



Working Group

Meeting Agenda: October 6, 2020

I. Call to Order

Chair Auditor Blaha.

II. Introductions

III. Review and Approval of Working Group Meeting Minutes

Exhibit A. Draft January 23, 2020 Meeting Minutes

IV. Working Group Process Discussion

Exhibits B through E.

- Working Group Meeting Schedule (B)
- Working Group Purpose Statement (C)
- Working Group Process (D)
- Working Group Membership List (E)

V. Update on 2020 Relief Association Legislation

Exhibit F.

VI. Discussion of Working Group Topic Suggestions

Exhibit G.

VII. Other Business

Exhibits H through J.

- Supplemental benefits for firefighters who receive more than one lump-sum distribution (if approved in Agenda item VI) (H)
- Definition of "Municipal Clerk" (if approved in Agenda item VI) (I)
- Defined contribution plan forfeiture change (if approved in Agenda item VI) (J)

VIII. Next Meeting

Tuesday, October 20, 2020

11 a.m. to 12:30 p.m.

Virtually via Zoom

IX. Adjournment

Individuals with disabilities who need a reasonable accommodation to participate in this event, please contact Rose Hennessy Allen at (651) 296-5985 or (800) 627-3529 (TTY) by October 2, 2020.



Exhibit A

01-23-20 Approved Minutes

Members Present

Julie Blaha, State Auditor

Eric Bullen, Minnesota State Fire Chiefs Association Representative (defined benefit lump sum plans)

Steve Donney, City of Harmony Mayor

Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)

Sue Iverson, City of Lake Elmo Finance Director (by phone)

Ron Johnson, Minnesota State Fire Department Association Representative (defined contribution plans)

Michael Kruse, Falcon Heights Fire Relief Association Treasurer (defined contribution plans)

Kevin Wall, Lower Saint Croix Valley Fire Relief Association President (defined benefit lump sum plans)

Thomas Wilson, Eden Prairie Fire Relief Association Trustee (defined benefit monthly/lump sum plans)

Members Excused

Dave Jaeger, Mahanomen Fire Relief Association Treasurer (defined benefit lump sum plans)

Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)

Office of the State Auditor and Legislative Support Present

Ramona Advani, Deputy State Auditor and General Counsel

Chad Burkitt, Legislative Commission on Pension and Retirement Analyst

Rose Hennessy Allen, Office of the State Auditor Pension Director

Susan Lenczewski, Legislative Commission on Pension and Retirement Executive Director

Others Present

Maia Dabney-Miller, Office of the State Auditor Pension Analyst

Ann Lenczewski, Lockridge Grindal Nauen Representative

Emily Knutson, Van Iwaarden Associates Representative

Jim McCoy, City of Austin Fire Chief

Molly Resch, Office of the State Auditor Pension Analyst

Brian Rice, Rice Michels & Walther Representative

Mike Scott, City of Eagan Fire Chief

I. Call to Order

Auditor Blaha called the meeting to order. There was a request to add to the agenda the topic of fire state aid payments to municipalities that have no firefighter pension plan in place. The agenda was accepted as amended.

II. Review and Approval of Working Group Meeting Minutes

The members reviewed the December 17, 2019, meeting minutes that had been provided in advance. There were no objections to the minutes.

III. Review of Working Group Draft Legislation

- Supplemental Benefits

The members reviewed draft language that clarified the supplemental benefit provision to make it clear that members who receive more than one lump-sum distribution are eligible to receive a supplemental benefit with each distribution. Each supplemental benefit is equal to ten percent of the benefit distribution amount, up to a maximum of \$1,000. For survivor supplemental benefits, the benefit is equal to 20 percent of the survivor benefit amount, up to a maximum of \$2,000. Lenczewski, S. suggested a clarification to the draft language that the cap applies to each benefit. Hemstad made a motion to adopt the draft language as amended. The Working Group members unanimously approved the motion.

- Uniformity of Benefits Technical Change

The members reviewed draft language for a technical change that updates the uniformity of benefits provision so it is easier to read and understand. Iverson made a motion to adopt the draft language, which the Working Group members then unanimously approved.

