must equal the vested and nonvested amount of the individual account of the member.

10.29 (b) For deferred members, the ancillary benefit must equal the vested amount of
10.30 the individual account of the member. For the recipient of installment payments of a
10.31 service pension, the ancillary benefit must equal the remaining balance in the individual
10.32 account of the recipient.

10.33 (c) If the bylaws permit and as defined by the bylaws, the relief association may pay
10.34 an ancillary benefit to, or on behalf of, a member who is not active or deferred.

11.1 (d)(1) If a survivor or death benefit is payable under the articles of incorporation or
 11.2 bylaws, the benefit must be paid:

11.3 (i) as a survivor benefit to the surviving spouse of the deceased firefighter;

11.4 (ii) as a survivor benefit to the surviving children of the deceased firefighter if no
 11.5 surviving spouse;

11.6 (iii) as a survivor benefit to a designated beneficiary of the deceased firefighter if no
 11.7 surviving spouse or surviving children; or

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

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

11.12 ~~(d)~~ (e) For purposes of this section, for a defined contribution volunteer fire relief
 11.13 association, a trust created under chapter 501B may be a designated beneficiary. If a trust
 11.14 payable to the surviving children organized under chapter 501B has been established as
 11.15 authorized by this section and there is no surviving spouse, the survivor benefit may be
 11.16 paid to the trust, notwithstanding the requirements of this section.

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

11.18 Sec. 9. Minnesota Statutes 2013 Supplement, section 424A.02, subdivision 3, is
 11.19 amended to read:

11.20 Subd. 3. **Flexible service pension maximums.** (a) Annually on or before August
 11.21 1 as part of the certification of the financial requirements and minimum municipal
 11.22 obligation determined under section 424A.092, subdivision 4, or 424A.093, subdivision
 11.23 5, as applicable, the secretary or some other official of the relief association designated
 11.24 in the bylaws of each defined benefit relief association shall calculate and certify to the
 11.25 governing body of the applicable ~~qualified~~ municipality the average amount of available
 11.26 financing per active covered firefighter for the most recent three-year period. The amount
 11.27 of available financing includes any amounts of fire state aid received or receivable by the
 11.28 relief association, any amounts of municipal contributions to the relief association raised
 11.29 from levies on real estate or from other available revenue sources exclusive of fire state
 11.30 aid, and one-tenth of the amount of assets in excess of the accrued liabilities of the relief
 11.31 association calculated under section 424A.092, subdivision 2; 424A.093, subdivisions 2
 11.32 and 4; or 424A.094, subdivision 2, if any.

11.33 (b) The maximum service pension which the defined benefit relief association has
 11.34 authority to provide for in its bylaws for payment to a member retiring after the calculation

12.1 date when the minimum age and service requirements specified in subdivision 1 are met
 12.2 must be determined using the table in paragraph (c) or (d), whichever applies.

12.3 (c) For a defined benefit relief association where the governing bylaws provide for
 12.4 a monthly service pension to a retiring member, the maximum monthly service pension
 12.5 amount per month for each year of service credited that may be provided for in the bylaws
 12.6 is the greater of the service pension amount provided for in the bylaws on the date of the
 12.7 calculation of the average amount of the available financing per active covered firefighter
 12.8 or the maximum service pension figure corresponding to the average amount of available
 12.9 financing per active covered firefighter:

12.10	Minimum Average Amount of Available	Maximum Service Pension Amount
12.11	Financing per Firefighter	Payable per Month for Each
12.12		Year of Service
12.13	\$...	\$.25
12.14	41	.50
12.15	81	1.00
12.16	122	1.50
12.17	162	2.00
12.18	203	2.50
12.19	243	3.00
12.20	284	3.50
12.21	324	4.00
12.22	365	4.50
12.23	405	5.00
12.24	486	6.00
12.25	567	7.00
12.26	648	8.00
12.27	729	9.00
12.28	810	10.00
12.29	891	11.00
12.30	972	12.00
12.31	1053	13.00
12.32	1134	14.00
12.33	1215	15.00
12.34	1296	16.00
12.35	1377	17.00
12.36	1458	18.00
12.37	1539	19.00
12.38	1620	20.00
12.39	1701	21.00
12.40	1782	22.00
12.41	1823	22.50
12.42	1863	23.00

