



**H.F. 41**  
(Hausman)

**S.F. 61**  
(Marty)

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

*Affected Pension Plan(s):* Roseville Volunteer Firefighter Relief Association  
*Relevant Provisions of Law:* Special law provision  
*General Nature of Proposal:* Options for the administration of the association  
*Date of Summary:* March 5, 2015

### **Specific Proposed Changes**

- Provides the City of Roseville and the Roseville Volunteer Firefighters' Relief Association with two options in providing for the administration of pension coverage for the remaining active and retired members of the relief association, either by:
  - increasing the number of permitted retired board members as the active membership of the relief association declines; or
  - permitting the transfer of plan administration to the Public Employees Retirement Association (PERA); and
- In either event, clarifies the disposition of plan assets as an asset of the Roseville city treasury upon the payment of the last annuity or benefit payment from the relief association.

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

1. Short-term and long-term relief association phase-out issues.
2. Support for the proposed resolution by the Roseville Volunteer Firefighters' Relief Association.
3. Likelihood of local legislation approval by City of Roseville
4. Appropriateness of remaining relief association assets disposition designation.
5. Precedent.

### **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 *JAM*

RE: H.F. 41 (Hausman); S.F. 61 (Marty): Roseville Volunteer Firefighters' Relief Association Administrative Options

DATE: March 5, 2015

Summary of H.F. 41 (Hausman); S.F. 61 (Marty)

H.F. 41 (Hausman); S.F. 61 (Marty) permits the Roseville Volunteer Firefighters' Relief Association, if approved by the Roseville City Council, to utilize one or both of two options for maintaining appropriate governance of the relief association, either by increasing the number of retired members to be elected to serve on the relief association board of trustees to three immediately, to four when the relief association active membership drops below 26, to five when the relief association active membership drops below 11, and to six when there no longer is any association active membership or by permitting the Roseville Volunteer Firefighters' Relief Association board of trustees, with city council approval, to transfer the relief association administration to the board of directors and executive director of the Public Employees Retirement Association (PERA). Additionally, the disposition of the Roseville Volunteer Firefighters' Relief Association assets upon the death of the last retiree and the last beneficiary is specified as the deposit of the remaining assets in the Roseville city treasury.

Roseville Volunteer Firefighters' Relief Association Pension Issue

Roseville, akin to many Minnesota municipalities, has a wholly or primarily emergency on-call fire department and a volunteer firefighter relief association to provide pension coverage for those emergency on-call firefighters. In Roseville, the volunteer firefighter relief association is one of about two dozen in the state that provides a monthly benefit (i.e., annuity for life) rather than a lump sum benefit. As I understand the situation, Roseville has, with municipal action, begun phasing out its emergency on-call fire department, employing instead part-time firefighters, and its volunteer firefighter relief association, reportedly providing retirement coverage for those part-time firefighters a plan administered by the Public Employees Retirement Association (PERA). The part-time firefighters reportedly have begun organizing a union, represented by American Federation of State, County and Municipal Employees (AFSCME) currently, and are apparently collectively bargaining a contract. The current on-call emergency firefighters believe that they will be converted to part-time firefighters in the near future. If the active membership of the Roseville Volunteer Firefighters' Relief Association is diminished in number in the near term or eliminated, the general statutory provision specifying the governance of the volunteer firefighter relief association (with six members elected by the membership, of which one can be a retired member if the relief association is a monthly benefit plan, and with three municipal officials, of which one is the department fire chief) will no longer adequately function for the relief association.

Background Information on Relevant Topics

The following attachment provides background information on topics relevant to the proposed legislation:

- **Attachment A:** Background information on the membership of volunteer firefighters' relief association boards of trustees and officers.