- Deferred Interest for Defined Contribution Plans

Members reviewed draft language that requires deferred members of defined contribution plans to be credited with interest or additional investment income during their periods of deferral. The effective date language specifies that the change applies to currently deferred members. Auditor Blaha explained that if the change is passed into law, deferred members in defined contribution plans would be required to receive interest or additional investment income in one of three allowable manners beginning on January 1, 2021. Deferred members would be required to receive their proportionate share of the full investment gains or losses, or must receive the actual return on a separate investment account or separate investment vehicle. Kruse made a motion to adopt the draft language, which the Working Group members then unanimously approved.

- Fire Chief Service Credit Certification

The members reviewed draft language that reduces the length of time the fire chief must wait before certifying service credit amounts to the relief association and municipality. Under the proposal, the fire chief must wait at least 21 days after providing notice of the service credit amounts to each firefighter before certifying the amounts to the relief association and municipality. Bullen made a motion to adopt the draft language. The Working Group members approved the motion unanimously.

- Accrued Liability Calculation

The Working Group members reviewed draft legislation that removes the current liability factors for defined-benefit lump-sum plans from statute and requires that the liabilities be calculated using the standards for actuarial work established by the Legislative Commission on Pensions and Retirement (LCPR). Lenczewski, S. shared with the members that the LCPR has contracted with a new actuarial firm, Van Iwaarden Associates, which will work to provide the Office of the State Auditor (OSA) with the information necessary to implement this change. Iverson made a motion to adopt the draft language. The Working Group members approved the motion unanimously.

Auditor Blaha asked the Working Group members for approval to make any necessary technical changes that may be identified by OSA and LCPR staff. Hemstad made a motion to grant approval, and the motion was then adopted unanimously by the Working Group members.

IV. Review of Working Group Topic Positions

- **Deferred Interest for Defined Benefit Plans**

The members reviewed Exhibit G, which lists reasons why the Working Group recommends that no changes be made to deferred interest for relief associations with a defined benefit plan. Wall asked to clarify that the recommendations would allow the payment of interest to deferred members of defined benefit plans to be optional. Hennessy Allen confirmed that the recommendation for these plans is that deferred interest remain optional. Lenczewski, S. shared that the recommendations would be helpful when the Working Group bill is presented to the LCPR. Kruse made a motion to adopt the Working Group position that no changes be made to deferred interest options for relief associations with a defined benefit plan. The motion was adopted unanimously.

- **Vesting Requirements**

The members reviewed Exhibit H, which lists reasons why the Working Group recommends that no changes be made to relief association vesting requirements. Hennessy Allen shared that almost all relief associations provide reduced service pensions to members who complete fewer than 20 years of active service, and that data on relief association vesting requirements can be shared with the LCPR when the Working Group bill is presented. Donney made a motion to adopt the Working Group position that no changes be made to relief association vesting requirements. The motion was adopted unanimously.

- **Interim Project: Firefighter Definitions**

The members reviewed a chart showing factors that will be used by OSA staff when drafting definitions for Volunteer, Paid on Call, Part Time, and Full-Time/Career Firefighters. The definition for a combination fire department was also reviewed. Auditor Blaha said that OSA staff would work on this project during the spring and summer, and would report back when the Working Group reconvenes. Bullen suggested changes to the chart to include compensation information. Bullen made a motion to adopt the definition factors, as amended. The Working Group then unanimously adopted the motion.

V. Overview of Investment Reporting Changes Draft Legislation

Auditor Blaha explained that OSA staff have proposed changes to the investment disclosure reporting for the State Board of Investment, a U of M faculty supplemental plan, and local public pension plans with at least \$50 million in assets. The local public pension plans with at least \$50 million in assets that are still in existence are the Bloomington Fire Department Relief Association and the St. Paul Teachers' Retirement Fund Association. The SBI and the U of M plan provide very limited information to the OSA currently, and are required to provide the information for each calendar year rather than their fiscal year. For Bloomington and St. Paul, the investment reporting is duplicative as the OSA performs the annual financial audit for these entities and already receives and reviews detailed investment information as part of the annual audit.

