

Minnesota Volunteer Fire Relief Association Defined Contribution Plan Sub-Group Meeting

Office of the State Auditor
Thursday, September 18, 2008
11 a.m. to 1 p.m.

- I. Call to Order**
Chair Auditor Otto.

- II. Review and Approval of Sub-Group Meeting Minutes**
Exhibit A. Draft August 19, 2008 Meeting Minutes

- III. Chapter 424A Re-Codification**
Exhibit B. Draft Prepared by Larry Martin
 - Review and Adopt Draft Language

- IV. Discussion of Sub-Group Legislative Suggestions**
 - Exhibit C. Clarification Amendments Proposed by Jim Adams
 - Exhibit D. Authorization to Pay Pensions or Benefits to a Trust
 - Definition of the Term Month of Active Service

- V. Other Business**

- VI. Adjournment**

Volunteer Fire Relief Association Defined Contribution Plan Sub-Group

Office of the State Auditor
Thursday, September 18, 2008
11 a.m. to 1 p.m.

Members Present

Jim Adams, West Metro Fire Relief Association Secretary
Wayne Anderson, Coon Rapids Fire Department Inspector
Ron Johnson, Maple Grove Fire Relief Association Treasurer
Larry Martin, Legislative Commission on Pensions and Retirement Director
Rebecca Otto, State Auditor
Bruce Roed, Mentor Fire Relief Association Trustee
Marty Scheerer, Edina Fire Department Chief

Members Excused

Gordon Skjerven, Mendota Heights Fire Relief Association Treasurer
Gene VanOverbeke, City of Eagan Director of Administrative Services

Others Present

Aaron Dahl, Pension Analyst
Celeste Grant, Deputy State Auditor/General Counsel
Rose Hennessy Allen, Pension Director
Lucas Hinz, Pension Analyst

The following motions were duly made, seconded and approved:

- RESOLVED To adopt the August 19, 2008 Meeting Minutes.
- RESOLVED To amend the August 19, 2008 resolution to forward to the Working Group for consideration the issue of whether paying interest to deferred members should remain voluntary.
- RESOLVED To delete lines 1.9 and 1.10 from the 7-A amendment, which removes recurring phrases in the Separate from Active Service definition.
- RESOLVED To adopt lines 1.11 through 1.14 of the 7-A amendment, which is language that precludes minors from being members of a relief association.
- RESOLVED To forward to the Working Group for consideration the issue of whether the current statutory prohibition on employing minors should be changed to accommodate explorer programs.
- RESOLVED To delete line 1.5 from the 7-A amendment and to adopt lines 1.6 through 1.8. The deleted language pertains to the exclusion for explorer programs, while the adopted language moves the prohibition on employing minors to a new section.
- RESOLVED To delete lines 1.15 to 1.18 of the 7-A amendment, which removes recurring phrases in the fire prevention personnel provision.
- RESOLVED To adopt line 1.19 of the 7-A amendment, which changes the section heading for Chapter 424A.015.

- RESOLVED To delete lines 1.21 and 1.22 from the 7-A amendment, which seeks to clarify the reduced service pension language for defined contribution plans.
- RESOLVED To adopt line 1.23 of the 7-A amendment, which clarifies that survivor benefits would be paid to the estate when there are no survivors and no designated beneficiary.
- RESOLVED To adopt line 1.20 of the 7-A amendment, which specifies that the reduced service pension may not exceed the nonforfeitable percentage of the account balance.
- RESOLVED To forward to the Working Group for consideration the issue of whether lump sum benefits should be authorized to a trust, rather than only to a natural person.
- RESOLVED To change the Fire Department definition to include a municipal fire department *or* an independent nonprofit firefighting corporation.
- RESOLVED To forward to the Working Group for consideration the issue of allowing relief associations to define in their bylaws what constitutes a month of active service.
- RESOLVED To forward to the Working Group for consideration the topic of allowing special fund assets to be used to purchase insurance from the VFBA, or comparable insurance company licensed by the State of Minnesota.

I. Call to Order

Chair Auditor Otto called the meeting to order.

II. Review and Approval of Sub-Group Meeting Minutes

The members reviewed the August 19 meeting minutes that had been provided in advance. Scheerer made a motion to adopt the meeting minutes. Anderson seconded the motion. The members discussed the fourth resolution, which was to forward the topic of paying deferred interest to the full Working Group. Roed and Grant made suggestions to change the resolution to forward to the Working Group for consideration the issue of whether paying interest to deferred members should remain voluntary. The meeting minutes with the amended resolution was adopted unanimously.

III. Chapter 424A Re-Codification

Auditor Otto mentioned that the draft language includes all of the adopted resolutions except the resolution to include a specific deadline for submission of the Defined Contribution Allocation Table to the Office of the State Auditor (OSA). Martin provided recommendations for where the submission deadline could be added to the draft.

IV. Discussion of Sub-Group Legislative Suggestions

The members reviewed several suggestions for changes to the draft language.

- Separate from Active Service Definition

Adams suggested removing recurring phrases in the Separate from Active Service definition. Auditor Otto explained that the OSA would prefer that the definition be left unchanged, and the members agreed. Adams made a motion to delete lines 1.9 and 1.10 from the 7-A amendment. Scheerer seconded the motion, which was adopted unanimously.

- **Prohibition on Employing Minors**

Chapter 424A currently contains a prohibition on municipalities and independent nonprofit firefighting corporations from employing minors as a volunteer firefighter or to permit a minor to serve in any capacity performing any firefighting duties with a volunteer fire department. The group agreed that the prohibition is related to the fire department, rather than the relief association. Martin's draft amendment would move the current prohibition to a different section of state law, and would also prohibit minors from being members of a relief association. Adams made a motion to adopt lines 1.11 through 1.14 of the 7-A amendment, which is the language that would preclude minors from being members of a relief association. Scheerer seconded the motion, which was adopted unanimously.

The members discussed Boy Scout explorer groups, which appear to be prohibited under current law. Martin's draft language would exclude Boy Scout explorer groups from the prohibition on employing minors. The group discussed concerns about members of the explorer programs seeking membership in the relief association, and liability concerns if members of the program are injured. Anderson made a motion to forward to the Working Group the issue of whether the current statutory prohibition on employing minors should be changed to accommodate explorer programs. Adams seconded the motion, which was adopted unanimously. Scheerer made a motion to delete line 1.5 from the 7-A amendment and to adopt lines 1.6 through 1.8. Anderson seconded the motion, which was adopted unanimously. The deleted language pertains to the exclusion for explorer programs, while the adopted language moves the prohibition on employing minors to a new section.

- **Fire Prevention Personnel**

Adams recommended removing recurring phrases in the subdivision that authorizes fire prevention personnel. Auditor Otto explained that the OSA would prefer to keep the redundancies as they provide clarification and the group agreed to delete lines 1.15 to 1.18 of the 7-A amendment.

- **Section Heading**

Adams suggested making a change to the new Chapter 424A.015 section heading. The recommendation is to change the word "Benefit" to "Pension." Scheerer made a motion to adopt line 1.19 of the 7-A amendment. Adams seconded the motion, which was adopted unanimously.

- **Reduced Service Pensions**

Adams suggested changing language in the reduced service pension provision to clarify that defined contribution plans may offer full vesting after 10 years of service, but can choose to require more years of active service for vesting purposes. Hennessy Allen explained that the vesting percentages in state law are the maximum percentages allowed for each applicable year of service, and that the vesting table shows the maximum for 10 years "and thereafter." The group decided to address questions regarding vesting

requirements and percentages through training. Adams made a motion to delete lines 1.21 and 1.22 from the 7-A amendment. Anderson seconded the motion, which was adopted unanimously.

The group also discussed line 1.20 of the 7-A amendment, which would add language specifying that the reduced service pension “may not exceed” the nonforfeitable percentage of the account balance. This change mirrors current statutory language. Scheerer made a motion to adopt line 1.20 of the 7-A amendment. Adams seconded the motion, which was adopted unanimously.

- **Survivor Benefit Payments**

Martin’s draft language would clarify the order of payment for survivor benefits. The change specifies that if there are no survivors and no designated beneficiary, the survivor benefit would be paid to the estate. State law currently states that if there are survivors but no designated beneficiary, the benefit would be paid to the estate. Auditor Otto explained that the recommendation does change the meaning of the provision, but appears appropriate. Johnson made a motion to adopt line 1.23 of the 7-A amendment. Adams seconded the motion, which was adopted unanimously.

- **Authorization to Pay Pensions or Benefits to a Trust**

The 8-A amendment would allow benefits to be paid to a trust, rather than only to a natural person. The requirement that beneficiaries be a natural person was added to state law in 1999. Martin explained that there are only very limited instances when benefits from a public pension plan in Minnesota can be paid to a trust. Martin explained that most pensions in Minnesota are paid for the life of the member, and the payments cease when the member, or the member’s beneficiary, passes away. If benefits were paid to a trust, the payments would conceivably never cease. The duration of the benefit payments affects the pension plan’s funding. Martin said that perhaps an exception could be added to state law for volunteer fire relief associations that pay defined contribution or defined benefit lump sum pensions, but this would be a substantial policy change that would have to be considered. Scheerer made a motion to forward this topic to the Working Group for consideration. Adams seconded the motion, which was adopted unanimously.

- **Fire Department Definition**

Roed suggested changing the Fire Department definition to include a municipal fire department *or* an independent nonprofit firefighting corporation, rather than *and* an independent nonprofit firefighting corporation. Scheerer seconded the motion, which was adopted unanimously.

- **Month of Active Service Definition**

The group briefly discussed defining what constitutes a month of active service. Some relief associations specify in their bylaws that members must serve for at least a certain number of days to be eligible for a month of service credit. There currently doesn’t appear to be authority to round up service credit, or to give service credit for a period in

which the member wasn't actively serving. The group would like to allow relief associations to define a month of active service in their bylaws. If the bylaws are silent, a completed month must be served. Scheerer made a motion to forward this recommendation to the Working Group for consideration, since the change would affect all plan types. Adams seconded the motion, which was adopted unanimously.

- **Disability and Life Insurance**

Currently, relief associations using special fund assets to purchase disability and life insurance for their members are only authorized to purchase the insurance through the Volunteer Fire Benefit Association (VFBA). Insurance from any other insurance provider must be purchased using general fund assets. Anderson suggested allowing special fund assets to be used to purchase insurance from the VFBA, or a comparable insurance company licensed by the State of Minnesota. Anderson made a motion to forward this topic to the Working Group for consideration, since the change would affect all plan types. Scheerer seconded the motion, which was adopted unanimously. Martin also suggested that the current statutory language be split into two clauses, one for authorized dues payments and one for insurance payments.

V. Other Business

Auditor Otto thanked the members for their service on the sub-group and assured everyone that they would be kept informed of the status of the bill as it moves through the legislative process.

VI. Adjournment

The meeting was adjourned shortly after 1:00 p.m.

Volunteer Fire Relief Association Defined Contribution Plan Sub-Group

Office of the State Auditor

Tuesday, August 19, 2008

11 a.m. to 1 p.m.

Members Present

Jim Adams, West Metro Fire Relief Association Secretary
Wayne Anderson, Coon Rapids Fire Department Inspector
Ron Johnson, Maple Grove Fire Relief Association Treasurer
Larry Martin, Legislative Commission on Pensions and Retirement Director
Rebecca Otto, State Auditor
Bruce Roed, Mentor Fire Relief Association Trustee
Marty Scheerer, Edina Fire Department Chief
Gordon Skjerven, Mendota Heights Fire Relief Association Treasurer
Gene VanOverbeke, City of Eagan Director of Administrative Services

Members Excused

Others Present

Ed Burek, Legislative Commission on Pensions and Retirement Deputy Director
Aaron Dahl, Pension Analyst
Celeste Grant, Deputy State Auditor/General Counsel
Colleen Hartmon Bollom, Minnesota Firefighter Pension Consultants Representative
Rose Hennessy Allen, Pension Director
Lucas Hinz, Pension Analyst
Aaron Johnston, Coon Rapids Fire Relief Association Treasurer

The following motions were duly made, seconded and approved:

- RESOLVED To adopt the August 7, 2008 Meeting Minutes.
- RESOLVED To adopt language (the 4-A amendment) that treats members as though they were active while on a military break in service.
- RESOLVED To amend the draft language to read that 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.
- RESOLVED To forward to the Working Group for consideration the issue of whether paying interest to deferred members of defined contribution plans should be mandatory or remain voluntary.
- RESOLVED To adopt language (the 1-A amendment, as modified) authorizing defined contribution plans to establish separate investment accounts or separate investment vehicles for deferred members.
- RESOLVED To adopt the draft language that specifies procedures for defined contribution plan consolidations.

RESOLVED To adopt language (the 2-A amendment) that requires service pension credit and allocations to be applied in a uniform manner.

RESOLVED To allow administrative expenses to be deducted in a manner as prescribed in the relief association's bylaws.

I. Call to Order

Chair Auditor Otto called the meeting to order.

II. Review and Approval of Sub-Group Meeting Minutes

The members reviewed the August 7 meeting minutes that had been provided in advance. Scheerer made a motion to adopt the meeting minutes. Adams seconded the motion, which was adopted unanimously.

III. Discussion of Sub-Group Legislative Suggestions

- **Military Breaks in Service Information**

Information regarding service credit for members on a military break in service was obtained from Kevin Nagel, an employee with the U.S. Department of Labor, after the last sub-group meeting. The members reviewed the information from Mr. Nagel and Auditor Otto indicated that the Pension Division would provide education on this topic in its email Newsletter. The group discussed proposed legislation drafted by Martin that would treat members as though they were active while on a military break in service. Roed made a motion to accept the draft language. Scheerer seconded the motion and it was adopted unanimously.

- **Investment Return Allocations**

State law currently specifies that any investment return on the assets of the special fund must be prorated for active members through the date on which the investment return is recognized by and credited to the special fund. Most defined contribution plans prorate investment returns based on each member's beginning account balance. The group discussed modifying the statutory language to make it clear that current practice is authorized. Martin explained that the current statutory language wasn't drafted by members of defined contribution plans, and the intent was simply to ensure that money being received by the relief association was divided in an equitable manner. Scheerer made a motion to amend the draft language to read that 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. Johnson seconded the motion that was adopted unanimously. Martin observed that the change is not substantive and is being made to reflect current practice.