13.1	1944	24.00
13.2	2025	25.00
13.3	2106	26.00
13.4	2187	27.00
13.5	2268	28.00
13.6	2349	29.00
13.7	2430	30.00
13.8	2511	31.00
13.9	2592	32.00
13.10	2673	33.00
13.11	2754	34.00
13.12	2834	35.00
13.13	2916	36.00
13.14	2997	37.00
13.15	3078	38.00
13.16	3159	39.00
13.17	3240	40.00
13.18	3321	41.00
13.19	3402	42.00
13.20	3483	43.00
13.21	3564	44.00
13.22	3645	45.00
13.23	3726	46.00
13.24	3807	47.00
13.25	3888	48.00
13.26	3969	49.00
13.27	4050	50.00
13.28	4131	51.00
13.29	4212	52.00
13.30	4293	53.00
13.31	4374	54.00
13.32	4455	55.00
13.33	4536	56.00
13.34	Effective beginning December 31, 2008	
13.35	4617	57.00
13.36	4698	58.00
13.37	4779	59.00
13.38	4860	60.00
13.39	4941	61.00
13.40	5022	62.00
13.41	5103	63.00
13.42	5184	64.00
13.43	5265	65.00

14.1	Effective beginning December 31, 2009	
14.2	5346	66.00
14.3	5427	67.00
14.4	5508	68.00
14.5	5589	69.00
14.6	5670	70.00
14.7	5751	71.00
14.8	5832	72.00
14.9	5913	73.00
14.10	5994	74.00
14.11	Effective beginning December 31, 2010	
14.12	6075	75.00
14.13	6156	76.00
14.14	6237	77.00
14.15	6318	78.00
14.16	6399	79.00
14.17	6480	80.00
14.18	6561	81.00
14.19	6642	82.00
14.20	6723	83.00
14.21	Effective beginning December 31, 2011	
14.22	6804	84.00
14.23	6885	85.00
14.24	6966	86.00
14.25	7047	87.00
14.26	7128	88.00
14.27	7209	89.00
14.28	7290	90.00
14.29	7371	91.00
14.30	7452	92.00
14.31	Effective beginning December 31, 2012	
14.32	7533	93.00
14.33	7614	94.00
14.34	7695	95.00
14.35	7776	96.00
14.36	7857	97.00
14.37	7938	98.00
14.38	8019	99.00
14.39	8100	100.00
14.40	any amount in excess of	
14.41	8100	100.00

14.42 (d) For a defined benefit relief association in which the governing bylaws provide
 14.43 for a lump-sum service pension to a retiring member, the maximum lump-sum service

15.1 pension amount for each year of service credited that may be provided for in the bylaws is
 15.2 the greater of the service pension amount provided for in the bylaws on the date of the
 15.3 calculation of the average amount of the available financing per active covered firefighter
 15.4 or the maximum service pension figure corresponding to the average amount of available
 15.5 financing per active covered firefighter for the applicable specified period:

15.6	Minimum Average Amount of Available	Maximum Lump-Sum Service
15.7	Financing per Firefighter	Pension Amount Payable for
15.8		Each Year of Service
15.9	\$...	\$ 10
15.10	11	20
15.11	16	30
15.12	23	40
15.13	27	50
15.14	32	60
15.15	43	80
15.16	54	100
15.17	65	120
15.18	77	140
15.19	86	160
15.20	97	180
15.21	108	200
15.22	131	240
15.23	151	280
15.24	173	320
15.25	194	360
15.26	216	400
15.27	239	440
15.28	259	480
15.29	281	520
15.30	302	560
15.31	324	600
15.32	347	640
15.33	367	680
15.34	389	720
15.35	410	760
15.36	432	800
15.37	486	900
15.38	540	1000
15.39	594	1100
15.40	648	1200
15.41	702	1300
15.42	756	1400
15.43	810	1500

