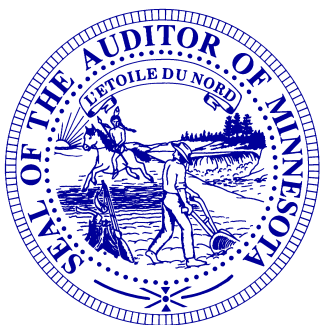


# 2018 Legislative Update

for Volunteer Fire Relief Associations

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## Introduction

The Omnibus Retirement Bill signed into law on May 31, 2018, contains a number of provisions that affect volunteer fire relief associations. This is the first time in three years that a pension bill was signed into law, so the 2018 bill includes recommendations compiled over several years. Many of the changes were recommended by the Volunteer Fire Relief Association Working Group, which is annually convened by the Office of the State Auditor (OSA). The Working Group proposals included changes to law that impact relief associations, as well as technical corrections to the statutes and recommendations to update the statutes to recognize joint powers fire departments.

Additional changes that were not part of the Working Group's proposals but do impact relief associations also became law. These additional changes primarily impact specific relief associations. The changes that impact specific relief associations are not discussed in this Update.

### Will We Need to Make Changes to Our Bylaws?

The technical changes may not require changes to your relief association's bylaws, unless your bylaws reference the specific statutory citations or quote provisions that have been changed. We will update our Selected Relevant Statutes booklet once the 2018 statutes are available. The booklet will help your relief association to compare its bylaw language with the new statutory language.

The OSA's [Sample Bylaw Guides](#) have been updated to reflect the recent law changes. The bylaw guides are available in both MS Word and PDF formats on our website at. Relief associations should consult with an attorney for answers to specific questions regarding their bylaws.

Click [HERE](#) to view a copy of the 2018 Omnibus Retirement Bill. The relief association provisions are located in Article 14.

## Certification of Service Credit

A new statute was added that requires the fire chief to annually, by March 31, certify service credit information for each volunteer firefighter to an officer of the relief association and to the municipal clerk or clerk-treasurer of the largest municipality in population served by the associated fire department.

Fire departments are responsible for establishing the minimum service requirements to earn service credit, calculating the service credit for each firefighter, and determining whether each firefighter is in good standing. Administratively, relief association trustees need this information when determining eligibility for pension credit. The new certification requirement will help ensure that relief association trustees have the information they need to correctly award service credit for pension purposes.

The fire chief must also provide to each active volunteer firefighter notification of the amount of service credit rendered by the firefighter for the previous calendar year. The service credit notification must be provided to the firefighter 60 days prior to its certification to the relief association and municipality, along with a description of the process and deadlines for the firefighter to challenge the fire chief's determination. This annual notification to each firefighter will help resolve service credit disputes in a timely manner, rather than when the firefighter requests the service pension distribution.

**Section:** Minn. Stat. § 424A.003.

**Effective Date:** January 1, 2019.

**Additional Information:** See the OSA's Statement of Position on [Firefighter Service Credit Determinations](#).

## Prohibition on Receipt of Concurrent Service Credit

Clarity has been added to the relief association statutes to prohibit firefighters from receiving service credit in a volunteer fire relief association for the same hours of service for which coverage is already provided in the Public Employees Retirement Association (PERA).

(See continuation on next page.)

### Sample Bylaw Guide

See Article II, section 7 of the Sample Bylaw Guides for sample language regarding the fire chief's certification of service credit.

### Sample Bylaw Guide

See Article II, section 1 of the Sample Bylaw Guides for sample language prohibiting the receipt of concurrent service credit.

## Prohibition on Receipt of Concurrent Service Credit — Continued

The relief association and PERA statutes both now clearly prohibit firefighters from receiving credit in both a relief association and in a PERA plan for the exact same hours of service.

**Section:** Minn. Stat. § 424A.01, subd. 4a.

**Effective Date:** January 1, 2019, and applies to service rendered on or after that date.

### Sample Bylaw Guide

See Article II, section 1 of the Sample Bylaw Guides for sample language permitting or prohibiting the inclusion of volunteer emergency medical personnel in the relief association.

## Volunteer Emergency Medical Personnel

There has been a gap in pension coverage for individuals who are solely providing emergency medical services on a volunteer basis. Volunteer emergency medical personnel are now allowed, subject to local approval, to become members of a relief association and to be eligible for service pensions from the relief association on the same basis as volunteer firefighters. In order for this membership expansion to take place, a relief association must amend its bylaws to authorize the membership eligibility, and the municipality must approve the change.

If the fire department with which the relief association is affiliated is a joint powers fire department, the joint powers board must approve the change. If the fire department is an independent nonprofit firefighting corporation, the municipality or municipalities that contract with the fire department must approve the change.