Discussion and Analysis

H.F. 41 (Hausman); S.F. 61 (Marty) provides the City of Roseville and the Roseville Volunteer Firefighters' Relief Association with two options in providing for the administration of pension coverage for the remaining active and retired members of the relief association, either by increasing the number of permitted retired board members as the active membership of the relief association declines or by permitting the transfer of plan administration to the Public Employees Retirement Association (PERA) and, in either event, clarifies the disposition of plan assets as an asset of the Roseville city treasury upon the payment of the last annuity or benefit payment from the relief association.

The proposed legislation raises several pension and related public policy issues for consideration by and possible discussion between members of the Commission, including the following:

1. Short-Term and Long-Term Relief Association Phase-Out Issues. The policy issue is whether or not the proposed legislation adequately addresses the Roseville Volunteer Firefighters' Relief Association administration and governance issue for both the short term and for the long term. Previously, when Minnesota public pension plans have been placed on a phase-out basis by closure of the membership to new entrants, the closure was done by legislation. The Roseville Volunteer Firefighters' Relief Association closure apparently was accomplished by city action only and the question of the future administration and governance of the Roseville Volunteer Firefighters' Relief Association does not appear to have been addressed. The systematic replacement of active relief association board members by retired members as the phase-out proceeds that was initially proposed by the relief association members will solve the immediate problem of the governance of the relief association, but some additional option for the time when loss of interest, significant change in residence location, or diminished capability in the pool of retired members over time needs to be provided. Current law, Minnesota Statutes, Section 424A.015, Subdivision 3, provides one avenue for a replacement administration structure, by allowing the relief association to purchase annuity contracts from an insurance company licensed to do business in Minnesota to replace the current benefits of retirees that are currently self-insured by the relief association, which if implemented en masse, would substitute the insurance carrier for the current relief association officers. The proposed legislation adds, as an option, an additional avenue by permitting a transfer of the administration of the former relief association to the statewide local government employee retirement system, the Public Employees Retirement Association (PERA), with the PERA board and executive director replacing the current relief association structure. The PERA transfer would require city approval before finalization, but could be exercised either in the near term or in the longer term based on the judgment of the Roseville Volunteer Firefighters' Relief Association board of trustees. The proposed legislation, building on the current annuitization statutory authority provides options for the proper management of the affairs of the relief association without disruption unless the relief association board is not vigilant in monitoring the quality and capability of its members.
2. Support for the Proposed Resolution by the Roseville Volunteer Firefighters' Relief Association. The policy issue is whether or not the current board of trustees of the Roseville Volunteer Firefighters' Relief Association is supportive of the proposed resolution of the relief association's administration and governance issue. Under the proposed legislation, depending on the near-term composition of the active member portion of the relief association, at least one current active member representative on the relief association board of trustees would be replaced by a retired member by operation of the new law in a special election. If most or all of the current active membership of the relief association have their city employment status changed and have their retirement coverage changed from the Roseville Volunteer Firefighters' Relief Association to a plan run by PERA in short order, the number of board members to be replaced in short order before their terms of office have fully run would be greater. Two members of the current Roseville Volunteer Firefighters' Relief Association board have indicated their support for the proposed resolution and have expressed their opinion that the balance of the relief association board would be supportive, but the resolution of this governance and administration issue has been more conceptual than document-driven up to this time. If there is opposition on the Roseville Volunteer Firefighters' Relief Association board to the proposed administration and governance issue resolution, that controversy should be resolved in Roseville rather than in St. Paul during the legislative session.
3. Likelihood of Local Legislation Approval by City of Roseville. The policy issue is the extent of interest in the local legislation by the Roseville mayor, city council, and city administrator and the likelihood that the local legislation, if enacted by the Legislature, would be approved by the city. If the City of Roseville does not support the proposed resolution of the administration and governance problem of the Roseville Volunteer Firefighters' Relief Association, the proposed local legislation may not be approved locally and consideration of the proposed legislation would not be a good expenditure of valuable legislative time and effort by the Commission and subsequent standing committees with pension policy jurisdiction. The City of Roseville has publicly supported efforts by the Roseville Volunteer Firefighters' Relief Association to seek a legislative remedy to its administration and governance issue, but the city has not yet had an opportunity to review the proposed legislation. A city council resolution of support of the proposed legislation in time for the Commission hearing on any Roseville Volunteer Firefighters' Relief Association bill would resolve this issue.
4. Appropriateness of Remaining Relief Association Assets Disposition Designation. The policy issue is the appropriateness of specifying the disposition of any assets of the Roseville Volunteer Firefighters' Relief Association remaining when the last service pension or survivor benefit has been paid. Minnesota public pension laws generally presume that, once created or established, the retirement