16.1	864	1600
16.2	918	1700
16.3	972	1800
16.4	1026	1900
16.5	1080	2000
16.6	1134	2100
16.7	1188	2200
16.8	1242	2300
16.9	1296	2400
16.10	1350	2500
16.11	1404	2600
16.12	1458	2700
16.13	1512	2800
16.14	1566	2900
16.15	1620	3000
16.16	1672	3100
16.17	1726	3200
16.18	1753	3250
16.19	1780	3300
16.20	1820	3375
16.21	1834	3400
16.22	1888	3500
16.23	1942	3600
16.24	1996	3700
16.25	2023	3750
16.26	2050	3800
16.27	2104	3900
16.28	2158	4000
16.29	2212	4100
16.30	2265	4200
16.31	2319	4300
16.32	2373	4400
16.33	2427	4500
16.34	2481	4600
16.35	2535	4700
16.36	2589	4800
16.37	2643	4900
16.38	2697	5000
16.39	2751	5100
16.40	2805	5200
16.41	2859	5300
16.42	2913	5400
16.43	2967	5500

17.1	3021	5600
17.2	3075	5700
17.3	3129	5800
17.4	3183	5900
17.5	3237	6000
17.6	3291	6100
17.7	3345	6200
17.8	3399	6300
17.9	3453	6400
17.10	3507	6500
17.11	3561	6600
17.12	3615	6700
17.13	3669	6800
17.14	3723	6900
17.15	3777	7000
17.16	3831	7100
17.17	3885	7200
17.18	3939	7300
17.19	3993	7400
17.20	4047	7500
17.21	Effective beginning December 31, 2008	
17.22	4101	7600
17.23	4155	7700
17.24	4209	7800
17.25	4263	7900
17.26	4317	8000
17.27	4371	8100
17.28	4425	8200
17.29	4479	8300
17.30	Effective beginning December 31, 2009	
17.31	4533	8400
17.32	4587	8500
17.33	4641	8600
17.34	4695	8700
17.35	4749	8800
17.36	4803	8900
17.37	4857	9000
17.38	4911	9100
17.39	Effective beginning December 31, 2010	
17.40	4965	9200
17.41	5019	9300
17.42	5073	9400
17.43	5127	9500

18.1	5181	9600
18.2	5235	9700
18.3	5289	9800
18.4	5343	9900
18.5	5397	10,000
18.6	any amount in excess of	
18.7	5397	10,000

18.8 (e) For a defined benefit relief association in which the governing bylaws provide
 18.9 for a monthly benefit service pension as an alternative form of service pension payment
 18.10 to a lump-sum service pension, the maximum service pension amount for each pension
 18.11 payment type must be determined using the applicable table contained in this subdivision.

18.12 (f) If a defined benefit relief association establishes a service pension in compliance
 18.13 with the applicable maximum contained in paragraph (c) or (d) and the minimum average
 18.14 amount of available financing per active covered firefighter is subsequently reduced
 18.15 because of a reduction in fire state aid or because of an increase in the number of active
 18.16 firefighters, the relief association may continue to provide the prior service pension
 18.17 amount specified in its bylaws, but may not increase the service pension amount until
 18.18 the minimum average amount of available financing per firefighter under the table in
 18.19 paragraph (c) or (d), whichever applies, permits.

18.20 (g) No defined benefit relief association is authorized to provide a service pension in
 18.21 an amount greater than the largest applicable flexible service pension maximum amount
 18.22 even if the amount of available financing per firefighter is greater than the financing
 18.23 amount associated with the largest applicable flexible service pension maximum.

18.24 (h) The method of calculating service pensions must be applied uniformly for all
 18.25 years of active service. Credit must be given for all years of active service except for caps
 18.26 on service credit if so provided in the bylaws of the relief association.

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

18.28 Sec. 10. Minnesota Statutes 2013 Supplement, section 424A.02, subdivision 7, is
 18.29 amended to read:

18.30 **Subd. 7. Deferred service pensions.** (a) A member of a defined benefit relief
 18.31 association is entitled to a deferred service pension if the member separates from active
 18.32 service and membership and has completed the minimum service and membership
 18.33 requirements in subdivision 1. The requirement that a member separate from active service
 18.34 and membership is waived for persons who have discontinued their volunteer firefighter
 18.35 duties and who are employed on a full-time basis under section 424A.015, subdivision 1.