Auditor Blaha said that the OSA therefore is proposing a legislative change that eliminates the annual investment reporting for these four entities. The four entities have been provided with a copy of the draft language for their review and approval before we move forward. Auditor Blaha explained that she wanted to share the language with the Working Group because relief association investment reporting requirements are contained in the same section of statute.

No changes to relief association reporting requirements are being made, but the language is being cleaned up. Auditor Blaha wanted the Working Group to be aware of the legislation so it wouldn't be a surprise when the bill is heard by the LCPR.

VI. Other Business

- **Fire State Aid for Fire Departments with No Pension Plan**

Hennessy Allen shared that currently, there are 21 fire departments that receive fire state aid and supplemental state aid, but whose firefighters have no pension coverage. These are very small city and town fire departments. The city or town receives the state aid and is required to deposit the aid in a restricted fire fund. Money can be spent from the restricted fire fund on certain authorized purposes, like fire department equipment and maintenance on the fire hall.

The intent of the supplemental state aid program was to provide additional funding to public safety retirement plans. While the intent of the fire state aid program has changed over time, it is currently viewed as a program to provide funding to firefighter pensions. Working Group members said they were not aware that some entities receive fire state aid and supplemental state aid but provide no pensions for their firefighters. The members discussed possible changes, such as a requirement that only entities that provide pensions can qualify to receive fire state aid, or that fire state aid could be used to pay per-call payments to firefighters in the communities where no firefighter pensions are provided. The Working Group members agreed that the issue of fire state aid, how it is allocated, and who is eligible to receive it, are large issues that would need to be revisited at a later date.

- **Recognition of Dave Jaeger's Working Group Membership!**

Auditor Blaha shared that Dave Jaeger is the last original member of the Working Group, and served on the Working Group for all 15 years that it has been meeting. She thanked him for his years of distinguished service and wished him well in retirement.

VII. Adjournment

Auditor Blaha thanked everyone for taking time to attend the Working Group meetings. She said she would keep everyone updated on the progress of the Working Group legislation, and will ask for help in presenting the bill when it is heard by the LCPR.

The meeting was adjourned at 12:15.



Exhibit B

Working Group Meeting Schedule

Tuesday, October 6, 2020

Tuesday, October 20, 2020

Tuesday, November 10, 2020

Tuesday, November 17, 2020

Tuesday, December 15, 2020

Additional meetings in early 2021 may be scheduled

State Auditor Julie Blaha, Chair
Virtually via Zoom
11:00 a.m. to 12:30 p.m.



Exhibit C

Working Group Purpose Statement

To identify and work through current and pressing relief association issues while maintaining effective and efficient Office of the State Auditor oversight.

We will do this by bringing together the major volunteer fire relief association stakeholders to develop relationships, facilitate communication, discuss relief association issues and make the Pension Process easier and more effective.

The ultimate goal is to help volunteer fire relief association plans be successful.



Exhibit D

Working Group Process

- Identify and discuss topics and make recommendations to clarify state laws,*
 - Forward suggested statutory changes to the Legislative Commission on Pensions and Retirement, and
 - Identify ways to simplify reporting forms, identify training needs and other issues.
- * Unanimous consent is required for all proposals to move forward, although proposals may be revisited and reconsidered.



Exhibit E

Working Group Membership List

- 1. Municipal Official**
Steve Donney, Mayor
City of Harmony
PO Box 488
Harmony, MN 55939
(507) 951-4320
stdonney2002@yahoo.com
- 2. Municipal Official**
Sue Iverson, Finance & Accounting
Manager
City of Red Wing
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sue.iverson@ci.red-wing.mn.us
- 3. Defined Benefit Monthly/Lump Sum
Combination Plans**
Thomas Wilson, Secretary
Eden Prairie Fire Relief Association
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Eden Prairie, MN 55344
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tomwilson52@hotmail.com
- 4. Defined Benefit Lump Sum Plans**
Bruce Hemstad, Secretary
Bemidji Fire Relief Association
318 – 5th Street N.W.
Bemidji, MN 56601
(218) 766-0014
bruce.hemstad@gmail.com
- 5. Defined Benefit Lump Sum Plans**
Darrell Pettis, Treasurer
St. Peter Fire Relief Association
227 W. Mulberry Street
St. Peter, MN 56082
(507) 934-5077
dbpettis@hickorytech.net
- 6. Minnesota State Fire Department
Association**
Ron Johnson, Member
Maple Grove Fire Relief Association
P.O. Box 1174
Maple Grove, MN 55311
(612) 245-0012
ron@johnsonmn.com
- 7. Defined Contribution Plans**
Aaron Johnston, Treasurer
Coon Rapids Fire Relief Association
2831 – 113th Avenue NW
Coon Rapids, MN 55433
(763) 767-6477
ajohnston@coonrapidsmn.gov
- 8. Defined Contribution Plans**
Michael Kruse, Treasurer
Falcon Heights Fire Relief Association
2077 West Larpenteur Avenue
Falcon Heights, MN 55113
(651) 792-7632
mikek1716@hotmail.com