plan continues indefinitely into the future, with no provision governing the winding up of a retirement plan usually included in the governing legislation applicable to any Minnesota public pension plan. When a retirement plan is placed on phase-out basis, the enactment closing the plan to new active members usually includes a provision governing the disposition of any plan assets remaining upon the last pension benefit payment. The usual recipient of the remaining assets is the governmental entity served or principally served by the retirement plan. The proposed legislation follows that pattern.

5. Precedent for the Proposed Legislation. The policy issue is whether precedent exists for the proposed administration and governance legislation applicable to the Roseville Volunteer Firefighters' Relief Association and whether the Roseville Volunteer Firefighters' Relief Association proposed legislation will constitute a problematic precedent for other Minnesota public pension plans. There are past precedents of the various parts of the proposed Roseville Volunteer Firefighters' Relief Association legislation, as follows:

1. Increase in Retiree Representation on Relief Association Board. For the Minneapolis Police Relief Association, phasing out since 1980, as active members declined in number, replaced active member board positions with retired members (Laws 1983, Ch. 88, Sec. 1-2, 5);
2. Transfer of Plan Administration to PERA. There have been several transfers of pension plan administrations to the Public Employees Retirement Association (PERA): local police and paid fire relief association law, applicable to 48 local public safety plans and utilized by 44 plans (Laws 1987, Ch. 296); the creation of the Statewide Lump-Sum Volunteer Firefighter Retirement Plan, administered by PERA and intended as a mechanism for administering some portion of the state's numerous volunteer firefighter relief associations electing to change administration (Laws 2009, Ch. 169, Art. 9); and the Minneapolis Employees Retirement Fund administrative consolidation into PERA (Laws 2010, Ch. 359, Art. 11); and
3. Disposition of Phased Out Relief Association Assets upon Final Benefit Payment. Local police and paid fire relief association phase-out asset disposition was specified in 1980 (Laws 1980, Ch. 607, Art. 15, Sec. 4, Subd. 2, Para. (3)).