IV. Chapter 424A Re-Codification

- **Deferred Interest**

The current draft deferred interest language for defined contribution plans does not include the "board set, up to five percent" interest option. The language as drafted would allow defined contribution plan deferred members to share in the full investment gains or

losses, or to set up separate investment accounts or investment vehicles for the deferred members (if the 1-A amendment is adopted). The group discussed the purpose of deferred interest and the differences between defined contribution and defined benefit plans at length. Some of the members were uncomfortable with capping deferred interest in defined contribution plans, since the excess earnings would be shared among the active members rather than credited to the deferred member accounts on which the interest was earned. There are some defined contribution plans that offer deferred interest at a flat five percent or at a rate set by the board of trustees, up to five percent. The members agreed that the options for paying deferred interest should be simple to administer and inclusive of views held by other defined contribution plans. Anderson made a motion to forward to the full Working Group for consideration the issue of whether paying interest to deferred members of defined contribution plans should be mandatory or remain voluntary. Scheerer seconded the motion that was adopted unanimously.

The group continued its discussion of the deferred interest options allowed and decided not to add language that would authorize deferred interest payments at a flat five percent or at a rate set by the board of trustees, up to five percent. Scheerer made a motion to adopt the 1-A amendment with the typo correction and an effective date of January 1, 2010. The 1-A amendment provides authority to establish separate investment accounts or separate investment vehicles for deferred members. These options are allowed under current law, but were not included in the initial re-codification draft. Anderson seconded the motion and it was adopted unanimously.

- Plan Consolidations

Martin explained that the plan consolidation language was largely built from the Crystal/New Hope consolidation experience. The current language in Chapter 424B doesn't anticipate a merger or consolidation involving a defined contribution plan. The draft language specifies procedures for defined contribution plan consolidations, and also for defined contribution/defined benefit plan consolidations. Scheerer made a motion to adopt the draft language. Anderson seconded the motion that was adopted unanimously.

- Uniformity of Benefits

Language requiring that service pension credit or allocations be done in a uniform manner was added to the defined contribution plan language during the re-codification but left out of the draft defined benefit plan language. The 2-A amendment adds the uniformity requirements currently in state law to the defined benefit portion of the re-codified language. Scheerer made a motion to adopt the 2-A amendment. VanOverbeke seconded the motion that was adopted unanimously.

The members briefly discussed defining the term month of active service, which will be added to the agenda for the next sub-group meeting.

- **Administrative Expense Deductions**

Martin explained that when the current defined contribution plan language was written it was thought that expenses would be deducted from revenues, and that the net amount would be allocated among the members. The practice of most relief associations is to allocate revenues and expenditures separately. Since deductions are not discussed in the current or draft language, there is no particular procedure for how they should be done. Scheerer made a motion to allow administrative expenses to be deducted in a manner as prescribed in the relief association's bylaws. Anderson seconded the motion that was adopted unanimously.

V. Other Business

The members decided to hold a final sub-group meeting on Thursday, September 18. Skjerven and VanOverbeke may not be available on that day, but the other members should be able to attend. The members will review the final draft with incorporated amendments at the next meeting. Permission was given to make minor edits as needed to make the language work and accurately reflect the group's intent.

VI. Next Meeting Date

Thursday, September 18, 2008

11:00 a.m. to 1:00 p.m.

Office of the State Auditor

VII. Adjournment

The meeting was adjourned shortly after 1:00 p.m.



TO: Members of the Defined Contribution Relief Association Subgroup of the 2008 Volunteer Firefighters' Relief Association Working Group

FROM: Lawrence A. Martin, Executive Director *LA Martin*

RE: Engrossment of the Adopted Amendments to the Draft Recodification and Revision of Minnesota Statutes, Chapter 424A

DATE: August 27, 2008

Introduction

On August 19, 2008, the subgroup took action on several amendments relating to the draft proposed legislation recodifying and revising Minnesota Statutes, Chapter 424A. The anticipated final meeting of the subgroup is scheduled for September 18, 2008, and this memorandum summarizes the documents prepared by the staff of the Legislative Commission on Pensions and Retirement (with copies attached) for consideration by the subgroup at that meeting.

Attached Documents

The documents prepared by the Pension Commission staff for consideration by the subgroup as part of the final meeting are as follows:

- Amendment LCPR08-031-6A is a compilation into a single document of the various amendments recommended by the subgroup through August 19, 2008. The amendment is drawn to Document LCPR08-031, the initial version of the defined contribution volunteer firefighters' relief association recodification provided before the initial subgroup meeting.
- Draft Engrossment LCPR08-031-E1 is the result of engrossing Amendment LCPR08-031-6A into Document LCPR08-031, representing the statutory change recommendations of the subgroup adopted through August 19, 2008.
- Amendment LCPR08-031-7A includes the first five of the six suggested changes to Document LCPR08-031 forwarded by Jim Adams on August 18, 2008, and which do not involve any significant substantive change in volunteer firefighters' relief association law.
- Amendment LCPR08-031-8A is the sixth suggested change forwarded by Jim Adams on August 18, 2008, which contains a substantive change in potentially allowing the payment of volunteer firefighters' relief association pensions or benefits to a trust rather than only to a natural person.
- Jim Adams' Email
- Background Attachment contains background information from 1999-2000 related to restructuring designated beneficiaries to natural persons. The background materials are:
 - A copy of Laws 2000, Chapter 461, Article 15, Section 11, restricting designated beneficiaries to natural persons;
 - A copy of a portion of a May 27, 1999, letter to Representative Harry Mares from Nyle Zikmund, including issue #5 related to surviving spouses;
 - A copy of a portion of a July 12, 1999, memorandum to Representative Harry Mares from Lawrence A. Martin summarizing Amendment LCPR99-253, including issue #5 related to designated beneficiaries; and
 - A copy of Article 5 of Amendment LCPR99-253, the proposed designated beneficiary change ultimately enacted in 2000.

Conclusion

I hope that these items are of assistance. If you have any questions about the materials, please contact me (651-296-2750).



1.1 moves to amend document LCPR08-031, as follows:

1.2 Page 8, line 23, delete "through" and insert a period

1.3 Page 8, delete line 24 and insert "Administrative expenses of the relief association
1.4 payable from the special fund may be deducted from individual accounts in a manner
1.5 specified in the bylaws of the relief association."

1.6 Page 9, line 21, delete everything after "paid" and insert:

1.7 ":

1.8 (1) at the investment performance rate actually earned on that portion of the assets
1.9 if the deferred benefit amount is invested by the relief association in a separate account
1.10 established and maintained by the relief association or if the deferred benefit amount is
1.11 invested in a separate investment vehicle held by the relief association; or

1.12 (2) the"

1.13 Page 9, line 22, delete "association may credit any"

1.14 Page 9, line 32, delete "and" and insert a period and delete "may not exceed"
1.15 and insert "for active members must equal" and after the second "the" insert "vested
1.16 or nonvested"

1.17 Page 9, after line 33, insert:

1.18 "For deferred members, the ancillary benefit must equal the vested amount of the
1.19 individual account of the member. For the recipient of installment payments of a service
1.20 pension, the ancillary benefit must equal the remaining balance in the individual account
1.21 of the recipient."

1.22 Page 19, after line 31, insert:

1.23 "(h) The method of calculating service pensions must be applied uniformly for all
1.24 years of active service and credit must be given for all years of active service except as
1.25 otherwise provided in this section."

1.26 Page 26, line 13, strike "of any fire state"

1.27 Page 26, line 14, strike the old language and delete the new language

1.28 Page 26, line 15, delete "special fund revenue" and strike "received" and after "
1.29 association" insert "as though the person was an active member"

1.30 Page 26, line 19, delete the new language and insert "an" and after "allocation"
1.31 insert "as though an active member"

1.32 Page 26, line 23, delete the new language and insert "an"

1.33 Page 26, line 24, after "allocation" insert "as though an active member"

1.34 Page 26, line 26, delete the new language and insert "an"

1.35 Page 26, line 27, after "allocation" insert "as though an active member"

1.36 Page 30, line 26, delete "active or deferred"

2.1 Page 37, line 4, before the first "Sections" insert "(a) Except as specified in paragraph
2.2 (b)," and after "2009," insert:

2.3 "(b) The reduction in the number of deferred service pension interest options
2.4 contained in section 16, subdivision 6, is effective January 1, 2010.

2.5 (c) "

2.6

1.1 A bill for an act

1.2 relating to retirement; volunteer firefighters' relief associations; reorganizing
1.3 the defined contribution relief association provisions; recodifying the general
1.4 volunteer firefighters' relief association law; making conforming changes;
1.5 amending Minnesota Statutes 2006, sections 69.771, subdivision 3; 424A.001,
1.6 subdivisions 1, 1a, as added, 2, 3, 4, 5, 6, as amended, 8, 9, 10, by adding
1.7 subdivisions; 424A.01; 424A.02, subdivisions 1, 2, 3, as amended, 3a, 7, as
1.8 amended, 8, 9, as amended, 9a, 9b, 10, 12, 13; 424A.021; 424A.03; 424A.04;
1.9 424A.05, subdivisions 1, 2, 3, as amended, 4; 424A.06; 424A.07; 424A.08;
1.10 424A.10, as amended; 424B.10; 424B.21; proposing coding for new law in
1.11 Minnesota Statutes, chapters 424A; 424B; repealing Minnesota Statutes 2006,
1.12 sections 424A.001, subdivision 7; 424A.02, subdivisions 4, 6, 8a, 8b; 424A.09.

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

1.14 **ARTICLE 1**

1.15 **REORGANIZATION AND RECODIFICATION OF**
1.16 **VOLUNTEER FIREFIGHTER RETIREMENT PROVISIONS**

1.17 Section 1. Minnesota Statutes 2006, section 424A.001, subdivision 1, is amended to
1.18 read:

1.19 Subdivision 1. **Terms defined.** Unless the context clearly indicates otherwise, as
1.20 used in this chapter, the terms defined in this section have the meanings given.

1.21 Sec. 2. Minnesota Statutes 2006, section 424A.001, subdivision 1a, as added by Laws
1.22 2008, chapter 349, article 14, section 6, is amended to read:

1.23 Subd. 1a. **Ancillary benefit.** "Ancillary benefit" means a benefit payable from the
1.24 special fund of the relief association other than a service pension that is permitted by law
1.25 and that is provided for in the relief association bylaws.

2.1 Sec. 3. Minnesota Statutes 2006, section 424A.001, is amended by adding a
2.2 subdivision to read:

2.3 Subd. 1b. **Defined benefit relief association.** "Defined benefit relief association"
2.4 means a volunteer firefighters' relief association that provides a lump sum service pension,
2.5 provides a monthly benefit service pension, or provides a lump sum service pension as an
2.6 alternative to the monthly benefit service pension.

2.7 Sec. 4. Minnesota Statutes 2006, section 424A.001, is amended by adding a
2.8 subdivision to read:

2.9 Subd. 1c. **Defined contribution relief association.** "Defined contribution relief
2.10 association" means a volunteer firefighters' relief association that provides a service
2.11 pension based solely on an individual account balance rather than a specified annual lump
2.12 sum or monthly benefit service pension amount.

2.13 Sec. 5. Minnesota Statutes 2006, section 424A.001, subdivision 2, is amended to read:

2.14 Subd. 2. **Fire department.** "Fire department" includes a municipal fire department
2.15 and an independent nonprofit firefighting corporation.

2.16 Sec. 6. Minnesota Statutes 2006, section 424A.001, subdivision 3, is amended to read:

2.17 Subd. 3. **Municipality.** "Municipality" means a municipality which has
2.18 established a fire department with which the relief association is directly associated; or
2.19 the municipalities which have entered into a contract with the independent nonprofit
2.20 firefighting corporation of which the relief association is a subsidiary.

2.21 Sec. 7. Minnesota Statutes 2006, section 424A.001, subdivision 4, is amended to read:

2.22 Subd. 4. **Relief association.** "Relief association" means ~~(a)~~ (1) a volunteer
2.23 firefighters' relief association or a volunteer firefighters' division or account of a partially
2.24 salaries and partially volunteer firefighters' relief association that is organized and
2.25 incorporated under chapter 317A and any laws of the state, is governed by this chapter
2.26 and chapter 69, and is directly associated with a fire department established by municipal
2.27 ordinance; or ~~(b)~~ (2) any ~~separate~~ separately incorporated volunteer firefighters' relief
2.28 association that is subsidiary to and ~~providing~~ that provides service pension and retirement
2.29 benefit coverage for members of an independent nonprofit firefighting corporation that is
2.30 organized under the provisions of chapter 317A, is governed by this chapter, and ~~operating~~
2.31 operates exclusively for firefighting purposes. A relief association is a governmental entity

3.1 that receives and manages public money to provide retirement benefits for individuals
3.2 providing the governmental services of firefighting and emergency first response.

3.3 Sec. 8. Minnesota Statutes 2006, section 424A.001, subdivision 5, is amended to read:

3.4 Subd. 5. **Special fund.** "Special fund" means the special fund of a volunteer
3.5 firefighters' relief association or the account for volunteer firefighters within the special
3.6 fund of a partially salaried and partially volunteer firefighters' relief association.

3.7 Sec. 9. Minnesota Statutes 2006, section 424A.001, subdivision 6, as amended by
3.8 Laws 2008, chapter 349, article 14, section 7, is amended to read:

3.9 Subd. 6. **Surviving spouse.** For purposes of this chapter, and the ~~governing~~ bylaws
3.10 ~~of any governing a~~ relief association to which this chapter applies, ~~the term~~ "surviving
3.11 spouse" means the spouse of a deceased member who was legally married to the member
3.12 at the time of the member's death.

3.13 Sec. 10. Minnesota Statutes 2006, section 424A.001, subdivision 8, is amended to read:

3.14 Subd. 8. **Firefighting service.** "Firefighting service," if the applicable municipality
3.15 approves for a fire department that is a municipal department, or if the applicable
3.16 contracting municipality or municipalities approve for a fire department that is an
3.17 independent nonprofit firefighting corporation, includes fire department service rendered
3.18 by fire prevention personnel.

3.19 Sec. 11. Minnesota Statutes 2006, section 424A.001, subdivision 9, is amended to read:

3.20 Subd. 9. **Separate from active service.** "Separate from active service" means
3.21 ~~to that a firefighter~~ permanently ~~cease~~ ceases to perform fire suppression duties with
3.22 a particular volunteer fire department, ~~to~~ permanently ~~cease~~ ceases to perform fire
3.23 prevention duties, ~~to~~ permanently ~~cease~~ ceases to supervise fire suppression duties, and ~~to~~
3.24 permanently ~~cease~~ ceases to supervise fire prevention duties.