19.1 (b) The deferred service pension is payable when the former member reaches at
19.2 least age 50, or at least the minimum age specified in the bylaws governing the relief
19.3 association if that age is greater than age 50, and when the former member makes a valid
19.4 written application.

19.5 (c) A defined benefit relief association that provides a lump-sum service pension
19.6 governed by subdivision 3 may, when its governing bylaws so provide, pay interest on the
19.7 deferred lump-sum service pension during the period of deferral. If provided for in the
19.8 bylaws, interest must be paid in one of the following manners:

19.9 (1) at the investment performance rate actually earned on that portion of the assets
19.10 if the deferred benefit amount is invested by the relief association in a separate account
19.11 established and maintained by the relief association;

19.12 (2) at the investment performance rate actually earned on that portion of the assets
19.13 if the deferred benefit amount is invested in a separate investment vehicle held by the
19.14 relief association; or

19.15 (3) at an interest rate of up to five percent, compounded annually, as set by the
19.16 board of trustees.

19.17 (d) Any change in the interest rate set by the board of ~~directors~~ trustees under
19.18 paragraph (c), clause (3), must be ratified by the governing body of the municipality
19.19 served by the fire department to which the relief association is directly associated, or by
19.20 the independent nonprofit firefighting corporation, as applicable.

19.21 (e) Interest under paragraph (c), clause (3), is payable beginning on the January 1
19.22 next following the date on which the deferred service pension interest rate as set by the
19.23 board of trustees was ratified by the governing body of the municipality served by the fire
19.24 department to which the relief association is directly associated, or by the independent
19.25 nonprofit firefighting corporation, as applicable.

19.26 (f) Unless the bylaws of a relief association that has elected to pay interest or
19.27 additional investment performance on deferred lump-sum service pensions under
19.28 paragraph (c) specifies a different interest or additional investment performance method,
19.29 including the interest or additional investment performance period starting date and ending
19.30 date, the interest or additional investment performance on a deferred service pension
19.31 is creditable as follows:

19.32 (1) for a relief association that has elected to pay interest or additional investment
19.33 performance under paragraph (c), clause (1) or (3), beginning on the first day of the
19.34 month next following the date on which the member separates from active service and
19.35 membership and ending on the last day of the month immediately before the month in
19.36 which the deferred member commences receipt of the deferred service pension; or

20.1 (2) for a relief association that has elected to pay interest or additional investment
 20.2 performance under paragraph (c), clause (2), beginning on the date that the member
 20.3 separates from active service and membership and ending on the date that the separate
 20.4 investment vehicle is valued immediately before the date on which the deferred member
 20.5 commences receipt of the deferred service pension.

20.6 (g) For a deferred service pension that is transferred to a separate account established
 20.7 and maintained by the relief association or separate investment vehicle held by the relief
 20.8 association, the deferred member bears the full investment risk subsequent to transfer and
 20.9 in calculating the accrued liability of the volunteer firefighters relief association that pays
 20.10 a lump-sum service pension, the accrued liability for deferred service pensions is equal
 20.11 to the separate relief association account balance or the fair market value of the separate
 20.12 investment vehicle held by the relief association.

20.13 ~~(h) The deferred service pension is governed by and must be calculated under~~
 20.14 ~~the general statute, special law, relief association articles of incorporation, and relief~~
 20.15 ~~association bylaw provisions applicable on the date on which the member separated from~~
 20.16 ~~active service with the fire department and active membership in the relief association.~~