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

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

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

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

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

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

- iv. under Minnesota Statutes, Section 424B.02, the position is required to meet notification and filing requirements on the initiation of a consolidation of volunteer firefighter relief associations;
  - v. under Minnesota Statutes, Section 424B.06, Subdivisions 3 and 4, the position conducts various record and related transfers as part of a consolidation of volunteer firefighter relief associations;
  - vi. under Minnesota Statutes, Section 424B.08, the position is responsible for providing various notifications of the termination of a volunteer firefighter relief association after its consolidation with another volunteer firefighter relief association; and
  - vii. under Minnesota Statutes, Section 424B.10, Subdivision 2, the position is responsible for making the certification of the funding obligations of a consolidated volunteer firefighter relief association.
- c. For the relief association treasurer:
- i. under Minnesota Statutes, Section 69.031, Subdivision 5, the position is the recipient of the fire state aid transmitted by the municipal treasurer following state payment;
  - ii. under Minnesota Statutes, Section 69.051, Subdivision 2, the position must be bonded at a minimum of 10% of the amount of volunteer firefighter relief association assets up to \$50,000;
  - iii. under Minnesota Statutes, Section 424A.02, Subdivision 3a, the position can be ordered by the State Auditor to recover any overpayments of service pension amounts;
  - iv. under Minnesota Statutes, Section 424A.05, Subdivision 2, the position functions as the custodian of the volunteer firefighter relief association special fund assets and is required to maintain adequate records for that fund;
  - v. under Minnesota Statutes, Section 424A.06, Subdivision 2, the position is the custodian of the volunteer firefighter relief association general fund assets and is required to maintain adequate records for that fund;
  - vi. under Minnesota Statutes, Section 424A.10, Subdivision 3, the position is the recipient of the state volunteer firefighter supplemental aid reimbursement amount payment; and
  - vii. under Minnesota Statutes, Section 424B.06, Subdivisions 3 and 4, the position is responsible for participating in asset transfers in a consolidation of volunteer firefighter relief associations.
- d. For the officers of the volunteer firefighter relief association as a group:
- i. in Minnesota Statutes, Section 424A.091, subdivision 3, their duties to determine the municipal obligation to the volunteer firefighter relief association and other documents filed with the Office of the State Auditor are referenced;
  - ii. under Minnesota Statutes, Section 424A.092, Subdivisions 3, 4, and 6, relating to lump sum volunteer firefighter relief associations, they are required to determine the volunteer firefighter relief association funding requirements, to certify those determinations to the applicable municipality, to certify any underpayment of required municipal contributions to the county auditor for levying additional property taxes, and to provide a fiscal impact estimate to the applicable municipality in conjunction with proposed benefit changes; and
  - iii. under Minnesota Statutes, Section 424A.093, Subdivisions 3, 4, and 5, relating to monthly benefit volunteer firefighter relief associations, they are required to determine the volunteer firefighter relief association funding requirements, to certify those determinations to the applicable municipality, to certify any underpayment of required municipal contributions to the county auditor for levying additional property taxes, and to arrange for the provision of an actuarial cost estimate to the applicable municipality in conjunction with proposed benefit changes.



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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-NINTH SESSION

**H. F. No. 41**

01/08/2015 Authored by Hausman and Isaacson

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

1.1 A bill for an act  
1.2 relating to retirement; providing for options for the governance and  
1.3 administration of the Roseville Volunteer Firefighters Relief Association.

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

1.5 Section 1. **ROSEVILLE VOLUNTEER FIREFIGHTERS RELIEF**  
1.6 **ASSOCIATION; GOVERNANCE AND ADMINISTRATION.**

1.7 Subdivision 1. **Retiree board of trustees representation.** (a) Notwithstanding  
1.8 any provision of Minnesota Statutes, section 424A.04, subdivision 1, to the contrary  
1.9 the membership of the board of trustees of the Roseville Volunteer Firefighters Relief  
1.10 Association (RVFRA) is as provided in paragraph (b), with the additional membership of  
1.11 the chief of the fire department, one elected Roseville municipal official, and one elected  
1.12 or appointed Roseville municipal official appointed by the Roseville City Council if:

1.13 (1) all service pensions and survivor benefits have not been annuitized as provided  
1.14 under Minnesota Statutes, section 424A.015, subdivision 3; and

1.15 (2) the RVFRA is administered by a governing board and not by the Public  
1.16 Employees Retirement Association (PERA) as provided in subdivision 2.

1.17 (b)(1) Beginning the day following the effective date of this section, the RVFRA  
1.18 board of trustees shall consist of three active Roseville firefighters elected from the  
1.19 membership of the RVFRA and three retired members of the RVFRA elected from the  
1.20 membership of the relief association.

1.21 (2) Beginning on the January 1 next following the date on which the number of active  
1.22 Roseville firefighters who are members of the RVFRA totals 25 or less, the RVFRA board of  
1.23 trustees shall consist of two active firefighters elected from the membership of the RVFRA,  
1.24 and four retired members of the RVFRA elected from the membership of the RVFRA.

2.1 (3) Beginning on the January 1 next following the date on which the number of  
 2.2 active Roseville firefighters who are members of the RVFRA totals ten or less, the RVFRA  
 2.3 board of trustees shall consist of one active firefighter elected from the membership of  
 2.4 the RVFRA, and five retired members of the RVFRA elected from the membership of the  
 2.5 RVFRA.