This law change is seen by some communities as an important tool to help recruit and retain individuals who are solely providing medical services for volunteer fire departments. If the local community decides to expand its relief association membership to include volunteer emergency medical personnel, any additional costs will be funded by the municipality, which is why municipal approval of the change is required.

The statutes were also updated to authorize volunteer emergency medical personnel who receive a relief association service pension or benefit to also be eligible for the supplemental benefit distribution.

**Section:** Minn. Stat. §§ 424A.01, subd. 5a; 424A.10, subs. 1(3)(i), 1(4)(i), and 1(5).

**Effective Date:** January 1, 2019, and applies to service rendered on or after that date.

## Combined Service Pensions

Defined benefit relief associations have had authority to offer combined service pensions to firefighters who have service in more than one volunteer fire department. Now, defined contribution plans have authority to offer combined service pensions, too.

A combined service pension means that years of service among multiple volunteer fire departments are combined for purposes of a volunteer firefighter's vesting. Assets are *not* transferred between or among relief associations when a combined service pension is payable. When a member who is eligible for a combined service pension retires, the member is paid a service pension from each participating relief association in which the member has accrued at least one year of active service credit.

To pay a combined service pension, the bylaws of each participating relief association must be amended to allow the combined service pension payments.

**Section:** Minn. Stat. § 424A.015, subd. 7.

**Effective Date:** January 1, 2019.

**Additional Information:** See the OSA's Statement of Position on [Combined Service Pensions](#).

## Corporate Stock Restrictions

The corporate stock authority in statute has been clarified so that compliance with the statutory investment restrictions is measured based on the underlying securities owned by the relief association and not by how the securities were purchased.

This change helps close a loophole that had allowed relief associations to invest in any mutual funds or exchange-traded funds without limitation, even those that hold commodities, futures, and other speculative investments.

**Section:** Minn. Stat. § 356A.06, subd. 7(g).

**Effective Date:** January 1, 2019.

**Additional Information:** See the OSA's Statement of Position on [Investment Authority for Relief Associations](#).

## Creation of New Work Groups

The 2018 Omnibus Retirement Bill requires that two new temporary work groups be formed and provide reports back to the legislature for consideration during the 2019 Legislative Session.

A **Fire State Aid Work Group** has been convened by PERA to study and make recommendations on how fire state aid may be used in communities that have “combination” fire departments consisting of both volunteer (or paid-on-call) firefighters and salaried full-time firefighters. Specifically, this work group will discuss whether a change to current law should be sought to allow municipalities that have “combination” fire departments to retain a portion of the fire state aid to pay employer contributions to PERA on behalf of their full-time firefighters. Currently, all fire state aid received by municipalities must be transferred to the volunteer fire relief association or to the statewide volunteer firefighter retirement plan administered by PERA.

The Fire State Aid Work Group began meeting informally last summer, and will continue its work this summer.

A relief association **Work Group** has been convened by the Legislative Commission on Pensions and Retirement (LCPR) to study the statutes governing relief association dissolutions and conversions from a defined benefit relief association to a defined contribution relief association. Specifically, the work group will attempt to address the following questions:

1) Should relief associations be able to convert from a defined benefit plan to a defined contribution plan? If so, how should accrued benefits, vesting, and surplus assets be handled when a relief association converts?

2) What should be done with surplus assets when a relief association dissolves? Should the surplus be paid to the firefighters, the municipality, a combination of the two, or revert to the state?

3) Any other concerns with overfunded defined benefit relief associations when fire departments transition from volunteer (or paid-on-call) firefighters to salaried full-time firefighters?

**Effective Date:** June 30, 2018, for the Fire State Aid Work Group and June 1, 2018, for the LCPR Work Group.

## Certain Relief Association Service Pensions and Dissolutions

A few relief associations are authorized to pay an increased service pension amount. This new authority applies only to relief associations that had a funding ratio of greater than 100 percent as of December 31, 2017, **and** had a lump sum benefit level in place of at least \$9,500 per year of active service as of June 1, 2018. The few relief associations that meet both of these conditions are authorized to offer a lump sum service pension amount of up to \$12,500 per year of active service, based on each relief association's specific average amount of available financing per active covered firefighter.

In addition, how surplus assets are disposed of following the dissolution of a relief association that provided a lump-sum benefit level of at least \$9,500 per year of active service as of June 1, 2018, has changed. If the affiliated municipality was required to make contributions to the relief association at any time during the ten years preceding the effective date of this change, the surplus assets cancel to the general fund of the municipality. If the municipality was not required to make contribution to the relief association during this preceding ten-year period, the surplus assets cancel to the general fund of the state.

**Section:** Minn. Stat. § 424B.20, subd. 4a.

**Effective Date:** June 1, 2018 and the dissolution change applies to dissolutions initiated retroactive to May 8, 2018.

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