3.25 Sec. 12. Minnesota Statutes 2006, section 424A.001, subdivision 10, is amended to
3.26 read:

3.27 Subd. 10. **Volunteer firefighter.** "Volunteer firefighter" means a person who either:

3.28 (1) was a member of the applicable fire department or the independent nonprofit
3.29 firefighting corporation and a member of the relief association on July 1, 2006; or

4.1 (2) became a member of the applicable fire department or the independent nonprofit
4.2 firefighting corporation and is eligible for membership in the applicable relief association
4.3 after June 30, 2006, and

4.4 (i) is engaged in providing emergency response services or delivering fire education
4.5 or prevention services as a member of a municipal fire department, a joint powers entity
4.6 fire department, or an independent nonprofit firefighting corporation;

4.7 (ii) is trained in or is qualified to provide fire suppression duties or to provide fire
4.8 prevention duties under subdivision 8; and

4.9 (iii) meets any other minimum firefighter and service standards established by the
4.10 fire department or the independent nonprofit firefighting corporation or specified in the
4.11 articles of incorporation or bylaws of the relief association.

4.12 Sec. 13. **[424A.002] AUTHORIZATION OF NEW OR CONTINUING**
4.13 **VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.**

4.14 Subdivision 1. Authorization. A municipal fire department or an independent
4.15 nonprofit firefighting corporation, with approval by the applicable municipality or
4.16 municipalities, may establish a new volunteer firefighters' relief association or may retain
4.17 an existing volunteer firefighters' relief association.

4.18 Subd. 2. Defined benefit or defined contribution relief association. The articles
4.19 of incorporation or the bylaws of the volunteer firefighters' relief association must specify
4.20 that the relief association is either a defined benefit relief association subject to sections
4.21 69.771 to 69.774, 424A.015, and 424A.02 or is a defined contribution relief association
4.22 subject to sections 424A.015 and 424A.017.

4.23 Sec. 14. Minnesota Statutes 2006, section 424A.01, is amended to read:

4.24 **424A.01 MEMBERSHIP IN A VOLUNTEER FIREFIGHTERS' RELIEF**
4.25 **ASSOCIATION.**

4.26 Subdivision 1. **Minors.** It is unlawful for any municipality or independent nonprofit
4.27 firefighting corporation to employ a minor to serve as a volunteer firefighter or to permit
4.28 a minor to serve in any capacity performing any firefighting duties with a volunteer fire
4.29 department.

4.30 Subd. 2. **Status of substitute volunteer firefighters.** No person who is serving as a
4.31 substitute volunteer firefighter ~~shall be deemed~~ may be considered to be a firefighter for
4.32 purposes of chapter 69 or this chapter ~~nor shall be~~ and no substitute volunteer firefighter is
4.33 authorized to be a member of any volunteer firefighters' relief association governed by
4.34 chapter 69 or this chapter.

5.1 Subd. 3. **Status of nonmember volunteer firefighters.** No person who is serving
5.2 as a firefighter in a fire department but who is not a member of the applicable firefighters'
5.3 relief association ~~shall be~~ is entitled to any service pension or ancillary benefits from
5.4 the relief association.

5.5 Subd. 4. **Exclusion of persons constituting an unwarranted health risk.** The
5.6 board of trustees of every relief association may exclude from membership in the relief
5.7 association all applicants who, due to some medically determinable physical or mental
5.8 impairment or condition, ~~would~~ is determined to constitute a predictable and unwarranted
5.9 risk of imposing liability for an ancillary benefit at any age earlier than the minimum
5.10 age specified for receipt of a service pension. Notwithstanding any provision of section
5.11 363A.25, it ~~shall be~~ is a good and valid defense to a complaint or action brought under
5.12 chapter 363A that the board of trustees of the relief association made a good faith
5.13 determination that the applicant suffers from an impairment or condition constituting a
5.14 predictable and unwarranted risk for the relief association if the determination was made
5.15 following consideration of: ~~(a)~~ (1) the person's medical history; and ~~(b)~~ (2) the report of
5.16 the physician completing a physical examination of the applicant ~~completed~~ undertaken at
5.17 the expense of the relief association.

5.18 Subd. 5. **Fire prevention personnel.** (a) If the fire department is a municipal
5.19 department and the applicable municipality approves, or if the fire department is an
5.20 independent nonprofit firefighting corporation and the contracting municipality or
5.21 municipalities approve, the fire department may employ or otherwise utilize the services
5.22 of persons as volunteer firefighters to perform fire prevention duties and to supervise
5.23 fire prevention activities.

5.24 (b) Personnel serving in fire prevention positions are eligible to be members of
5.25 the applicable volunteer firefighter relief association and to qualify for service pension
5.26 or other benefit coverage of the relief association on the same basis as fire department
5.27 personnel who perform fire suppression duties.

5.28 (c) Personnel serving in fire prevention positions also are eligible to receive any
5.29 other benefits under the applicable law or practice for services on the same basis as
5.30 personnel who are employed to perform fire suppression duties.

5.31 Sec. 15. [424A.015] GENERALLY APPLICABLE VOLUNTEER
5.32 FIREFIGHTERS' RELIEF ASSOCIATION BENEFIT PLAN REGULATION.

5.33 Subdivision 1. Separation from active service; exception. (a) No service pension
5.34 is payable to any person while the person remains an active member of the respective fire

6.1 department, and no person who is receiving a service pension is entitled to receive any
6.2 other benefits from the special fund of the relief association.

6.3 (b) No relief association as defined in section 424A.001, subdivision 4, may pay
6.4 a service pension or disability benefit to a former member of the relief association if
6.5 that person has not separated from active service with the fire department to which the
6.6 relief association is directly associated, unless: (1) the person is employed subsequent
6.7 to retirement by the municipality or the independent nonprofit firefighting corporation,
6.8 whichever applies, to perform duties within the municipal fire department or corporation
6.9 on a full-time basis; (2) the governing body of the municipality or of the corporation has
6.10 filed its determination with the board of trustees of the relief association that the person's
6.11 experience with and service to the fire department in that person's full-time capacity would
6.12 be difficult to replace; and (3) the bylaws of the relief association were amended to provide
6.13 for the payment of a service pension or disability benefit for such full-time employees.

6.14 Subd. 2. **No assignment or garnishment.** No service pension or ancillary benefits
6.15 paid or payable from the special fund of a relief association to any person receiving
6.16 or entitled to receive a service pension or ancillary benefits is subject to garnishment,
6.17 judgment, execution, or other legal process, except as provided in section 518.58, 518.581,
6.18 or 518A.53. No person entitled to a service pension or ancillary benefits from the special
6.19 fund of a relief association may assign any service pension or ancillary benefit payments,
6.20 and the association does not have the authority to recognize any assignment or pay over
6.21 any sum which has been assigned.

6.22 Subd. 3. **Purchase of annuity contract.** A relief association that provides a service
6.23 pension in a single payment, if the governing articles of incorporation or bylaws so
6.24 provide, may purchase an annuity contract on behalf of a retiring member in an amount
6.25 equal to the service pension otherwise payable at the request of the person and in place of
6.26 a direct payment to the person. The annuity contract must be purchased from an insurance
6.27 carrier licensed to do business in this state.

6.28 Subd. 4. **Transfer to individual retirement account.** A relief association that
6.29 is a qualified pension plan under section 401(a) of the federal Internal Revenue Code,
6.30 as amended, and that provides a single payment service pension, at the written request
6.31 of the applicable retiring member or, following the death of the active member, at
6.32 the written request of the deceased member's surviving spouse, may directly transfer
6.33 on an institution-to-institution basis the eligible member's lump sum pension or the
6.34 death, funeral, or survivor benefit attributable to the member, whichever applies, to the
6.35 requesting person's individual retirement account under section 408(a) of the federal
6.36 Internal Revenue Code, as amended.

7.1 Sec. 16. **[424A.016] DEFINED CONTRIBUTION VOLUNTEER**
7.2 **FIREFIGHTERS' RELIEF ASSOCIATION SPECIFIC REGULATION.**

7.3 Subdivision 1. **Defined contribution relief association authorization.** If the
7.4 articles of incorporation or the bylaws governing the volunteer firefighters' relief
7.5 association so provide exclusively, the relief association may pay a defined contribution
7.6 lump sum service pension instead of a defined benefit service pension governed by section
7.7 424A.02.

7.8 Subd. 2. **Defined contribution service pension eligibility.** (a) A relief association,
7.9 when its articles of incorporation or bylaws so provide, may pay out of the assets of its
7.10 special fund a service pension to each of its members who: (1) separates from active
7.11 service with the fire department; (2) reaches age 50; (3) completes at least five years of
7.12 active service as an active member of the municipal fire department to which the relief
7.13 association is associated; (4) completes at least five years of active membership with
7.14 the relief association before separation from active service; and (5) complies with any
7.15 additional conditions as to age, service, and membership that are prescribed by the bylaws
7.16 of the relief association.

7.17 (b) In the case of a member who has completed at least five years of active service as
7.18 an active member of the fire department to which the relief association is associated on
7.19 the date that the relief association is established and incorporated, the requirement that
7.20 the member complete at least five years of active membership with the relief association
7.21 before separation from active service may be waived by the board of trustees of the
7.22 relief association if the member completes at least five years of inactive membership
7.23 with the relief association before the date of the payment of the service pension. During
7.24 the period of inactive membership, the member is not entitled to receive any disability
7.25 benefit coverage, is not entitled to receive additional individual account allocation
7.26 towards a service pension, and is considered to have the status of a person entitled to a
7.27 deferred service pension. The service pension earned by a volunteer under this chapter
7.28 and the articles of incorporation and bylaws of the association may be paid whether or
7.29 not the municipality or nonprofit firefighting corporation to which the relief association is
7.30 associated qualifies for the receipt of fire state aid under chapter 69.

7.31 Subd. 3. **Reduced vesting schedule.** If the articles of incorporation or bylaws of a
7.32 defined contribution relief association so provide, a relief association may pay a reduced
7.33 service pension based on the nonforfeitable percentage of the account balance to a retiring
7.34 member who has completed fewer than 20 years of service. The reduced service pension
7.35 may be paid when the retiring member meets the minimum age and service requirements
7.36 of subdivision 2. the nonforfeitable percentage of pension amounts are as follows:

	<u>Completed Years of Service</u>	<u>Nonforfeitable Percentage of Pension Amount</u>
8.1		
8.2		
8.3	<u>5</u>	<u>40 percent</u>
8.4	<u>6</u>	<u>52 percent</u>
8.5	<u>7</u>	<u>64 percent</u>
8.6	<u>8</u>	<u>76 percent</u>
8.7	<u>9</u>	<u>88 percent</u>
8.8	<u>10 and thereafter</u>	<u>100 percent</u>

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

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

8.12 (1) any amounts of fire state aid received by the relief association; (2) any amounts of

8.13 municipal contributions to the relief association raised from levies on real estate or from

8.14 other available revenue sources exclusive of fire state aid; and (3) any amounts equal

8.15 to the share of the assets of the special fund to the credit of: (i) any former member

8.16 who terminated active service with the fire department to which the relief association is

8.17 associated before meeting the minimum service requirement provided for in paragraph (b)

8.18 and has not returned to active service with the fire department for a period no shorter than

8.19 five years; or (ii) any retired member who retired before obtaining a full nonforfeitable

8.20 interest in the amounts credited to the individual member account under paragraph (b)

8.21 and any applicable provision of the bylaws of the relief association. In addition, any

8.22 investment return on the assets of the special fund must be credited in proportion to the

8.23 share of the assets of the special fund to the credit of each individual active member

8.24 account. Administrative expenses of the relief association payable from the special

8.25 fund may be deducted from individual accounts in a manner specified in the bylaws of

8.26 the relief association.

8.27 (c) The method of crediting amounts to individual accounts must be allocated

8.28 uniformly for all years of active service and allocations must be made for all years of

8.29 service, except as otherwise provided in this section. The allocation method may utilize

8.30 monthly proration for fractional years of service, if the bylaws or articles of incorporation

8.31 of the relief association so provide.

8.32 (d) At the time of retirement under subdivision 2 and any applicable provision of the

8.33 bylaws of the relief association, a retiring member is entitled to that portion of the assets

8.34 of the special fund to the credit of the member in the individual member account which is

8.35 nonforfeitable under subdivision 3 and any applicable provision of the bylaws of the relief

8.36 association based on the number of years of service to the credit of the retiring member.

9.1 Subd. 5. Service pension installment payments. A defined contribution relief
9.2 association, if the governing bylaws so provide, may pay, at the option of the retiring
9.3 member and in lieu of a single payment of a service pension, the service pension in
9.4 installments. The election of installment payments is irrevocable and must be made by the
9.5 retiring member in writing and filed with the secretary of the relief association no later
9.6 than 30 days before the commencement of payment of the service pension. The amount of
9.7 the installment payments must be the fractional portion of the remaining account balance
9.8 equal to one divided by the number of remaining annual installment payments.

9.9 Subd. 6. Deferred service pensions. (a) A member of a relief association is entitled
9.10 to a deferred service pension if the member:

9.11 (1) has completed the lesser of the minimum period of active service with the fire
9.12 department specified in the bylaws or 20 years of active service with the fire department;

9.13 (2) has completed at least five years of active membership in the relief association;
9.14 and

9.15 (3) separates from active service and membership before reaching age 50 or the
9.16 minimum age for retirement and commencement of a service pension specified in the
9.17 bylaws governing the relief association if that age is greater than age 50.

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

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

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

9.29 (2) the investment return on the assets of the special fund of the defined contribution
9.30 volunteer firefighter relief association in proportion to the share of the assets of the special
9.31 fund to the credit of each individual deferred member account through the date on which
9.32 the investment return is recognized by and credited to the special fund.

9.33 (d) The deferred service pension is governed by and must be calculated under
9.34 the general statute, special law, relief association articles of incorporation, and relief
9.35 association bylaw provisions applicable on the date on which the member separated from
9.36 active service with the fire department and active membership in the relief association.

10.1 Subd. 7. **Limitation on ancillary benefits** A defined contribution relief association
10.2 may only pay an ancillary benefit which would constitute an authorized disbursement as
10.3 specified in section 424A.05. the ancillary benefit for active members must equal the
10.4 vested or nonvested amount of the individual account of the member.

10.5 For deferred members, the ancillary benefit must equal the vested amount of the
10.6 individual account of the member. For the recipient of installment payments of a service
10.7 pension, the ancillary benefit must equal the remaining balance in the individual account
10.8 of the recipient.

10.9 Subd. 8. **Repayment of service pension in certain instances.** If a retired volunteer
10.10 firefighter does not permanently separate from active firefighting service as required
10.11 by subdivision 1 and section 424A.001, subdivision 9, by resuming active service as a
10.12 firefighter in the same volunteer fire department or as a person in charge of firefighters in
10.13 the same volunteer fire department, no additional service pension amount is payable to the
10.14 person, no additional individual account allocation may be made to the person, and the
10.15 person must repay to the relief association any previously received service pension.