9. Minnesota State Fire Chiefs Association

Eric Bullen, Chief, Director of
Emergency Management, Fire Marshal
Albertville Fire Department
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ebullen@ci.albertville.mn.us

*Office of the State Auditor and
Legislative Support*

**Legislative Commission on Pensions
& Retirement**

Susan Lenczewski, Executive Director
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susan.lenczewski@lcpr.leg.mn

10. Defined Benefit Lump Sum Plans

Kevin Wall, President
Lower Saint Croix Valley Fire Relief
Association
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**Legislative Commission on Pensions
& Retirement**

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11. Defined Benefit Lump Sum Plans

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12. Defined Benefit Lump Sum Plans

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13. State Auditor Julie Blaha

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Exhibit F

2020 Relief Association Legislation

Working Group Proposals:

- Article 16 Reduced the length of time, to at least 21 days, that fire chiefs must wait to certify service credit amounts to the relief association and municipality after the amounts have been communicated to firefighters.
- Clarified that relief association audits are required to be conducted in compliance with generally accepted auditing standards.
- Updated the deferred service pension provisions for defined contribution plans to make clear that deferred members must receive interest or additional investment performance during their periods of deferral.
- Clarified the requirement that volunteer firefighter service pension and retirement benefits be based on years of service rather than compensation.
- Required that accrued liability calculations for relief associations that pay a defined-benefit lump-sum benefit be performed using the standards for actuarial work established by the Pension Commission. The calculations are being added in an appendix to the Pension Commission standards, and will ensure that accrued liabilities are based on a relief association's specific vesting requirements and each member's age and length of service; a more precise calculation than currently performed.

Other Proposals:

- Article 10 Flexible service pension maximums increased to \$15,000 per year of active service.
- Article 11 Cities with a combination fire department and an affiliated relief association may retain a portion of the fire state aid distribution if an aid allocation agreement has been approved locally by the municipality and the relief association. The fire state aid retained by the city is used to offset employer contributions paid to PERA on behalf of the city's full-time firefighters.
- Articles 12 & 15 Dissolution and conversion statutes updated, based on recommendations of the Work Group on Conversions and Dissolutions convened by the LCPR.
- Article 13 Special legislation establishing a dissolution process for the Brooklyn Park Firefighters' Relief Association.
- Article 14 Special legislation establishing a process for the division of the Ramsey Firefighters' Relief Association.