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

20.18 Sec. 11. Minnesota Statutes 2012, section 424A.08, is amended to read:

20.19 **424A.08 MUNICIPALITY WITHOUT RELIEF ASSOCIATION;**
 20.20 **AUTHORIZED DISBURSEMENTS.**

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

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

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

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

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

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

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

21.14 Sec. 12. Minnesota Statutes 2013 Supplement, section 424A.092, subdivision 6,
 21.15 is amended to read:

21.16 Subd. 6. **Municipal ratification for plan amendments.** If the special fund of
 21.17 the relief association does not have a surplus over full funding under subdivision 3,
 21.18 paragraph (c), clause (5), and if the municipality is required to provide financial support
 21.19 to the special fund of the relief association under this section, the adoption of or any
 21.20 amendment to the articles of incorporation or bylaws of a relief association which
 21.21 increases or otherwise affects the retirement coverage provided by or the service pensions
 21.22 or retirement benefits payable from the special fund of any relief association to which this
 21.23 section applies is not effective until it is ratified by the governing body of the municipality
 21.24 ~~in which the relief association is located~~ served by the fire department to which the
 21.25 relief association is directly associated or by the independent nonprofit firefighting
 21.26 corporation, as applicable, and the officers of a relief association shall not seek municipal
 21.27 ratification prior to preparing and certifying an estimate of the expected increase in the
 21.28 accrued liability and annual accruing liability of the relief association attributable to the
 21.29 amendment. If the special fund of the relief association has a surplus over full funding
 21.30 under subdivision 3, paragraph (c), clause (5), and if the municipality is not required to
 21.31 provide financial support to the special fund of the relief association under this section,
 21.32 the relief association may adopt or amend its articles of incorporation or bylaws which
 21.33 increase or otherwise affect the retirement coverage provided by or the service pensions
 21.34 or retirement benefits payable from the special fund of the relief association which are
 21.35 effective without municipal ratification so long as this does not cause the amount of the

22.1 resulting increase in the accrued liability of the special fund of the relief association to
 22.2 exceed 90 percent of the amount of the surplus over full funding reported in the prior year
 22.3 and this does not result in the financial requirements of the special fund of the relief
 22.4 association exceeding the expected amount of the future fire state aid to be received by
 22.5 the relief association as determined by the board of trustees following the preparation
 22.6 of an estimate of the expected increase in the accrued liability and annual accruing
 22.7 liability of the relief association attributable to the change. If a relief association adopts or
 22.8 amends its articles of incorporation or bylaws without municipal ratification under this
 22.9 subdivision, and, subsequent to the amendment or adoption, the financial requirements
 22.10 of the special fund of the relief association under this section are such so as to require
 22.11 financial support from the municipality, the provision which was implemented without
 22.12 municipal ratification is no longer effective without municipal ratification and any service
 22.13 pensions or retirement benefits payable after that date may be paid only in accordance with
 22.14 the articles of incorporation or bylaws as amended or adopted with municipal ratification.

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

22.16 Sec. 13. Minnesota Statutes 2013 Supplement, section 424A.093, subdivision 2,
 22.17 is amended to read:

22.18 Subd. 2. **Determination of actuarial condition and funding costs.** A relief
 22.19 association to which this section applies shall obtain an actuarial valuation showing the
 22.20 condition of the special fund of the relief association as of December 31, 1978, and at
 22.21 least as of December 31 every four years thereafter. The valuation shall be prepared in
 22.22 accordance with the provisions of sections 356.215, subdivision 8, and 356.216 and any
 22.23 applicable standards for actuarial work established by the Legislative Commission on
 22.24 Pensions and Retirement, except that the figure for normal cost shall be expressed as a
 22.25 level dollar amount, and the amortization contribution shall be the level dollar amount
 22.26 calculated to amortize any current unfunded accrued liability by at least the date of full
 22.27 funding specified in subdivision 4, clause (b). Each valuation shall be filed with the
 22.28 governing body of the municipality ~~in which the relief association is located~~ served by the
 22.29 fire department to which the relief association is directly associated or by the independent
 22.30 nonprofit firefighting corporation, as applicable, and with the state auditor, not later than
 22.31 July 1 of the year next following the date as of which the actuarial valuation is prepared.
 22.32 Any relief association which is operating under a special law which requires that actuarial
 22.33 valuations be obtained at least every four years and be prepared in accordance with
 22.34 applicable actuarial standards set forth in statute may continue to have actuarial valuations

23.1 made according to the time schedule set forth in the special legislation subject to the
 23.2 provisions of subdivision 3.