2.6 (4) Beginning on the January 1 next following the date on which there are no active  
 2.7 Roseville firefighters who are members of the RVFRA, the RVFRA board of trustees shall  
 2.8 consist of six retired members of the RVFRA elected from the membership of the RVFRA.

2.9 **Subd. 2. Option for administration by Public Employees Retirement**

2.10 **Association.** (a) The Roseville Volunteer Firefighters Relief Association (RVFRA), by a  
 2.11 majority vote of its board of trustees and with the approval of the decision by the Roseville  
 2.12 City Council, may transfer the administration of the RVFRA to the board of trustees of  
 2.13 the Public Employees Retirement Association (PERA).

2.14 (b) If the transfer decision under paragraph (a) is made and approved, on the next  
 2.15 succeeding January 1, the governance and the administration of the RVFRA becomes the  
 2.16 responsibility of the board of trustees and the executive director of PERA. The secretary  
 2.17 of the RVFRA also shall transfer the records of the RVFRA to the executive director of  
 2.18 PERA. The legal title of the assets of the former RVFRA transfer to the State Board of  
 2.19 Investment as of the December 31 preceding the governance and administration transfer,  
 2.20 with the beneficial title to the assets remaining with the annuitants and benefit recipients of  
 2.21 the former RVFRA, and with the assets invested in the volunteer firefighter account in the  
 2.22 Minnesota supplemental investment fund unless the State Board of Investment determines  
 2.23 that investment in another account or in a combination of accounts in the Minnesota  
 2.24 supplemental investment fund is more appropriate. No increase in the service pension or  
 2.25 survivor benefit amount of the former RVFRA may be implemented by PERA without the  
 2.26 approval of the city of Roseville made following the receipt of an actuarial cost estimate  
 2.27 for the change prepared by the approved actuary retained by PERA under Minnesota  
 2.28 Statutes, section 356.214, and prepared under the applicable provisions of Minnesota  
 2.29 Statutes, sections 356.215 and 356.216, and the standards for actuarial work approved by  
 2.30 the Legislative Commission on Pensions and Retirement. The actuary retained by PERA  
 2.31 shall periodically prepare actuarial valuations under Minnesota Statutes, sections 356.215  
 2.32 and 356.216, for the former RVFRA as of December 31 as required by generally accepted  
 2.33 public sector accounting principles. The city of Roseville shall provide the funding  
 2.34 requirements of the former RVFRA disclosed in the most recent actuarial valuation as  
 2.35 certified by the executive director of PERA and the funding of the former RVFRA is  
 2.36 governed by Minnesota Statutes, section 353.27.

3.1 (c) The necessary and reasonable expenses of PERA to administer the former  
3.2 RVFRA must be paid from the assets of the former relief association.

3.3 (d) Upon the transfer under this subdivision, the RVFRA ceases as a Minnesota  
3.4 nonprofit corporation, and PERA is the successor in interest to the former RVFRA in the  
3.5 same manner as provided in Minnesota Statutes, section 353G.06, subdivision 3.

3.6 (e) Copies of the transfer approval documents must be filed with the secretary of  
3.7 state, the state auditor, and the executive director of PERA. The approval and filing of the  
3.8 approval documents must be completed before September 1 of the year the transfer occurs.

3.9 Subd. 3. **Disposition of remaining assets when obligations are paid.** Whether  
3.10 self-administered or administered by PERA, upon the death of the last benefit recipient  
3.11 and the last potential surviving spouse of the last benefit recipient, the remaining assets of  
3.12 the RVFRA or the former RVFRA cancel to the city treasury of the city of Roseville.

3.13 **EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after  
3.14 the city council of Roseville and its chief clerical officer timely complete their compliance  
3.15 with Minnesota Statutes, section 645.021, subdivisions 2 and 3.