10.16 Subd. 9. **Filing of bylaw amendments.** Each relief association to which this section
10.17 applies must file a revised copy of its governing bylaws with the state auditor upon the
10.18 adoption of any amendment to its governing bylaws by the relief association. Failure of
10.19 the relief association to file a copy of the bylaws or any bylaw amendments with the state
10.20 auditor disqualifies the municipality from the distribution of any future fire state aid until
10.21 this filing requirement has been completed.

10.22 Sec. 17. Minnesota Statutes 2006, section 424A.02, subdivision 1, is amended to read:

10.23 **424A.02 DEFINED BENEFIT VOLUNTEER FIREFIGHTERS**
10.24 **FIREFIGHTERS' RELIEF ASSOCIATIONS; SERVICE PENSIONS.**

10.25 Subdivision 1. **Authorization.** (a) A defined benefit relief association, when its
10.26 articles of incorporation or bylaws so provide, may pay out of the assets of its special fund
10.27 a service pension to each of its members who: (1) separates from active service with the
10.28 fire department; (2) reaches age 50; (3) completes at least five years of active service
10.29 as an active member of the municipal fire department to which the relief association
10.30 is associated; (4) completes at least five years of active membership with the relief
10.31 association before separation from active service; and (5) complies with any additional
10.32 conditions as to age, service, and membership that are prescribed by the bylaws of the
10.33 relief association. A service pension computed under this section may be prorated
10.34 monthly for fractional years of service, if the bylaws or articles of incorporation of the
10.35 relief association so provide. The service pension earned by a volunteer firefighter under

11.1 this chapter and the articles of incorporation and bylaws of the volunteer firefighters'
11.2 relief association may be paid whether or not the municipality or nonprofit firefighting
11.3 corporation to which the relief association is associated qualifies for the receipt of fire
11.4 state aid under chapter 69.

11.5 (b) In the case of a member who has completed at least five years of active service as
11.6 an active member of the fire department to which the relief association is associated on
11.7 the date that the relief association is established and incorporated, the requirement that
11.8 the member complete at least five years of active membership with the relief association
11.9 before separation from active service may be waived by the board of trustees of the relief
11.10 association if the member completes at least five years of inactive membership with the
11.11 relief association before the date of the payment of the service pension. During the
11.12 period of inactive membership, the member is not entitled to receive disability benefit
11.13 coverage, is not entitled to receive additional service credit towards computation of a
11.14 service pension, and is considered to have the status of a person entitled to a deferred
11.15 service pension under subdivision 7.

11.16 (c) No municipality or nonprofit firefighting corporation may delegate the power to
11.17 take final action in setting a service pension or ancillary benefit amount or level to the
11.18 board of trustees of the relief association or to approve in advance a service pension or
11.19 ancillary benefit amount or level equal to the maximum amount or level that this chapter
11.20 would allow rather than a specific dollar amount or level.

11.21 (d) No relief association as defined in section 424A.001, subdivision 4, may pay a
11.22 service pension or disability benefit to a former member of the relief association if that
11.23 person has not separated from active service with the fire department to which the relief
11.24 association is directly associated, unless:

11.25 (1) the person is employed subsequent to retirement by the municipality or the
11.26 independent nonprofit firefighting corporation, whichever applies, to perform duties within
11.27 the municipal fire department or corporation on a full-time basis;

11.28 (2) the governing body of the municipality or of the corporation has filed its
11.29 determination with the board of trustees of the relief association that the person's
11.30 experience with and service to the fire department in that person's full-time capacity
11.31 would be difficult to replace; and

11.32 (3) the bylaws of the relief association were amended to provide for the payment of
11.33 a service pension or disability benefit for such full-time employees.

11.34 Sec. 18. Minnesota Statutes 2006, section 424A.02, subdivision 2, is amended to read:

12.1 Subd. 2. **Nonforfeitable portion of service pension.** If the articles of incorporation
12.2 or bylaws of a defined benefit relief association so provide, ~~a~~ the relief association may
12.3 pay a reduced service pension to a retiring member who has completed fewer than 20
12.4 years of service. The reduced service pension may be paid when the retiring member
12.5 meets the minimum age and service requirements of subdivision 1.

12.6 The amount of the reduced service pension may not exceed the amount calculated by
12.7 multiplying the service pension appropriate for the completed years of service as specified
12.8 in the bylaws ~~times~~ multiplied by the applicable nonforfeitable percentage of pension.

12.9 For a defined benefit volunteer firefighter relief association that pays a lump-sum
12.10 service pension, a monthly benefit service pension, or a lump-sum service pension or a
12.11 monthly benefit service pension as alternative benefit forms, the nonforfeitable percentage
12.12 of pension amounts are as follows:

12.13	Completed Years of Service	Nonforfeitable Percentage
12.14		of Pension Amount
12.15	5	40 percent
12.16	6	44 percent
12.17	7	48 percent
12.18	8	52 percent
12.19	9	56 percent
12.20	10	60 percent
12.21	11	64 percent
12.22	12	68 percent
12.23	13	72 percent
12.24	14	76 percent
12.25	15	80 percent
12.26	16	84 percent
12.27	17	88 percent
12.28	18	92 percent
12.29	19	96 percent
12.30	20 and thereafter	100 percent

12.31 ~~For a volunteer firefighter relief association that pays a defined contribution service~~
12.32 ~~pension, the nonforfeitable percentage of pension amounts are as follows:~~

12.33	Completed Years of Service	Nonforfeitable Percentage
12.34		of Pension Amount
12.35	5	40 percent
12.36	6	52 percent
12.37	7	64 percent
12.38	8	76 percent
12.39	9	88 percent
12.40	10 and thereafter	100 percent

13.1 Sec. 19. Minnesota Statutes 2006, section 424A.02, subdivision 3, as amended by
13.2 Laws 2008, chapter 349, article 14, section 8, is amended to read:

13.3 Subd. 3. **Flexible service pension maximums.** (a) Annually on or before August 1
13.4 as part of the certification of the financial requirements and minimum municipal obligation
13.5 determined under section 69.772, subdivision 4, or 69.773, subdivision 5, as applicable,
13.6 the secretary or some other official of the relief association designated in the bylaws of
13.7 each defined benefit relief association shall calculate and certify to the governing body
13.8 of the applicable qualified municipality the average amount of available financing per
13.9 active covered firefighter for the most recent three-year period. The amount of available
13.10 financing ~~shall include~~ includes any amounts of fire state aid received or receivable by the
13.11 relief association, any amounts of municipal contributions to the relief association raised
13.12 from levies on real estate or from other available revenue sources exclusive of fire state
13.13 aid, and one-tenth of the amount of assets in excess of the accrued liabilities of the relief
13.14 association calculated under section 69.772, subdivision 2; 69.773, subdivisions 2 and 4;
13.15 or 69.774, subdivision 2, if any.

13.16 (b) The maximum service pension which the defined benefit relief association has
13.17 authority to provide for in its bylaws for payment to a member retiring after the calculation
13.18 date when the minimum age and service requirements specified in subdivision 1 are met
13.19 must be determined using the table in paragraph (c) or (d), whichever applies.

13.20 (c) For a defined benefit relief association where the governing bylaws provide for
13.21 a monthly service pension to a retiring member, the maximum monthly service pension
13.22 amount per month for each year of service credited that may be provided for in the bylaws
13.23 is the greater of the service pension amount provided for in the bylaws on the date of the
13.24 calculation of the average amount of the available financing per active covered firefighter
13.25 or the maximum service pension figure corresponding to the average amount of available
13.26 financing per active covered firefighter:

	Minimum Average Amount of Available Financing per Firefighter	Maximum Service Pension Amount Payable per Month for Each Year of Service
13.30	\$...	\$.25
13.31	41	.50
13.32	81	1.00
13.33	122	1.50
13.34	162	2.00
13.35	203	2.50
13.36	243	3.00
13.37	284	3.50
13.38	324	4.00

14.1	365	4.50
14.2	405	5.00
14.3	486	6.00
14.4	567	7.00
14.5	648	8.00
14.6	729	9.00
14.7	810	10.00
14.8	891	11.00
14.9	972	12.00
14.10	1053	13.00
14.11	1134	14.00
14.12	1215	15.00
14.13	1296	16.00
14.14	1377	17.00
14.15	1458	18.00
14.16	1539	19.00
14.17	1620	20.00
14.18	1701	21.00
14.19	1782	22.00
14.20	1823	22.50
14.21	1863	23.00
14.22	1944	24.00
14.23	2025	25.00
14.24	2106	26.00
14.25	2187	27.00
14.26	2268	28.00
14.27	2349	29.00
14.28	2430	30.00
14.29	2511	31.00
14.30	2592	32.00
14.31	2673	33.00
14.32	2754	34.00
14.33	2834	35.00
14.34	2916	36.00
14.35	2997	37.00
14.36	3078	38.00
14.37	3159	39.00
14.38	3240	40.00
14.39	3321	41.00
14.40	3402	42.00
14.41	3483	43.00
14.42	3564	44.00
14.43	3645	45.00

15.1	3726	46.00
15.2	3807	47.00
15.3	3888	48.00
15.4	3969	49.00
15.5	4050	50.00
15.6	4131	51.00
15.7	4212	52.00
15.8	4293	53.00
15.9	4374	54.00
15.10	4455	55.00
15.11	4536	56.00
15.12	Effective beginning December 31, 2008	
15.13	4617	57.00
15.14	4698	58.00
15.15	4779	59.00
15.16	4860	60.00
15.17	4941	61.00
15.18	5022	62.00
15.19	5103	63.00
15.20	5184	64.00
15.21	5265	65.00
15.22	Effective beginning December 31, 2009	
15.23	5346	66.00
15.24	5427	67.00
15.25	5508	68.00
15.26	5589	69.00
15.27	5670	70.00
15.28	5751	71.00
15.29	5832	72.00
15.30	5913	73.00
15.31	5994	74.00
15.32	Effective beginning December 31, 2010	
15.33	6075	75.00
15.34	6156	76.00
15.35	6237	77.00
15.36	6318	78.00
15.37	6399	79.00
15.38	6480	80.00
15.39	6561	81.00
15.40	6642	82.00
15.41	6723	83.00
15.42	Effective beginning December 31, 2011	
15.43	6804	84.00

16.1	6885	85.00
16.2	6966	86.00
16.3	7047	87.00
16.4	7128	88.00
16.5	7209	89.00
16.6	7290	90.00
16.7	7371	91.00
16.8	7452	92.00
16.9	Effective beginning December 31, 2012	
16.10	7533	93.00
16.11	7614	94.00
16.12	7695	95.00
16.13	7776	96.00
16.14	7857	97.00
16.15	7938	98.00
16.16	8019	99.00
16.17	8100	100.00
16.18	any amount in excess of 8100	100.00

16.19 (d) For a defined benefit relief association in which the governing bylaws provide
 16.20 for a lump sum service pension to a retiring member, the maximum lump sum service
 16.21 pension amount for each year of service credited that may be provided for in the bylaws is
 16.22 the greater of the service pension amount provided for in the bylaws on the date of the
 16.23 calculation of the average amount of the available financing per active covered firefighter
 16.24 or the maximum service pension figure corresponding to the average amount of available
 16.25 financing per active covered firefighter for the applicable specified period:

16.26	Minimum Average Amount of Available	Maximum Lump Sum Service
16.27	Financing per Firefighter	Pension Amount Payable for
16.28		Each Year of Service
16.29	\$...	\$ 10
16.30	11	20
16.31	16	30
16.32	23	40
16.33	27	50
16.34	32	60
16.35	43	80
16.36	54	100
16.37	65	120
16.38	77	140
16.39	86	160
16.40	97	180
16.41	108	200
16.42	131	240

17.1	151	280
17.2	173	320
17.3	194	360
17.4	216	400
17.5	239	440
17.6	259	480
17.7	281	520
17.8	302	560
17.9	324	600
17.10	347	640
17.11	367	680
17.12	389	720
17.13	410	760
17.14	432	800
17.15	486	900
17.16	540	1000
17.17	594	1100
17.18	648	1200
17.19	702	1300
17.20	756	1400
17.21	810	1500
17.22	864	1600
17.23	918	1700
17.24	972	1800
17.25	1026	1900
17.26	1080	2000
17.27	1134	2100
17.28	1188	2200
17.29	1242	2300
17.30	1296	2400
17.31	1350	2500
17.32	1404	2600
17.33	1458	2700
17.34	1512	2800
17.35	1566	2900
17.36	1620	3000
17.37	1672	3100
17.38	1726	3200
17.39	1753	3250
17.40	1780	3300
17.41	1820	3375
17.42	1834	3400
17.43	1888	3500

18.1	1942	3600
18.2	1996	3700
18.3	2023	3750
18.4	2050	3800
18.5	2104	3900
18.6	2158	4000
18.7	2212	4100
18.8	2265	4200
18.9	2319	4300
18.10	2373	4400
18.11	2427	4500
18.12	2481	4600
18.13	2535	4700
18.14	2589	4800
18.15	2643	4900
18.16	2697	5000
18.17	2751	5100
18.18	2805	5200
18.19	2859	5300
18.20	2913	5400
18.21	2967	5500
18.22	3021	5600
18.23	3075	5700
18.24	3129	5800
18.25	3183	5900
18.26	3237	6000
18.27	3291	6100
18.28	3345	6200
18.29	3399	6300
18.30	3453	6400
18.31	3507	6500
18.32	3561	6600
18.33	3615	6700
18.34	3669	6800
18.35	3723	6900
18.36	3777	7000
18.37	3831	7100
18.38	3885	7200
18.39	3939	7300
18.40	3993	7400
18.41	4047	7500
18.42	Effective beginning December 31, 2008	
18.43	4101	7600

19.1	4155	7700
19.2	4209	7800
19.3	4263	7900
19.4	4317	8000
19.5	4371	8100
19.6	4425	8200
19.7	4479	8300
19.8	Effective beginning December 31, 2009	
19.9	4533	8400
19.10	4587	8500
19.11	4641	8600
19.12	4695	8700
19.13	4749	8800
19.14	4803	8900
19.15	4857	9000
19.16	4911	9100
19.17	Effective beginning December 31, 2010	
19.18	4965	9200
19.19	5019	9300
19.20	5073	9400
19.21	5127	9500
19.22	5181	9600
19.23	5235	9700
19.24	5289	9800
19.25	5343	9900
19.26	5397	10,000
19.27	any amount in excess of 5397	10,000

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

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

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

20.5 (h) The method of calculating service pensions must be applied uniformly for all
20.6 years of active service and credit must be given for all years of active service except as
20.7 otherwise provided in this section.