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

23.4 Sec. 14. Minnesota Statutes 2013 Supplement, section 424A.093, subdivision 6,
 23.5 is amended to read:

23.6 Subd. 6. **Municipal ratification for plan amendments.** If the special fund of the
 23.7 relief association does not have a surplus over full funding under subdivision 4, and
 23.8 if the municipality is required to provide financial support to the special fund of the
 23.9 relief association under this section, the adoption of or any amendment to the articles of
 23.10 incorporation or bylaws of a relief association which increases or otherwise affects the
 23.11 retirement coverage provided by or the service pensions or retirement benefits payable
 23.12 from the special fund of any relief association to which this section applies is not effective
 23.13 until it is ratified by the governing body of the municipality ~~in which the relief association~~
 23.14 ~~is located~~ served by the fire department to which the relief association is directly associated
 23.15 or by the independent nonprofit firefighting corporation, as applicable. If the special
 23.16 fund of the relief association has a surplus over full funding under subdivision 4, and if
 23.17 the municipality is not required to provide financial support to the special fund of the
 23.18 relief association under this section, the relief association may adopt or amend its articles
 23.19 of incorporation or bylaws which increase or otherwise affect the retirement coverage
 23.20 provided by or the service pensions or retirement benefits payable from the special fund
 23.21 of the relief association which are effective without municipal ratification so long as this
 23.22 does not cause the amount of the resulting increase in the accrued liability of the special
 23.23 fund of the relief association to exceed 90 percent of the amount of the surplus over full
 23.24 funding reported in the prior year and this does not result in the financial requirements of
 23.25 the special fund of the relief association exceeding the expected amount of the future fire
 23.26 state aid to be received by the relief association as determined by the board of trustees
 23.27 following the preparation of an updated actuarial valuation including the proposed change
 23.28 or an estimate of the expected actuarial impact of the proposed change prepared by the
 23.29 actuary of the relief association. If a relief association adopts or amends its articles of
 23.30 incorporation or bylaws without municipal ratification pursuant to this subdivision, and,
 23.31 subsequent to the amendment or adoption, the financial requirements of the special fund
 23.32 of the relief association under this section are such so as to require financial support from
 23.33 the municipality, the provision which was implemented without municipal ratification is
 23.34 no longer effective without municipal ratification and any service pensions or retirement

24.1 benefits payable after that date may be paid only in accordance with the articles of
 24.2 incorporation or bylaws as amended or adopted with municipal ratification.

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

24.4 Sec. 15. Minnesota Statutes 2013 Supplement, section 424A.094, subdivision 2,
 24.5 is amended to read:

24.6 Subd. 2. **Determination of actuarial condition and funding costs.** Each
 24.7 independent nonprofit firefighting corporation to which this section applies shall determine
 24.8 the actuarial condition and the funding costs of the subsidiary relief association using
 24.9 the following procedure:

24.10 (1) An independent nonprofit firefighting corporation which has a subsidiary relief
 24.11 association which pays a monthly benefit service pension shall procure an actuarial
 24.12 valuation of the special fund of the subsidiary relief association at the same times and
 24.13 in the same manner as specified in section 424A.093, subdivisions 2 and 3, and an
 24.14 independent nonprofit firefighting corporation which has a subsidiary relief association
 24.15 which pays a lump-sum service pension shall determine the accrued liability of the special
 24.16 fund of the relief association in accordance with section 424A.092, subdivision 2.

24.17 (2) The financial requirements of the special fund of the subsidiary relief association
 24.18 which pays a monthly benefit service pension shall be determined in the same manner
 24.19 as specified in section 424A.093, subdivision 4, and the financial requirements of the
 24.20 special fund of the subsidiary relief association shall be determined in the same manner as
 24.21 specified in section 424A.092, subdivision 3.

24.22 (3) The minimum obligation of the independent nonprofit firefighting corporation on
 24.23 behalf of the special fund of the subsidiary relief association shall be determined in the
 24.24 same manner as specified in section 424A.092, subdivision 4, or 424A.093, subdivision 5,
 24.25 as applicable.