Volunteer Fire Relief Association Working Group

2020/2021 Potential Topic Requests

Topic	Description	Source	Type
Audit (424A.014, subds. 1 and 2)	1. Consider changing the agreed-upon procedures language so that it's more similar to the language used in the city and town statutes, so that the OSA would have the ability to perform an agreed-upon procedures engagement if requested. 2. Update the audit provision to make it clear that the \$500,000 threshold is based on special fund assets, only, and that the audit becomes required in the year after a relief association exceeds the threshold. 3. Consider increasing the threshold at which an audit is required. The current threshold is \$500,000 in either assets or liabilities.	OSA OSA VFRAs	Limited Tech. Change Limited Tech. Change Broad Policy Change
Administrative Expenses (424A.05, subd. 3b(a)(5))	4. Limit authorized special fund filing and application fees to fees that directly support the special fund.	VFRAs	Limited Policy Change
Career Firefighters (424A.015, subd. 1)	5. Consider allowing firefighters who are hired on a fulltime basis and retire from the relief association to be paid their relief association service pension before reaching age 50.	VFRAs	Limited Policy Change
Concurrent Service Credit (424A.01, subd. 4a)	6. Consider whether the prohibition on the receipt of concurrent service credit should be broadened so that it applies to service credit in MSRS, too.	OSA	Limited Policy Change
Combined Service Pensions (424A.015, subd. 7)	7. Consider making combined service pensions mandatory and available to all firefighters with service in more than one fire department. 8. Consider changing the combined service pension provision so that the pension amount accrued in the first relief association is locked in, and that vesting continues accruing in the subsequent relief association. (Similar to how combined service works in the PERA Statewide Plan.)	VFRAs VFRAs	Broad Policy Change Broad Policy Change
Defined Contribution Plans (424A.016, subd. 2)	9. Allow nonvested accounts to be forfeited before the required five-year waiting period if the former member passes away.	OSA	Limited Tech. Change
Definitions (424A.001)	10 Add the definition of "municipal clerk" from the fire state aid statutes (Section 477B.01) to the relief association statutes. 11 Update the definition of "volunteer firefighter" and add definitions of "paid-on-call," "part-time," and "full-time/career" firefighter and the definition of "combination fire department" that the Working Group agreed upon last year.	OSA VFRAs	Limited Tech. Change In Progress

Dues (424A.06, subd. 2)	12. Consider whether unpaid membership dues should be deducted from a relief association's service pension.	VFRAs	Broad Policy Change
Return to Service (424A.01, subd. 6)	13. Discuss allowing members who return to service to keep any interest that had been accrued during their period of deferral.	VFRAs	Broad Policy Change
Service Credit (424A.015, subd. 6)	14. Consider allowing relief associations to set a lower benefit level amount for EMS-only members if the minimum service requirements for these individuals are less than for firefighters.	VFRAs	Broad Policy Change
	15. Consider ways in which a relief association could allow for a bonus payment from the special fund for firefighters with at least 20 years of service, for example, as a way to retain firefighters. Ideas include authorizing a higher per-year-of-service benefit level for these years.	VFRAs	Broad Policy Change
	16. Consider allowing relief associations to provide different benefit levels per year of service depending on the percent of calls or other requirements that a firefighter completes.	VFRAs	Broad Policy Change
Signatures (424A.014, subd. 2)	17. Consider changing the signature requirements for the FIRE Form so that a CPA's certification is needed only if an audit is not performed, rather than if the relief association's assets and liabilities are less than \$500,000.	OSA	Limited Tech. Change
Supplemental Benefits (424A.10)	18. Discuss supplemental benefit eligibility for firefighters who are paid more than one lump-sum distribution.	DOR	In Progress
Vesting (424A.016, subd. 3 and 424A.02, subd. 2)	19. Consider allowing vesting percentages to be prorated monthly for fractional years of service.	VFRAs	Limited Policy Change



Exhibit H

Supplemental Benefits

Topic:

When a relief association pays a lump-sum distribution, the relief association is also required to pay a supplemental benefit. The supplemental benefit is intended to help offset taxes that must be paid on the service pension or benefit distribution. For service pensions and disability benefits, the amount of the supplemental benefit is equal to 10 percent of the lump-sum distribution, up to a maximum of \$1,000. For survivor benefits, the amount of the supplemental benefit is equal to 20 percent of the survivor benefit distribution, up to a maximum of \$2,000. Relief associations are eligible to apply for reimbursement from the State of Minnesota for supplemental benefits paid to qualified recipients.

The Department of Revenue has identified several retired firefighters who have or will be receiving more than one lump-sum distribution. These firefighters fall into two categories:

- 1) firefighters who receive multiple distributions from the same entity; and
- 2) firefighters who receive one distribution from multiple entities.

The entities may be relief associations or fire departments that participate in the Public Employees Retirement Association (PERA) Statewide Volunteer Firefighter Plan.

The Working Group approved the below changes and included them in the 2020 Working Group bill. The supplemental benefit changes were removed when the bill was heard by the Legislative Commission on Pensions and Retirement due to cost concerns by some legislators, so the changes were not passed. Clarification is still needed on this topic, as the Department of Revenue has pending supplemental benefit reimbursement requests.