20.8 Sec. 20. Minnesota Statutes 2006, section 424A.02, subdivision 3a, is amended to read:

20.9 Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a)
20.10 If a defined benefit relief association pays a service pension greater than the maximum
20.11 service pension associated with the applicable average amount of available financing per
20.12 active covered firefighter under the table in subdivision 3, paragraph (c) or (d), whichever
20.13 applies, the maximum service pension under subdivision 3, paragraph (f), or the applicable
20.14 maximum service pension amount specified in subdivision 3, paragraph (g), whichever is
20.15 less, the state auditor shall:

20.16 (1) disqualify the municipality or the nonprofit firefighting corporation associated
20.17 with the relief association from receiving fire state aid by making the appropriate
20.18 notification to the municipality and the commissioner of revenue, with the disqualification
20.19 applicable for the next apportionment and payment of fire state aid; and

20.20 (2) recover the amount of the overpaid service pension or pensions from any retired
20.21 firefighter who received an overpayment.

20.22 (b) Fire state aid amounts from disqualified municipalities for the period of
20.23 disqualifications under paragraph (a), clause (1), must be credited to the amount of
20.24 fire insurance premium tax proceeds available for the next subsequent fire state aid
20.25 apportionment.

20.26 (c) The amount of any overpaid service pension recovered under paragraph (a),
20.27 clause (2), must be credited to the amount of fire insurance premium tax proceeds
20.28 available for the next subsequent fire state aid apportionment.

20.29 (d) The determination of the state auditor that a relief association has paid a service
20.30 pension greater than the applicable maximum must be made on the basis of the information
20.31 filed by the relief association and the municipality with the state auditor under sections
20.32 69.011, subdivision 2, and 69.051, subdivision 1 or 1a, whichever applies, and any other
20.33 relevant information that comes to the attention of the state auditor. The determination
20.34 of the state auditor is final. An aggrieved municipality, relief association, or person may
20.35 appeal the determination under section 480A.06.

21.1 Sec. 21. Minnesota Statutes 2006, section 424A.02, subdivision 7, as amended by
21.2 Laws 2008, chapter 349, article 14, section 9, is amended to read:

21.3 Subd. 7. **Deferred service pensions.** (a) A member of a defined benefit relief
21.4 association is entitled to a deferred service pension if the member:

21.5 (1) has completed the lesser of either the minimum period of active service with
21.6 the fire department specified in the bylaws or 20 years of active service with the fire
21.7 department;

21.8 (2) has completed at least five years of active membership in the relief association;
21.9 and

21.10 (3) separates from active service and membership before reaching age 50 or the
21.11 minimum age for retirement and commencement of a service pension specified in the
21.12 bylaws governing the relief association if that age is greater than age 50.

21.13 (b) The deferred service pension is payable when the former member reaches age
21.14 50, or the minimum age specified in the bylaws governing the relief association if that age
21.15 is greater than age 50, and when the former member makes a valid written application.

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

21.20 (1) at the investment performance rate actually earned on that portion of the assets
21.21 if the deferred benefit amount is invested by the relief association in a separate account
21.22 established and maintained by the relief association or if the deferred benefit amount is
21.23 invested in a separate investment vehicle held by the relief association; or

21.24 (2) at an interest rate of up to five percent, compounded annually, as set by the board
21.25 of directors and approved as provided in subdivision 10.

21.26 (d) Interest under paragraph (c), clause (2), is payable following the date on which
21.27 the municipality has approved the deferred service pension interest rate established by
21.28 the board of trustees.

21.29 ~~(e) A relief association that provides a defined contribution service pension may,~~
21.30 ~~if its governing bylaws so provide, credit interest or additional investment performance~~
21.31 ~~on the deferred lump sum service pension during the period of deferral. If provided for~~
21.32 ~~in the bylaws, the interest must be paid in one of the manners specified in paragraph~~
21.33 ~~(c) or alternatively the relief association may credit any investment return on the assets~~
21.34 ~~of the special fund of the defined contribution volunteer firefighter relief association in~~
21.35 ~~proportion to the share of the assets of the special fund to the credit of each individual~~

22.1 ~~deferred member account through the date on which the investment return is recognized~~
22.2 ~~by and credited to the special fund.~~

22.3 (f) For a deferred service pension that is transferred to a separate account established
22.4 and maintained by the relief association or separate investment vehicle held by the relief
22.5 association, the deferred member bears the full investment risk subsequent to transfer and
22.6 in calculating the accrued liability of the volunteer firefighters relief association that pays
22.7 a lump sum service pension, the accrued liability for deferred service pensions is equal
22.8 to the separate relief association account balance or the fair market value of the separate
22.9 investment vehicle held by the relief association.

22.10 (g) (f) The deferred service pension is governed by and must be calculated under
22.11 the general statute, special law, relief association articles of incorporation, and relief
22.12 association bylaw provisions applicable on the date on which the member separated from
22.13 active service with the fire department and active membership in the relief association.

22.14 Sec. 22. Minnesota Statutes 2006, section 424A.02, subdivision 8, is amended to read:

22.15 Subd. 8. **Lump sum service pensions; installment payments.** ~~Any~~ A defined
22.16 benefit relief association, if the governing bylaws so provide, may pay, at the option of
22.17 the retiring member and in lieu of a single payment of a lump sum service pension, a
22.18 lump sum service pension in installments.

22.19 The election of installment payments ~~shall be~~ is irrevocable and ~~shall~~ must
22.20 be made by the retiring member in writing and filed with the secretary of the relief
22.21 association no later than 30 days prior to the commencement of payment of the service
22.22 pension. The amount of the installment payments ~~shall~~ must be determined so that the
22.23 present value of the aggregate installment payments computed at an interest rate of five
22.24 percent, compounded annually, is equal to the amount of the single lump sum payment
22.25 which would have been made had the installment payments option not been elected.
22.26 The payment of each installment ~~shall~~ must include interest at the rate of five percent,
22.27 compounded annually on the reserve supporting the remaining installment payments as
22.28 of the date on which the previous installment payment was paid and computed from the
22.29 date on which the previous installment payment was paid to the date of payment for
22.30 the current installment payment.

22.31 To the extent that the ~~commissioner of commerce~~ state auditor deems it to be
22.32 necessary or practical, the ~~commissioner~~ state auditor may specify and issue procedures,
22.33 forms or mathematical tables for use in performing the calculations required ~~pursuant to~~
22.34 under this subdivision.

23.1 Sec. 23. Minnesota Statutes 2006, section 424A.02, subdivision 9, as amended by
23.2 Laws 2008, chapter 349, article 14, section 10, is amended to read:

23.3 Subd. 9. **Limitation on ancillary benefits.** ~~Any~~ A defined benefit relief association,
23.4 including any volunteer firefighters relief association governed by section 69.77 or any
23.5 volunteer firefighters division of a relief association governed by chapter 424, may only
23.6 pay ancillary benefits which would constitute an authorized disbursement as specified in
23.7 section 424A.05 subject to the following requirements or limitations:

23.8 (1) with respect to a defined benefit relief association in which governing bylaws
23.9 provide for a lump sum service pension to a retiring member, no ancillary benefit may
23.10 be paid to any former member or paid to any person on behalf of any former member
23.11 after the former member (i) terminates active service with the fire department and active
23.12 membership in the relief association; and (ii) commences receipt of a service pension as
23.13 authorized under this section; and

23.14 (2) with respect to any defined benefit relief association, no ancillary benefit paid or
23.15 payable to any member, to any former member, or to any person on behalf of any member
23.16 or former member, may exceed in amount the total earned service pension of the member
23.17 or former member. The total earned service pension must be calculated by multiplying
23.18 the service pension amount specified in the bylaws of the relief association at the time of
23.19 death or disability, whichever applies, by the years of service credited to the member or
23.20 former member. The years of service must be determined as of (i) the date the member or
23.21 former member became entitled to the ancillary benefit; or (ii) the date the member or
23.22 former member died entitling a survivor or the estate of the member or former member to
23.23 an ancillary benefit. The ancillary benefit must be calculated without regard to whether the
23.24 member had attained the minimum amount of service and membership credit specified in
23.25 the governing bylaws. For active members, the amount of a permanent disability benefit
23.26 or a survivor benefit must be equal to the member's total earned service pension except
23.27 that the bylaws of ~~any~~ a defined benefit relief association may provide for the payment of
23.28 a survivor benefit in an amount not to exceed five times the yearly service pension amount
23.29 specified in the bylaws on behalf of any member who dies before having performed five
23.30 years of active service in the fire department with which the relief association is affiliated.

23.31 Sec. 24. Minnesota Statutes 2006, section 424A.02, subdivision 9a, is amended to read:

23.32 Subd. 9a. **Postretirement increases.** Notwithstanding any provision of general or
23.33 special law to the contrary, a defined benefit relief association paying a monthly service
23.34 pension may provide a postretirement increase to retired members and ancillary benefit
23.35 recipients of the relief association if (1) the relief association adopts an appropriate bylaw

24.1 amendment; and (2) the bylaw amendment is approved by the municipality pursuant to
24.2 subdivision 10 and section 69.773, subdivision 6. The postretirement increase ~~shall be~~
24.3 is applicable only to retired members and ancillary benefit recipients receiving a service
24.4 pension or ancillary benefit as of the effective date of the bylaw amendment. The authority
24.5 to provide a postretirement increase to retired members and ancillary benefit recipients
24.6 of a relief association contained in this subdivision ~~shall supersede~~ supersedes any prior
24.7 special law authorization relating to the provision of postretirement increases.

24.8 Sec. 25. Minnesota Statutes 2006, section 424A.02, subdivision 9b, is amended to read:

24.9 Subd. 9b. **Repayment of service pension in certain instances.** If a retired
24.10 volunteer firefighter does not permanently separate from active firefighting service as
24.11 required by subdivision 1 and section 424A.001, subdivision 9, by resuming active service
24.12 as a firefighter in the same volunteer fire department or as a person in charge of firefighters
24.13 in the same volunteer fire department, no additional service pension amount is payable
24.14 to the person, no additional service is creditable to the person, and the person ~~shall~~ must
24.15 repay to the defined benefit relief association any previously received service pension.

24.16 Sec. 26. Minnesota Statutes 2006, section 424A.02, subdivision 10, is amended to read:

24.17 Subd. 10. **Local approval of bylaw amendments; filing requirements.** (a) Each
24.18 defined benefit relief association to which this section applies ~~shall~~ must file a revised
24.19 copy of its governing bylaws with the state auditor upon the adoption of any amendment
24.20 to its governing bylaws by the relief association or upon the approval of any amendment
24.21 to its governing bylaws granted by the governing body of each municipality served by the
24.22 fire department to which the relief association is directly associated. Failure of the relief
24.23 association to file a copy of the bylaws or any bylaw amendments with the state auditor
24.24 ~~shall disqualify~~ disqualifies the municipality from the distribution of any future fire state
24.25 aid until this filing requirement has been completed.

24.26 (b) If the special fund of the relief association does not have a surplus over full
24.27 funding ~~pursuant to~~ under section 69.772, subdivision 3, clause (2), subclause (e), or
24.28 69.773, subdivision 4, and if the municipality is required to provide financial support to
24.29 the special fund of the relief association ~~pursuant to~~ under section 69.772 or 69.773, no
24.30 bylaw amendment which would affect the amount of, the manner of payment of, or the
24.31 conditions for qualification for service pensions or ancillary benefits or disbursements
24.32 other than administrative expenses authorized ~~pursuant to~~ under section 69.80 payable
24.33 from the special fund of the relief association ~~shall be~~ is effective until it has been ratified
24.34 by the governing body or bodies of the appropriate municipalities. If the municipality is

25.1 not required to provide financial support to the special fund ~~pursuant to~~ under this section,
25.2 the relief association may adopt or amend without municipal ratification its articles
25.3 of incorporation or bylaws which increase or otherwise affect the service pensions or
25.4 ancillary benefits payable from the special fund so long as the changes do not cause the
25.5 amount of the resulting increase in the accrued liability of the special fund to exceed 90
25.6 percent of the amount of the prior surplus over full funding and the changes do not result
25.7 in the financial requirements of the special fund exceeding the expected amount of the
25.8 ~~future~~ subsequent calendar year's fire state aid to be received by the relief association.

25.9 (c) If the relief association pays only a lump sum pension, the financial requirements
25.10 are to be determined by the board of trustees following the preparation of an estimate
25.11 of the expected increase in the accrued liability and annual accruing liability of the
25.12 relief association attributable to the change. If the relief association pays a monthly
25.13 benefit service pension, the financial requirements are to be determined by the board of
25.14 trustees following either an updated actuarial valuation including the proposed change
25.15 or an estimate of the expected actuarial impact of the proposed change prepared by the
25.16 actuary of the relief association. If a relief association adopts or amends its articles of
25.17 incorporation or bylaws without municipal ratification ~~pursuant to~~ under this subdivision,
25.18 and, subsequent to the amendment or adoption, the financial requirements of the special
25.19 fund ~~pursuant to~~ under this section are such so as to require financial support from the
25.20 municipality, the provision which was implemented without municipal ratification ~~shall~~ is
25.21 no longer ~~be~~ effective without municipal ratification, and any service pensions or ancillary
25.22 benefits payable after that date ~~shall~~ must be paid only in accordance with the articles of
25.23 incorporation or bylaws as amended or adopted with municipal ratification.

25.24 Sec. 27. Minnesota Statutes 2006, section 424A.02, subdivision 12, is amended to read:

25.25 Subd. 12. **Transfer of service credit to new district.** Notwithstanding the
25.26 requirements of subdivision 1 or any other law, a member of a fire department which is
25.27 disbanded upon formation of a fire district to serve substantially the same geographic
25.28 area, who serves as an active firefighter with the new district fire department, and is a
25.29 member of the district firefighters' defined benefit relief association ~~shall be~~ is entitled
25.30 to a nonforfeitable service pension from the new relief association upon completion of
25.31 a combined total of 20 years active service in the disbanded and the new departments.
25.32 The amount of the service pension ~~shall be~~ is based upon years of service in the new
25.33 department only; and ~~shall~~ must be in an amount equal to the accrued liability for the
25.34 appropriate years of service calculated in accordance with section 69.772, subdivision 2.

26.1 Sec. 28. Minnesota Statutes 2006, section 424A.02, subdivision 13, is amended to read:

26.2 Subd. 13. **Combined service pensions.** (a) If the articles of incorporation or bylaws
26.3 of the defined benefit relief associations so provide, a volunteer firefighter with credit for
26.4 service as an active firefighter in more than one defined benefit volunteer firefighters relief
26.5 association is entitled, when the applicable requirements of paragraph (b) are met and
26.6 when otherwise qualified, to a prorated service credit from each relief association.