24.26 (4) The independent nonprofit firefighting corporation shall appropriate annually
 24.27 from the income of the corporation an amount at least equal to the minimum obligation
 24.28 of the independent nonprofit firefighting corporation on behalf of the special fund of
 24.29 the subsidiary relief association.

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

24.31 Sec. 16. Minnesota Statutes 2013 Supplement, section 424A.10, subdivision 2, is
 24.32 amended to read:

25.1 Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a volunteer
25.2 firefighters' relief association or by the voluntary statewide lump-sum volunteer firefighter
25.3 retirement plan of a lump-sum distribution to a qualified recipient, the association must
25.4 pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the
25.5 contrary, the relief association must pay the supplemental benefit out of its special fund
25.6 and the voluntary statewide lump-sum volunteer firefighter retirement plan must pay
25.7 the supplemental benefit out of the voluntary statewide lump-sum volunteer firefighter
25.8 retirement plan. This benefit is an amount equal to ten percent of the regular lump-sum
25.9 distribution that is paid on the basis of the recipient's service as a volunteer firefighter.
25.10 In no case may the amount of the supplemental benefit exceed \$1,000. A supplemental
25.11 benefit under this paragraph may not be paid to a survivor of a deceased active or deferred
25.12 volunteer firefighter in that capacity.

25.13 (b) Upon the payment by a relief association or the retirement plan of a lump-sum
25.14 survivor benefit to a survivor of a deceased active volunteer firefighter or of a deceased
25.15 deferred volunteer firefighter, the association must pay a supplemental survivor benefit to
25.16 the survivor of the deceased active or deferred volunteer firefighter from the special fund
25.17 of the relief association and the retirement plan must pay a supplemental survivor benefit
25.18 to the survivor of the deceased active or deferred volunteer firefighter from the retirement
25.19 fund if chapter 353G so provides. The amount of the supplemental survivor benefit is 20
25.20 percent of the survivor benefit, but not to exceed \$2,000.

25.21 (c) For purposes of this section, the term "regular lump-sum distribution" means the
25.22 pretax lump-sum distribution excluding any interest that may have been credited during a
25.23 volunteer firefighter's period of deferral.

25.24 (d) An individual may receive a supplemental benefit under paragraph (a) or under
25.25 paragraph (b), but not under both paragraphs with respect to one lump-sum volunteer
25.26 firefighter benefit.

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

25.28 Sec. 17. Minnesota Statutes 2012, section 424B.12, is amended to read:

25.29 **424B.12 MIXED CONSOLIDATING RELIEF ASSOCIATIONS; BENEFIT**
25.30 **PLAN; FUNDING.**

25.31 Subdivision 1. **Applicability.** This section applies where one or more of the
25.32 volunteer firefighters' relief associations involved in the consolidation are defined benefit
25.33 relief associations as defined in section 424A.001, subdivision 1b, and one or more of

26.1 the volunteer firefighters' relief associations involved in the consolidation are defined
26.2 contribution relief associations as defined in section 424A.001, subdivision 1c.

26.3 Subd. 2. **Benefit plan.** The articles of incorporation or bylaws of the successor
26.4 relief association must specify whether the relief association is a defined benefit relief
26.5 association or whether the relief association is a defined contribution relief association. If
26.6 the successor relief association is a defined benefit relief association, the relief association
26.7 benefits must comply with sections 424A.02 and ~~424B.11, subdivision 1a~~ 424B.10. If
26.8 the successor relief association is a defined contribution relief association, the relief
26.9 association must comply with sections 424A.016 and ~~424B.12~~ 424B.11, subdivision 2.

26.10 Subd. 3. **Funding.** If the successor relief association is a defined benefit relief
26.11 association, the relief association funding is governed by section ~~424B.11~~ 424B.10,
26.12 subdivision 2. If the successor relief association is a defined contribution relief association,
26.13 the relief association funding is governed by section ~~424B.12~~ 424B.11, subdivision 3.

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