Does the Working Group want to move forward with the statute changes below, which authorize a supplemental benefit payment with each lump-sum distribution, and each supplemental benefit is equal to 10 percent of the distribution up to a maximum of \$1,000 (or \$2,000 if the final distribution is a survivor benefit)?



Proposed Changes:

424A.10 STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.

Subdivision 1. **Definitions.** For purposes of this section:

(1) "qualified recipient" means a volunteer firefighter who receives a lump-sum distribution of pension or retirement benefits from a volunteer firefighters relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan;

(2) "survivor of a deceased active or deferred volunteer firefighter" means the surviving spouse of a deceased active or deferred volunteer firefighter or, if none, the surviving child or children of a deceased active or deferred volunteer firefighter, or, if none, the designated beneficiary of the deceased active or deferred volunteer firefighter, or, if no beneficiary has been designated, the estate of the deceased active or deferred volunteer firefighter;

(3) "active volunteer firefighter" means a person who:

(i) regularly renders fire suppression service, the performance or supervision of authorized fire prevention duties, or the performance or supervision of authorized emergency medical response activities for a fire department;

(ii) has met the statutory and other requirements for relief association membership; and

(iii) is deemed by the relief association under law and its bylaws to be a fully qualified member of the relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for at least one month;

(4) "deferred volunteer firefighter" means a former active volunteer firefighter who:

(i) terminated active firefighting service, the performance or supervision of authorized fire prevention duties, or the performance or supervision of authorized emergency medical response activities; and

(ii) has sufficient service credit from the applicable relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan to be entitled to a service pension under the bylaws of the relief association, but has not applied for or has not received the service pension; and

(5) "volunteer firefighter" includes an individual whose services were utilized to perform or supervise fire prevention duties if authorized under section 424A.01, subdivision 5, and individuals whose services were used to perform emergency medical response duties or supervise emergency medical response activities if authorized under section 424A.01, subdivision 5a.

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

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



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

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

(e) If a qualified recipient receives more than one lump-sum distribution, the qualified recipient is eligible to receive a supplemental benefit or supplemental survivor benefit, whichever is applicable, with each lump-sum distribution. Each supplemental benefit shall be calculated pursuant to paragraph (a) or paragraph (b), as applicable, and shall be subject to a separate limit.

(f) Qualified recipients who elect to receive their lump-sum distribution in installments under section 424A.016, subdivision 5, or 424A.02, subdivision 8, are eligible to receive one supplemental benefit calculated on the total lump-sum distribution amount under paragraph (a) or paragraph (b), as applicable.

Subd. 3. **State reimbursement.** (a) Each year, to be eligible for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year, the volunteer firefighters relief association or the voluntary statewide lump-sum volunteer firefighter retirement plan shall apply to the commissioner of revenue by February 15. By March 15, the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid by the relief association to qualified recipients and to survivors of deceased active or deferred volunteer firefighters.

(b) The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The commissioner of revenue shall reimburse the relief association by paying the reimbursement amount to the treasurer of the municipality where the association is located and shall reimburse the retirement plan by paying the reimbursement amount to the executive director of the Public Employees Retirement Association. Within 30 days after receipt, the municipal treasurer shall transmit the state reimbursement to the treasurer of the association if the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the reimbursement payment to the association until the complete financial report is filed. If the association has dissolved or has been removed as a trustee of state aid, the treasurer shall deposit the money in a special account in the municipal treasury, and the money may be disbursed only for the purposes and in the manner provided in section 424A.08. When paid to the association, the reimbursement payment must be deposited in the special fund of the relief association and when paid to the retirement plan, the reimbursement payment must be deposited in the retirement fund of the plan.

(c) A sum sufficient to make the payments is appropriated from the general fund to the commissioner of revenue.

Subd. 4. **In lieu of income tax exclusion.** (a) The supplemental benefit provided by this section is in lieu of the state income tax exclusion for lump-sum distributions of retirement benefits paid to volunteer firefighters.