26.7 (b) A volunteer firefighter receiving a prorated service pension under this subdivision
26.8 must have a total amount of service credit of ten years or more, if the bylaws of every
26.9 affected relief association ~~does do not require~~ specify only a five-year service vesting
26.10 requirement, or five years or more, if the bylaws of every affected relief association
26.11 ~~requires~~ require only a five-year service vesting requirement, as a member of two or more
26.12 relief associations otherwise qualified. The member must have one year or more of service
26.13 credit in each relief association. The prorated service pension must be based on the service
26.14 pension amount in effect for the relief association on the date on which active volunteer
26.15 firefighting services covered by that relief association terminate. To receive a service
26.16 pension under this subdivision, the firefighter must become a member of the second or
26.17 succeeding association and must give notice of membership to the prior association within
26.18 two years of the date of termination of active service with the prior association. The notice
26.19 must be attested to by the second or subsequent relief association secretary.

26.20 Sec. 29. Minnesota Statutes 2006, section 424A.021, is amended to read:

26.21 **424A.021 CREDIT FOR BREAK IN SERVICE TO PROVIDE UNIFORMED**
26.22 **SERVICE.**

26.23 Subdivision 1. **Authorization.** Subject to restrictions stated in this section, a
26.24 volunteer firefighter who is absent from firefighting service due to service in the uniformed
26.25 services, as defined in United States Code, title 38, section 4303(13), may obtain service
26.26 credit if the relief association is a defined benefit plan or an allocation ~~of any fire state aid,~~
26.27 ~~any municipal contributions, and any investment return~~ received by the relief association as
26.28 though the person was an active member if the relief association is a defined contribution
26.29 plan for the period of the uniformed service, not to exceed five years, unless a longer
26.30 period is required under United States Code, title 38, section 4312.

26.31 Subd. 2. **Limitations.** (a) To be eligible for service credit or ~~an investment return~~
26.32 an allocation as though an active member under this section, the volunteer firefighter
26.33 must return to firefighting service with coverage by the same relief association or by the
26.34 successor to that relief association upon discharge from service in the uniformed service
26.35 within the time frame required in United States Code, title 38, section 4312(e).

27.1 (b) Service credit or ~~an investment return~~ an allocation as though an active member
27.2 is not authorized if the firefighter separates from uniformed service with a dishonorable or
27.3 bad conduct discharge or under other than honorable conditions.

27.4 (c) Service credit or ~~an investment return~~ an allocation as though an active member
27.5 is not authorized if the firefighter fails to provide notice to the fire department that the
27.6 individual is leaving to provide service in the uniformed service, unless it is not feasible to
27.7 provide that notice due to the emergency nature of the situation.

27.8 Sec. 30. Minnesota Statutes 2006, section 424A.03, is amended to read:

27.9 **424A.03 UNIFORMITY OF VOLUNTEER FIREFIGHTER SERVICE**
27.10 **PENSION AND RETIREMENT BENEFITS.**

27.11 Subdivision 1. **Limitation on nonuniformity of pensions.** Every partially salaried
27.12 and partially volunteer firefighters' relief association ~~shall~~ must provide service pensions
27.13 to volunteer firefighter members based on the years of service of the members not on
27.14 the compensation paid to the members for firefighting services. Each relief association
27.15 ~~shall~~ must provide service pensions to salaried members as set forth in chapter 424 and
27.16 applicable special laws.

27.17 Subd. 2. **Penalties for violations.** ~~Any A~~ A municipality which has a fire department
27.18 ~~to which~~ associated with a relief association which violates the provisions of subdivision
27.19 1 is directly associated or which contracts with an independent nonprofit firefighting
27.20 corporation ~~of which~~ associated with a relief association which violates the provisions
27.21 of subdivision 1 is a subsidiary ~~shall~~ may not be included in the apportionment of fire
27.22 state aid by the commissioner of commerce to the applicable county auditor ~~pursuant to~~
27.23 under section 69.021, subdivision 6, and ~~shall~~ may not be included in the apportionment
27.24 of fire state aid by the county auditor to the various municipalities ~~pursuant to~~ under
27.25 section 69.021, subdivision 7.

27.26 Subd. 3. **Exception to application of limitation and penalty.** The limitation
27.27 provided for in subdivision 1 ~~shall~~ does not apply to any relief association which ~~prior to~~
27.28 before January 1, 1957, had established a definite service pension formula for members
27.29 of the partially salaried and partially volunteer firefighters' relief association who are
27.30 regularly employed firefighters.

27.31 Sec. 31. Minnesota Statutes 2006, section 424A.04, is amended to read:

27.32 **424A.04 VOLUNTEER RELIEF ASSOCIATIONS; BOARD OF TRUSTEES.**

27.33 Subdivision 1. **Membership.** (a) A relief association that is directly associated with
27.34 a municipal fire department must be managed by a board of trustees consisting of nine

28.1 members. Six trustees must be elected from the membership of the relief association and
28.2 three trustees must be drawn from the officials of the municipalities served by the fire
28.3 department to which the relief association is directly associated. The bylaws of a relief
28.4 association which provides a monthly benefit service pension may provide that one of
28.5 the six trustees elected from the relief association membership may be a retired member
28.6 receiving a monthly pension who is elected by the membership of the relief association.
28.7 The three municipal trustees must be one elected municipal official and one elected or
28.8 appointed municipal official who are designated as municipal representatives by the
28.9 municipal governing board annually and the chief of the municipal fire department.

28.10 (b) A relief association that is a subsidiary of an independent nonprofit firefighting
28.11 corporation must be managed by a board of trustees consisting of nine members. Six
28.12 trustees must be elected from the membership of the relief association, two trustees must
28.13 be drawn from the officials of the municipalities served by the fire department to which
28.14 the relief association is directly associated, and one trustee ~~shall~~ must be the fire chief
28.15 serving with the independent nonprofit firefighting corporation. The bylaws of a relief
28.16 association may provide that one of the six trustees elected from the relief association
28.17 membership may be a retired member receiving a monthly pension who is elected by the
28.18 membership of the relief association. The two municipal trustees must be elected or
28.19 appointed municipal officials, selected as follows:

28.20 (1) if only one municipality contracts with the independent nonprofit firefighting
28.21 corporation, the municipal trustees must be two officials of the contracting municipality
28.22 who are designated annually by the governing body of the municipality; or

28.23 (2) if two or more municipalities contract with the independent nonprofit corporation,
28.24 the municipal trustees must be one official from each of the two largest municipalities
28.25 in population who are designated annually by the governing bodies of the applicable
28.26 municipalities.

28.27 (c) The municipal trustees for a relief association that is directly associated with a fire
28.28 department operated as or by a joint powers entity must be designated annually by the joint
28.29 powers board. The municipal trustees for a relief association that is directly associated
28.30 with a fire department service area township must be designated by the township board.

28.31 (d) If a relief association lacks the municipal board members provided for in
28.32 paragraph (a), (b), or (c) because the fire department is not located in or associated with an
28.33 organized municipality, joint powers entity, or township, the municipal board members
28.34 must be appointed from the fire department service area by the board of commissioners
28.35 of the applicable county.

29.1 (e) The term of ~~these~~ appointed municipal board members is one year or until the
29.2 person's successor is qualified, whichever is later.

29.3 (f) A municipal trustee under paragraph (a), (b), (c), or (d) has all the rights
29.4 and duties accorded to any other trustee, except the right to be an officer of the relief
29.5 association board of trustees.

29.6 (g) A board must have at least three officers, who are a president, a secretary and a
29.7 treasurer. These officers must be elected from among the elected trustees by either the full
29.8 board of trustees or by the relief association membership, as specified in the bylaws. In
29.9 no event may any trustee hold more than one officer position at any one time. The terms
29.10 of the elected trustees and of the officers of the board must be specified in the bylaws of
29.11 the relief association, but may not exceed three years. If the term of the elected trustees
29.12 exceeds one year, the election of the various trustees elected from the membership must be
29.13 staggered on as equal a basis as is practicable.

29.14 Subd. 2. **Fiduciary duty.** The board of trustees of a relief association shall
29.15 undertake their activities consistent with chapter 356A.

29.16 Subd. 2b. **Fiduciary responsibility.** In the discharge of their respective duties, the
29.17 officers and trustees shall be held to the standard of care specified in section 11A.09. In
29.18 addition, the trustees must act in accordance with chapter 356A. Each member of the board
29.19 is a fiduciary and shall undertake all fiduciary activities in accordance with the standard
29.20 of care of section 11A.09, and in a manner consistent with chapter 356A. No fiduciary
29.21 of a relief association shall cause a relief association to engage in a transaction if the
29.22 fiduciary knows or should know that the transaction constitutes one of the following direct
29.23 or indirect transactions: (1) sale or exchange or leasing of any real property between the
29.24 relief association and a board member; (2) lending of money or other extension of credit
29.25 between the relief association and a board member or member of the relief association;
29.26 (3) furnishing of goods, services, or facilities between the relief association and a board
29.27 member; or (4) transfer to a board member, or use by or for the benefit of a board member,
29.28 of any assets of the relief association. A transfer of assets does not mean the payment of
29.29 relief association benefits or administrative expenses permitted by law.

29.30 Subd. 3. **Conditions on relief association consultants.** (a) If a volunteer firefighter
29.31 relief association ~~hires~~ employs or contracts with a consultant to provide legal or financial
29.32 advice, the secretary of the relief association shall obtain and the consultant shall provide
29.33 to the secretary of the relief association a copy of the consultant's certificate of insurance.

29.34 (b) A consultant is any person who is employed under contract to provide legal or
29.35 financial advice and who is or who represents to the volunteer firefighter relief association
29.36 that the person is:

- 30.1 (1) an actuary;
- 30.2 (2) a licensed public accountant or a certified public accountant;
- 30.3 (3) an attorney;
- 30.4 (4) an investment advisor or manager, or an investment counselor;
- 30.5 (5) an investment advisor or manager selection consultant;
- 30.6 (6) a pension benefit design advisor or consultant; or
- 30.7 (7) any other financial consultant.

30.8 Sec. 32. Minnesota Statutes 2006, section 424A.05, subdivision 1, is amended to read:

30.9 Subdivision 1. **Establishment of special fund.** Every volunteer firefighters' relief
30.10 association shall establish and maintain a special fund within the relief association.

30.11 Sec. 33. Minnesota Statutes 2006, section 424A.05, subdivision 2, is amended to read:

30.12 Subd. 2. **Special fund assets and revenues.** The special fund ~~shall~~ must be credited
30.13 with all fire state aid moneys received ~~pursuant to~~ under sections 69.011 to 69.051,
30.14 all taxes levied by or other revenues received from the municipality ~~pursuant to~~ under
30.15 sections 69.771 to 69.776 or any applicable special law requiring municipal support for
30.16 the relief association, any moneys or property donated, given, granted or devised by any
30.17 person which is specified for use for the support of the special fund and any interest or
30.18 investment return earned upon the assets of the special fund. The treasurer of the relief
30.19 association ~~shall be~~ is the custodian of the assets of the special fund and ~~shall~~ must be the
30.20 recipient on behalf of the special fund of all revenues payable to the special fund. The
30.21 treasurer shall maintain adequate records documenting any transaction involving the assets
30.22 or the revenues of the special fund. These records and the bylaws of the relief association
30.23 ~~shall be~~ are public and ~~shall~~ must be open for inspection by any member of the relief
30.24 association, any officer or employee of the state or of the municipality, or any member of
30.25 the public, at reasonable times and places.

30.26 Sec. 34. Minnesota Statutes 2006, section 424A.05, subdivision 3, as amended by
30.27 Laws 2008, chapter 349, article 14, section 11, is amended to read:

30.28 Subd. 3. **Authorized disbursements from the special fund.** (a) Disbursements
30.29 from the special fund ~~are~~ may not ~~permitted to~~ be made for any purpose other than one of
30.30 the following:

- 30.31 (1) for the payment of service pensions to retired members of the relief association if
30.32 authorized and paid under law and the bylaws governing the relief association;

31.1 (2) for the payment of temporary or permanent disability benefits to disabled
31.2 members of the relief association if authorized and paid ~~pursuant to~~ under law and
31.3 specified in amount in the bylaws governing the relief association;

31.4 (3) for the payment of survivor benefits to surviving spouses and surviving children,
31.5 or if none, to designated beneficiaries, of deceased members of the relief association, and
31.6 if survivors and if no designated beneficiary, for the payment of a death benefit to the
31.7 estate of the deceased active or deferred firefighter, if authorized by and paid ~~pursuant to~~
31.8 under law and specified in amount in the bylaws governing the relief association;

31.9 (4) for the payment of the fees, dues and assessments to the Minnesota State Fire
31.10 Department Association, to the Minnesota Area Relief Association Coalition, and to
31.11 the state Volunteer Firefighters Benefit Association in order to entitle relief association
31.12 members to membership in and the benefits of these associations or organizations; and

31.13 (5) for the payment of administrative expenses of the relief association as authorized
31.14 under section 69.80.

31.15 (b) For purposes of this chapter, a designated beneficiary must be a natural person.

31.16 Sec. 35. Minnesota Statutes 2006, section 424A.05, subdivision 4, is amended to read:

31.17 Subd. 4. **Investments of assets of the special fund.** The assets of the special fund
31.18 ~~shall~~ must be invested only in securities authorized by section 69.775.

31.19 Sec. 36. Minnesota Statutes 2006, section 424A.06, is amended to read:

31.20 **424A.06 RELIEF ASSOCIATION GENERAL FUND.**

31.21 Subdivision 1. **Establishment of general fund.** ~~Any~~ A volunteer firefighters' relief
31.22 association may establish and maintain a general fund within the relief association.

31.23 Subd. 2. **General fund assets and revenues.** To the general fund, if established,
31.24 ~~shall~~ must be credited all moneys received from dues, fines, initiation fees, entertainment
31.25 revenues and any moneys or property donated, given, granted or devised by any person,
31.26 for unspecified uses. The treasurer of the relief association ~~shall be~~ is the custodian of the
31.27 assets of the general fund and ~~shall~~ must be the recipient on behalf of the general fund of
31.28 all revenues payable to the general fund. The treasurer shall maintain adequate records
31.29 documenting any transaction involving the assets or the revenues of the general fund.
31.30 These records ~~shall~~ must be open for inspection by any member of the relief association
31.31 at reasonable times and places.

31.32 Subd. 3. **Authorized disbursements from the general fund.** Disbursements from
31.33 the general fund may be made for any purpose that is authorized by either the articles of
31.34 incorporation or bylaws of the relief association.

32.1 Subd. 4. **Investment of assets of the general fund.** The assets of the general
32.2 fund may be invested in any securities that are authorized by the bylaws of the relief
32.3 association and may be certified for investment by the State Board of Investment in fixed
32.4 income pools or in a separately managed account at the discretion of the State Board of
32.5 Investment as provided in section 11A.14.