(b) If the law is modified to exclude or exempt volunteer firefighters' lump-sum distributions from state income taxation, the supplemental benefits under this section are no longer payable, beginning with the first calendar year in which the exclusion or exemption is effective. This subdivision does not apply to exemption of all or part of a lump-sum distribution under section 290.032 or 290.0802.

EFFECTIVE DATE: This section is effective retroactively for supplemental benefits paid in 2018 and thereafter.



Exhibit I

Municipal Clerk Definition

Topic:

During the 2012 Legislative Session, the Working Group proposed changes to the definition of "municipal clerk." The changes were passed into law, and provided municipalities with flexibility when signing the relief association's annual financial and investment reporting form (currently known as the FIRE Form). The FIRE Form is required to be signed by the municipal clerk or clerk treasurer. The 2012 law change allowed the municipal governing body to designate the position to perform this signing function. This allowed the municipal official most familiar with the relief association's operations to sign the form in instances when that person was not the clerk or clerk treasurer. For example, many municipalities designate the finance director as the person to review and sign relief association reporting forms.

In 2012, the relief association financial reporting requirements were defined in Chapter 69, which also was home to the fire and police state aid provisions. The fire and police state aid provisions were moved to their own chapters of state law during the 2019 Legislative Session, Chapters 477B and 477C, respectively, and the relief association financial reporting requirements were moved to Chapter 424A. The definition of "municipal clerk" was moved to Chapter 477B, and there is no definition of this term in Chapter 424A.

A proposed change is provided below that would define the term "municipal clerk" in the relief association statutes and allow municipalities to retain the ability to designate a financial official to sign relief association reporting forms.

Proposed Changes:

424A.001 DEFINITIONS.

Subd. 2a. **Municipal.** "Municipal" means of a city or township.

Subd. 2b. **Municipal Clerk.** "Municipal clerk" means the person elected or appointed to the position of municipal clerk or, if the governing body of the governmental entity designates the position to perform the function, the chief financial official of the governmental entity or the chief administrative official of the governmental entity.

Subd. 3. **Municipality.** "Municipality" means a city or township which has established a fire department with which the relief association is directly associated, a city or township which has entered into a contract with the independent nonprofit firefighting corporation of which the relief association is directly associated, or a city or township that has entered into a contract with a joint powers entity established under section 471.59 of which the relief association is directly associated.



Exhibit J

Defined Contribution Forfeitures

Topic:

Defined contribution plans are required to keep the accounts of members who separate from active service before becoming vested intact for at least five years. If the member does not return to active service within five years following the member's separation, the account is forfeited and the assets are allocated to the active relief association members. There currently are no exceptions to this five-year waiting requirement before nonvested accounts can be forfeited.

The Office of the State Auditor is aware of a situation in which a member who had separated from active service before becoming vested passed away during this five-year waiting period. The relief association is required to keep this former member's account intact, even though there is no possibility of a return to active service and no benefit will be paid.

A proposed change below would allow defined contribution plans to forfeit these nonvested accounts prior to waiting five years following the member's separation if the member passes away and no benefit is payable.

Proposed Changes:

424A.016 DEFINED CONTRIBUTION VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION SPECIFIC REGULATION.

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

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

(1) any amounts of fire state aid and police and firefighter retirement supplemental state aid received by the relief association;

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

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

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

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



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

(d) Amounts to be credited to individual accounts must be allocated uniformly for all years of active service and allocations must be made for all years of service, except for caps on service credit if so provided in the bylaws of the relief association. Amounts forfeited under paragraph (b), clause (3), before a resumption of active service and membership under section 424A.01, subdivision 6, remain forfeited and may not be reinstated upon the resumption of active service and membership. The allocation method may utilize monthly proration for fractional years of service, as the bylaws or articles of incorporation of the relief association so provide. The bylaws or articles of incorporation may define a "month," but the definition must require a calendar month to have at least 16 days of active service. If the bylaws or articles of incorporation do not define a "month," a "month" is a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent month.

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

(f) Annually, the secretary of the relief association shall certify the individual account allocations to the state auditor at the same time that the annual financial statement or financial report and audit of the relief association, whichever applies, is due under section 424A.014.