32.6 Sec. 37. Minnesota Statutes 2006, section 424A.07, is amended to read:

32.7 **424A.07 NONPROFIT FIREFIGHTING CORPORATIONS;**
32.8 **ESTABLISHMENT OF RELIEF ASSOCIATIONS.**

32.9 ~~Prior to~~ Before paying any service pensions or retirement benefits ~~pursuant to~~
32.10 under section 424A.02 or before becoming entitled to receive any amounts of fire state
32.11 aid upon transmittal from a contracting municipality ~~pursuant to~~ under section 69.031,
32.12 subdivision 5, a nonprofit firefighting corporation shall establish a volunteer firefighters'
32.13 relief association governed by this chapter.

32.14 Sec. 38. Minnesota Statutes 2006, section 424A.08, is amended to read:

32.15 **424A.08 MUNICIPALITY WITHOUT RELIEF ASSOCIATION;**
32.16 **AUTHORIZED DISBURSEMENTS.**

32.17 Any qualified municipality which is entitled to receive fire state aid but which has
32.18 no volunteer firefighters' relief association directly associated with its fire department
32.19 shall deposit the fire state aid in a special account established for that purpose in the
32.20 municipal treasury. Disbursement from the special account ~~shall~~ may not be made for
32.21 any purpose except:

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

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

32.27 (3) payment of the cost ~~for~~ of construction, acquisition, repair ~~and~~ or maintenance of
32.28 buildings or other premises to house the equipment of the fire department.

32.29 Sec. 39. Minnesota Statutes 2007 Supplement, section 424A.10, subdivision 1, is
32.30 amended to read:

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

33.1 (1) "qualified recipient" means an individual who receives a lump sum distribution
33.2 of pension or retirement benefits from a volunteer firefighters' relief association for service
33.3 that the individual has performed as a volunteer firefighter;

33.4 (2) "survivor of a deceased active or deferred volunteer firefighter" means the legally
33.5 married spouse of a deceased volunteer firefighter, or, if none, the surviving minor child or
33.6 minor children of a deceased volunteer firefighter;

33.7 (3) "active volunteer firefighter" means a person who regularly renders fire
33.8 suppression service for a municipal fire department or an independent nonprofit firefighting
33.9 corporation, who has met the statutory and other requirements for relief association
33.10 membership, and who has been a fully qualified member of the relief association for
33.11 at least one month; and

33.12 (4) "deferred volunteer firefighter" means a former active volunteer firefighter who
33.13 terminated active firefighting service, has sufficient service credit from the applicable
33.14 relief association to be entitled to a service pension, but has not applied for or has not
33.15 received the service pension.

33.16 Sec. 40. Minnesota Statutes 2007 Supplement, section 424A.10, subdivision 2, is
33.17 amended to read:

33.18 Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a volunteer
33.19 firefighters' relief association of a lump sum distribution to a qualified recipient, the
33.20 association must pay a supplemental benefit to the qualified recipient. Notwithstanding
33.21 any law to the contrary, the relief association must pay the supplemental benefit out of
33.22 its special fund. ~~The amount of~~ This benefit ~~equals~~ is an amount equal to ten percent of
33.23 the regular lump sum distribution that is paid on the basis of the recipient's service as
33.24 a volunteer firefighter. In no case may the amount of the supplemental benefit exceed
33.25 \$1,000. A supplemental benefit under this paragraph may not be paid to a survivor of a
33.26 deceased active or deferred volunteer firefighter in that capacity.

33.27 (b) Upon the payment by a relief association of a lump sum survivor benefit or
33.28 funeral benefit to a survivor of a deceased active volunteer firefighter or of a deceased
33.29 deferred volunteer firefighter, the association may pay a supplemental survivor benefit
33.30 to the survivor of the deceased active or deferred volunteer firefighter from the special
33.31 fund of the relief association if its articles of incorporation or bylaws so provide. The
33.32 amount of the supplemental survivor benefit is 20 percent of the survivor benefit or funeral
33.33 benefit, but not to exceed \$2,000.

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

34.4 Sec. 41. Minnesota Statutes 2007 Supplement, section 424A.10, subdivision 3, is
34.5 amended to read:

34.6 Subd. 3. **State reimbursement.** (a) By February 15 of each year, the treasurer of
34.7 the volunteer firefighters' relief association shall apply to the commissioner of revenue
34.8 for state reimbursement of the amount of supplemental benefits paid under subdivision 2
34.9 during the preceding calendar year. By March 15, the commissioner shall reimburse the
34.10 relief association for the amount of the supplemental benefits paid by the relief association
34.11 to qualified recipients and to survivors of deceased active or deferred volunteer firefighters.

34.12 (b) The commissioner of revenue shall prescribe the form of and supporting
34.13 information that must be supplied as part of the application for state reimbursement.

34.14 (c) The reimbursement payment must be deposited in the special fund of the relief
34.15 association.

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

34.18 Sec. 42. Minnesota Statutes 2006, section 424A.10, subdivision 4, is amended to read:

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

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

34.27 Sec. 43. Minnesota Statutes 2006, section 424A.10, subdivision 5, is amended to read:

34.28 Subd. 5. **Retroactive reimbursement in certain instances.** A supplemental
34.29 survivor or funeral benefit may be paid by a relief association for the death of an active
34.30 volunteer firefighter or of a deferred volunteer firefighter that occurred on or after August
34.31 1, 2005, if the relief association articles of incorporation or bylaws ~~so~~ provide for a
34.32 supplemental survivor benefit and provide for retroactivity.

35.1 Sec. 44. Minnesota Statutes 2006, section 424B.10, is amended to read:

35.2 **424B.10 CONSOLIDATING DEFINED BENEFIT RELIEF ASSOCIATIONS;**
35.3 **BENEFITS; FUNDING.**

35.4 Subd 1a. **Applicability.** This section applies when all of the volunteer firefighters'
35.5 relief associations involved in the consolidation are defined benefit relief associations as
35.6 defined in section 424A.001, subdivision 1b.

35.7 ~~Subdivision 1~~ Subd. 1a. **Benefits.** (a) The successor relief association following
35.8 the consolidation of two or more defined benefit relief associations must be a defined
35.9 benefit relief association.

35.10 (b) Notwithstanding any provision of section 424A.02, subdivision 3, to the contrary,
35.11 the initial service pension amount of the subsequent defined benefit relief association as
35.12 of the effective date of consolidation is either the service pension amount specified in
35.13 clause (1) or the service pension amounts specified in clause (2), as provided for in the
35.14 consolidated relief association's articles of incorporation or bylaws:

35.15 (1) the highest dollar amount service pension amount of any prior volunteer
35.16 firefighters relief association in effect immediately before the consolidation initiation if the
35.17 pension amount was implemented consistent with section 424A.02; or

35.18 (2) for service rendered by each individual volunteer firefighter before consolidation,
35.19 the service pension amount under the consolidating volunteer firefighters relief association
35.20 that the firefighter belonged to immediately before the consolidation if the pension amount
35.21 was implemented consistent with section 424A.02 and for service rendered after the
35.22 effective date of the consolidation, the highest dollar amount service pension of any of the
35.23 consolidating volunteer firefighters relief associations in effect immediately before the
35.24 consolidation if the pension amount was implemented consistent with section 424A.02.

35.25 ~~(b)~~ (c) Any increase in the service pension amount beyond the amount implemented
35.26 under paragraph (a) must conform with the requirements and limitations of sections
35.27 69.771 to 69.775 and section 424A.02.

35.28 Subd. 2. **Funding.** (a) Unless the applicable municipalities agree in writing to
35.29 allocate the minimum municipal obligation in a different manner, the minimum municipal
35.30 obligation under section 69.772 or 69.773, whichever applies, must be allocated between
35.31 the applicable municipalities in proportion to their fire state aid.

35.32 (b) If any applicable municipality fails to meet its portion of the minimum municipal
35.33 obligation to the subsequent relief association, all other applicable municipalities are
35.34 jointly obligated to provide the required funding upon certification by the relief association
35.35 secretary. An applicable municipality that pays the minimum municipal obligation
35.36 amount for another applicable municipality, the municipality may collect the that payment

36.1 amount, plus a 25 percent surcharge, from the responsible applicable municipality by any
36.2 available means, including a deduction from any state aid or payment amount payable
36.3 to the responsible municipality upon certification of the necessary information to the
36.4 commissioner of finance.

36.5 Sec. 45. **[424B.11] CONSOLIDATING DEFINED CONTRIBUTION RELIEF**
36.6 **ASSOCIATIONS; INDIVIDUAL ACCOUNTS; FUNDING.**

36.7 Subdivision 1. **Applicability.** This section applies when all of the volunteer
36.8 firefighters' relief associations involved in the consolidation are defined contribution relief
36.9 associations as defined in section 424A.001, subdivision 1c.

36.10 Subd. 2. **Individual accounts.** The successor relief association following the
36.11 consolidation of two or more defined contribution relief associations must be a defined
36.12 contribution relief association and the successor relief association board shall establish
36.13 individual accounts for every active member, deferred member, or retired member
36.14 receiving installment payments with that status as of the consolidation date. To each
36.15 individual account the successor relief association must credit the amount to the credit
36.16 of each person by a predecessor relief association as of the date of consolidation plus a
36.17 proportional share, based on account value, of any subsequent net revenue during the
36.18 consolidation process.

36.19 Subd. 3. **Funding.** Unless the articles of incorporation or bylaws of the successor
36.20 relief association specify that municipal contributions are wholly voluntary or unless the
36.21 municipalities associated with the consolidating defined contribution relief associations
36.22 agree in writing to a different municipal support arrangement, each municipality must
36.23 continue to provide the same amount of municipal support to the successor relief
36.24 association as the municipality provided to the applicable predecessor relief association in
36.25 the calendar year immediately prior to the calendar year in which the consolidation occurs.

36.26 Sec. 46. **[424B.12] MIXED CONSOLIDATING RELIEF ASSOCIATIONS;**
36.27 **BENEFIT PLAN; FUNDING.**

36.28 Subdivision 1. **Applicability.** This section applies where one or more of the
36.29 volunteer firefighters' relief associations involved in the consolidation are defined benefit
36.30 relief associations as defined in section 424A.001, subdivision 1b, and one or more of
36.31 the volunteer firefighters' relief associations involved in the consolidation are defined
36.32 contribution relief associations as defined in section 424A.001, subdivision 1c.

36.33 Subd. 2. **Benefit plan.** The articles of incorporation or bylaws of the relief successor
36.34 relief association must specify whether the relief association is a defined benefit relief

37.1 association or whether the relief association is a defined contribution relief association. If
37.2 the successor relief association is a defined benefit relief association, the relief association
37.3 benefits must comply with sections 424A.02 and 424B.11, subdivision 1a. If the successor
37.4 relief association is a defined contribution relief association, the relief association must
37.5 comply with sections 424A.017 and 424B.12, subdivision 2.

37.6 Subd. 3. **Funding.** If the successor relief association is a defined benefit relief
37.7 association, the relief association funding is governed by section 424B.11, subdivision 2.
37.8 If the successor relief association is a defined contribution relief association, the relief
37.9 association funding is governed by section 424B.12, subdivision 3.

37.10 Sec. 47. **REPEALER.**

37.11 Subdivision 1. **Repealed for recodification.** Minnesota Statutes 2006, sections
37.12 424A.001, subdivision 7; and 424A.02, subdivisions 4, 6, 8a, and 8b, are repealed.

37.13 Subd. 2. **Repealed as obsolete.** Minnesota Statutes 2006, section 424A.09, is
37.14 repealed.

37.15 Sec. 48. **EFFECTIVE DATE.**

37.16 (a) Except as specified in paragraph (b), Sections 1 to 31 and 36 to 47 are effective
37.17 July 1, 2009.

37.18 (b) The reduction in the number of deferred service pension interest options
37.19 contained in section 16, subdivision 6, is effective January 1, 2010.

37.20 (c) Sections 32 to 35 are effective retroactively from July 1, 2008.

37.21 **ARTICLE 2**

37.22 **CONFORMING CHANGES**

37.23 Section 1. Minnesota Statutes 2006, section 69.771, subdivision 3, is amended to read:

37.24 Subd. 3. **Remedy for noncompliance; determination.** (a) A municipality in which
37.25 there exists a firefighters' relief association as specified in subdivision 1 which does not
37.26 comply with the applicable provisions of sections 69.771 to 69.776 or the provisions of
37.27 any applicable special law relating to the funding or financing of the association does
37.28 not qualify initially to receive, and is not entitled subsequently to retain, fire state aid
37.29 under sections 69.011 to 69.051 until the reason for the disqualification specified by the
37.30 state auditor is remedied, whereupon the municipality or relief association, if otherwise
37.31 qualified, is entitled to again receive fire state aid for the year occurring immediately
37.32 subsequent to the year in which the disqualification is remedied.

38.1 (b) The state auditor shall determine if a municipality to which a firefighters' relief
38.2 association is directly associated or a firefighters' relief association fails to comply with
38.3 the provisions of sections 69.771 to 69.776 or the funding or financing provisions of any
38.4 applicable special law based upon the information contained in the annual financial report
38.5 of the firefighters' relief association required under section 69.051, the actuarial valuation
38.6 of the relief association, if applicable, the relief association officers' financial requirements
38.7 of the relief association and minimum municipal obligation determination documentation
38.8 under section 69.772, subdivisions 3 and 4; 69.773, subdivisions 4 and 5; or 69.774,
38.9 subdivision 2, if requested to be filed by the state auditor, the applicable municipal or
38.10 nonprofit firefighting corporation budget, if requested to be filed by the state auditor, and
38.11 any other relevant documents or reports obtained by the state auditor.

38.12 (c) The municipality or nonprofit firefighting corporation and the associated relief
38.13 association are not eligible to receive or to retain fire state aid if:

38.14 (1) the relief association fails to prepare or to file the financial report or financial
38.15 statement under section 69.051;

38.16 (2) the relief association treasurer is not bonded in the manner and in the amount
38.17 required by section 69.051, subdivision 2;

38.18 (3) the relief association officers fail to determine or improperly determine the
38.19 accrued liability and the annual accruing liability of the relief association under section
38.20 69.772, subdivisions 2, 2a, and 3, paragraph (c), clause (2), if applicable;

38.21 (4) if applicable, the relief association officers fail to obtain and file a required
38.22 actuarial valuation or the officers file an actuarial valuation that does not contain the
38.23 special fund actuarial liability calculated under the entry age normal actuarial cost
38.24 method, the special fund current assets, the special fund unfunded actuarial accrued
38.25 liability, the special fund normal cost under the entry age normal actuarial cost method,
38.26 the amortization requirement for the special fund unfunded actuarial accrued liability
38.27 by the applicable target date, a summary of the applicable benefit plan, a summary of
38.28 the membership of the relief association, a summary of the actuarial assumptions used
38.29 in preparing the valuation, and a signed statement by the actuary attesting to its results
38.30 and certifying to the qualifications of the actuary as an approved actuary under section
38.31 356.215, subdivision 1, paragraph (c);

38.32 (5) the municipality failed to provide a municipal contribution, or the nonprofit
38.33 firefighting corporation failed to provide a corporate contribution, in the amount equal
38.34 to the minimum municipal obligation if the relief association is governed under section
38.35 69.772, or the amount necessary, when added to the fire state aid actually received
38.36 in the plan year in question, to at least equal in total the calculated annual financial

39.1 requirements of the special fund of the relief association if the relief association is
39.2 governed under section 69.773, and, if the municipal or corporate contribution is deficient,
39.3 the municipality failed to include the minimum municipal obligation certified under
39.4 section 69.772, subdivision 3, or 69.773, subdivision 5, in its budget and tax levy or the
39.5 nonprofit firefighting corporation failed to include the minimum corporate obligation
39.6 certified under section 69.774, subdivision 2, in the corporate budget;

39.7 (6) the defined benefit relief association did not receive municipal ratification for
39.8 the most recent plan amendment when municipal ratification was required under section
39.9 69.772, subdivision 6; 69.773, subdivision 6; or 424A.02, subdivision 10;

39.10 (7) the relief association invested special fund assets in an investment security
39.11 that is not authorized under section 69.775;

39.12 (8) the relief association had an administrative expense that is not authorized under
39.13 section 69.80 or 424A.05, subdivision 3, or the municipality had an expenditure that
39.14 is not authorized under section 424A.08;

39.15 (9) the relief association officers fail to provide a complete and accurate public
39.16 pension plan investment portfolio and performance disclosure under section 356.219;

39.17 (10) the relief association fails to obtain the acknowledgment from a broker of the
39.18 statement of investment restrictions under section 356A.06, subdivision 8b;

39.19 (11) the relief association officers permitted to occur a prohibited transaction under
39.20 section 356A.06, subdivision 9, or ~~424A.001~~ 424A.04, subdivision 7 2a, or failed to
39.21 undertake correction of a prohibited transaction that did occur; or

39.22 (12) the relief association pays a defined benefit service pension in an amount
39.23 that is in excess of the applicable service pension maximum under section 424A.02,
39.24 subdivision 3.

39.25 **EFFECTIVE DATE.** This section is effective July 1, 2009.

39.26 Sec. 2. Minnesota Statutes 2006, section 424B.21, is amended to read:

39.27 **424B.21 ANNUITY PURCHASES UPON DISSOLUTION.**

39.28 The board of trustees of a volunteer firefighters relief association that is scheduled
39.29 for dissolution may purchase annuity contracts under section ~~424A.02~~ 424A.015,
39.30 subdivision ~~8a~~ 3, instead of transferring special fund assets to a municipal trust fund
39.31 under section 424B.20, subdivision 4. Payment of an annuity for which a contract is
39.32 purchased may not commence before the retirement age specified in the relief association
39.33 bylaws and in compliance with section 424A.016, subdivision 2, or 424A.02, subdivision

- 40.1 1. Legal title to the annuity contract transfers to the municipal trust fund under section
40.2 424B.20, subdivision 4.

40.3 **EFFECTIVE DATE.** This section is effective July 1, 2009.

1.1 moves to amend Draft Engrossment LCPR08-031-E1; , as follows:

1.2 Page 1, after line 16, insert:

1.3 "Section 1. [420.20] PROHIBITION OF SERVICE BY MINORS AS
1.4 VOLUNTEER FIREFIGHTERS.

1.5 Except for service by a member of an explorer post of the Boy Scouts of America,
1.6 it is unlawful for any municipality or independent nonprofit firefighting corporation to
1.7 employ a minor to serve as a volunteer firefighter or to permit a minor to serve in any
1.8 capacity performing any firefighting duties with a volunteer fire department."

1.9 Page 3, line 22, strike "permanently" and delete "ceases"

1.10 Page 3, line 23, strike "permanently" and delete "ceases"

1.11 Page 4, line 26, strike "It is unlawful for any" and insert "No volunteer firefighters'
1.12 relief association associated with a" and after "or" insert "an"

1.13 Page 4, line 27, strike "to employ" and insert "may include as a relief association
1.14 member" and delete "to serve" and insert "serving" and strike "or to permit"

1.15 Page 5, line 18, strike everything after "the"

1.16 Page 5, strike line 19

1.17 Page 5, line 20, strike everything before "municipality" and before "municipality"
1.18 insert "applicable"

1.19 Page 5, line 32, delete "BENEFIT" and insert "PENSION"

1.20 Page 7, line 33, delete "based on" and insert "not to exceed"

1.21 Page 7, line 34, delete "20" and insert "the number of" and after "service" insert "
1.22 specified in the articles of incorporation or bylaws for an unreduced service pension"

1.23 Page 31, line 6, after the first "if" insert "no"

1.24 Renumber the sections in sequence and correct the internal references

1.25 Amend the title accordingly

- 1.1 moves to amend Draft Engrossment LCPR08-031-E1; , as follows:
- 1.2 Page 30, line 28, strike "(a)"
- 1.3 Page 31, strike line 15

From: Jim Adams [aceadams@gmail.com]
Sent: Monday, August 18, 2008 10:55 PM
To: Rose Hennessy Allen
Subject: items to consider

Rose,

Most of these items are not a big deal, as they are stylistic writing concerns for simplicity, and the other are not serious time consumers either. Below I have outlined what I found during my review.

Section 424A.001, Subd. 9; Lines 3.19 to 3.24

Consider rewriting to eliminate recurring phrases: "Permanently ceases to perform"

Example: "Separate from active service" means that a firefighter permanently ceases to perform fire suppression duties, fire prevention duties, supervise fire suppression duties, and supervise fire prevention duties with a particular volunteer fire dept.

424A.01, Subd. 1; Lines 4.26 to 4.29

Minors: This does not read as a relief law, but rather a fire service law. Consider rewriting to apply to relief associations or move to a different area of law. The affect of this law as written makes all explorer programs in the state illegal.

424A.01, Subd. 5; lines 5.18 to 5.23

Consider rewriting to eliminate recurring phrases: "If the fire department is"

Example: " If the fire Department is a municipal department or an independent nonprofit firefighting corporation, and the applicable municipality approves, the fire department may employ or otherwise utilize the services of persons as volunteer firefighters to perform fire prevention duties and to supervise fire prevention activities."

424A.015; lines 5.31 to 5.32

Consider adding wording to say that it applies to both BC and DC plans, and/or consider removing the word "benefit" and replacing it with "Special Fund" or "Pension". Someone scanning the titles looking for things that apply to DC may see the word benefit and pass it over.

424A.016, subd. 3; line 7.34

"Fewer than 20 years" is quoted and a 10-year schedule is included, but no 20-year schedule is included.

424A.05 Subd. 3; line 31.3

Why does the beneficiary have to be a natural person? Does this mean that people can't use trusts they have set up?

Thanks,
Jim Adams

shall any trustee hold more than one officer position at any one time. The terms of the elected trustees and of the officers of the board shall be specified in the bylaws of the relief association, but shall not exceed three years. If the term of the elected trustees exceeds one year, the election of the various trustees elected from the membership shall initially and shall thereafter continue to be staggered on as equal a basis as is practicable.

Sec. 11. Minnesota Statutes 1998, section 424A.05, subdivision 3, is amended to read:

Subd. 3. **Authorized disbursements from the special fund.** (a) Disbursements from the special fund shall are not permitted to be made for any purpose other than one of the following:

(1) For the payment of service pensions to retired members of the relief association if authorized and paid pursuant to law and the bylaws governing the relief association;

(2) For the payment of temporary or permanent disability benefits to disabled members of the relief association if authorized and paid pursuant to law and specified in amount in the bylaws governing the relief association;

(3) For the payment of survivor benefits to surviving spouses and surviving children, or if none, to designated beneficiaries, of deceased members of the relief association if authorized by and paid pursuant to law and specified in amount in the bylaws governing the relief association;

(4) For the payment of any funeral benefits to the surviving spouse, or if no surviving spouse, the estate, of the deceased member of the relief association if authorized by law and specified in amount in the bylaws governing the relief association;

(5) For the payment of the fees, dues and assessments to the Minnesota state fire department association ~~and~~, to the Minnesota area relief association coalition, and to the state volunteer firefighters' benefit association in order to entitle relief association members to membership in and the benefits of these ~~state~~ associations or organizations; and

(6) For the payment of administrative expenses of the relief association as authorized pursuant to section 69.80.

(b) For purposes of this chapter, a designated beneficiary must be a natural person.

Sec. 12. **VOLUNTEER FIREFIGHTERS LUMP SUM SERVICE BENEFITS.**

Subdivision 1. Application. This section applies to a surviving spouse of a person who:

(1) was born on August 18, 1941;

(2) was employed as a building inspector by the city of St. Paul;



May 27, 1999

Honorable Harry Mares
401 State Office Building
St. Paul, MN 55155

Dear Representative Mares:

Thank you again for all your support of fire service issues. My purpose in this letter is to make you aware of a number of issues concerning volunteer fire relief association operation and asking for your support in addressing them. As a fire chief of a large volunteer fire department, president of the state association of volunteer reliefs (MARAC), legislative chair of the fire chiefs and a member of the fire department association I can assure you that these are timely issues in need of discussion.

Along with the groups I have mentioned I have also been in contact with the Auditors office about some of the same issues. I am not aware of the last time a comprehensive look at the volunteer fire pension statutes were done. Please advise me on what plan of action, if any, we can take to start addressing some or all of the issues.

1. Repeal of investment reporting requirements.
2. Increase maximum on lump sum and monthly pay plans (HF 1074 Mares).
3. Change in allowable interest on deferred plan members (HF 1075 Murphy).
4. Modifications to additional aid laws to allow newly formed reliefs access.
5. Surviving spouse issues - current law does not provide for member to designate beneficiary.
6. Limited self-direction for members of defined contribution plans - current law prohibits any input from members on their pension assets.
7. Separation from service - need to clear up so it states "permanently" separate from service.



TO: Representative Harry Mares

FROM: Lawrence A. Martin, Executive Director *LAM*

RE: Amendment LCPR99-253: Omnibus Volunteer Firefighter Relief Association Legislation

DATE: July 12, 1999

This is in response to your request, transmitted through Nyle Zikmund, Fire Chief, Blaine-Moundsview, Spring Lake Park Fire Department, and President, Minnesota Area Relief Association Coalition (MARAC), for the preparation of an amendment to H.F. 1074 (Mares); S.F. 1437 (Wiger) that incorporates several proposed changes in the laws that govern volunteer firefighter relief associations. The various changes were outlined in a May 27, 1999 letter to you, a June 16, 1999 letter from Mr. Zikmund to you, and a June 9, 1999 meeting with Commission staff, Ms. Krista Boston, and Mr. Zikmund.

The volunteer firefighter relief association changes requested by Mr. Zikmund are as follows:

1. Increase in Volunteer Firefighter Relief Association Flexible Service Credit Maximum. (Article 1) The current sliding-scale average funding based flexible service pension maximums would have the absolute limit in amount eliminated, with the current sliding-scale augmented by a formula.
2. Return To 1997 Investment Performance Reporting Requirements. (Article 2) The 1998 investment performance reporting requirements, fashioned with input from the volunteer firefighter relief association community, would be replaced by a return to the prior (pre-1998) investment performance reporting requirements, with those requirements made applicable to all volunteer firefighter relief associations.
3. Increased Interest Credited On Deferred Service Pensions. (Article 3) The current five percent interest rate maximum on interest creditable to deferred service pensions is increased to a bylaw-set maximum, not to exceed the actual interest earned.
4. Addition of Future Small Volunteer Firefighter Relief Associations Minimum Fire State Aid Distribution. (Article 4) The 1996 minimum fire state aid program for volunteer firefighter relief associations receiving modest amounts of fire state aid under the 1969 formula is expanded to include volunteer firefighter relief associations created in the future, effective following their creation.
5. Designation of Beneficiary For Death Benefit Without Surviving Spouse. (Article 5) If no surviving spouse or surviving child exists, a volunteer firefighter would be permitted to designate a beneficiary for receipt of any death benefit.
6. Limited Member Investment Self-Direction For Defined Contribution Volunteer Firefighter Relief Associations. (Article 6) For volunteer firefighter relief associations that provide defined contribution service pensions, limited self-direction of investments through member designation of investment accounts of the Minnesota Supplemental Investment Fund, administered by the State Board of Investment, would be permitted.
7. Permanent Termination of Firefighting Clarified As Retirement Requirement. (Article 7) Volunteer firefighters would be required to permanently separate from active firefighting services in order to receive a volunteer firefighter relief association service pension or be required to repay any service pension amount or amounts received.
8. Ancillary Benefit Coverage Clarification. (Article 8) Disability benefit coverage before the volunteer firefighter relief association normal retirement age is limited to a disability incurred in the line of duty as a firefighter, with non-duty disability benefit coverage limited to benefit receipt

15.8 ARTICLE 5

15.9 VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION

15.10 BENEFICIARY DESIGNATION CHANGES

15.11 Section 1. Minnesota Statutes 1998, section 424A.05,
15.12 subdivision 3, is amended to read:

15.13 Subd. 3. AUTHORIZED DISBURSEMENTS FROM THE SPECIAL

15.14 FUND. (a) Disbursements from the special fund ~~shall~~ are not
15.15 permitted to be made for any purpose other than one of the
15.16 following:

15.17 (1) For the payment of service pensions to retired members
15.18 of the relief association if authorized and paid pursuant to law
15.19 and the bylaws governing the relief association;

15.20 (2) For the payment of temporary or permanent disability
15.21 benefits to disabled members of the relief association if
15.22 authorized and paid pursuant to law and specified in amount in
15.23 the bylaws governing the relief association;

15.24 (3) For the payment of survivor benefits to surviving
15.25 spouses and surviving children, or if none, to designated
15.26 beneficiaries, of deceased members of the relief association if
15.27 authorized by and paid pursuant to law and specified in amount
15.28 in the bylaws governing the relief association;

15.29 (4) For the payment of any funeral benefits to the
15.30 surviving spouse, or if no surviving spouse, the estate, of the
15.31 deceased member of the relief association if authorized by law
15.32 and specified in amount in the bylaws governing the relief
15.33 association;

15.34 (5) For the payment of the fees, dues and assessments to
15.35 the Minnesota state fire department association and to the state
15.36 volunteer firefighters' benefit association in order to entitle
16.1 relief association members to membership in and the benefits of
16.2 these state associations; and

16.3 (6) For the payment of administrative expenses of the
16.4 relief association as authorized pursuant to section 69.80.

16.5 (b) For purposes of this chapter, a designated beneficiary
16.6 must be a natural person.