Minnesota Volunteer Fire Relief Association
Working Group Meeting

Location: Retirement Systems Building
60 Empire Drive
Saint Paul, MN 55103
Thursday, January 23, 2020
11 a.m. to 1 p.m.

I. Call to Order

Chair State Auditor Blaha.

II. Review and Approval of Working Group Meeting Minutes

Exhibit A. Draft December 17, 2019 Meeting Minutes

III. Review of Working Group Draft Legislation

Exhibits B through F.

- Supplemental Benefits (B)
- Uniformity of Benefits Technical Change (C)
- Deferred Interest for Defined Contribution Plans (D)
- Fire Chief Service Credit Certification (E)
- Accrued Liability Calculation (F)

IV. Review of Working Group Topic Positions

Exhibits G through I.

- Deferred Interest for Defined Benefit Plans (G)
- Vesting Requirements (H)
- Interim Project: Firefighter Definitions (I)

V. Overview of Investment Reporting Changes Draft Legislation (Informational)

Exhibit J.

VI. Other Business

- Recognition of Dave Jaeger's Working Group Membership!

VII. Adjournment

Individuals with disabilities who need a reasonable accommodation to participate in this event, please contact Rose Hennessy Allen at (651) 296-5985 or (800) 627-3529 (TTY) by January 21, 2020.

Volunteer Fire Relief Association Working Group

Office of the State Auditor
Tuesday, December 17, 2019
11 a.m. to 1 p.m.

Members Present
Julie Blaha, State Auditor
Eric Bullen, Minnesota State Fire Chiefs Association Representative (defined benefit lump sum plans)
Steve Donney, City of Harmony Mayor
Sue Iverson, City of Lake Elmo Finance Director (by phone)
Dave Jaeger, Mahnomen Fire Relief Association Treasurer (defined benefit lump sum plans)
Ron Johnson, Minnesota State Fire Department Association Representative (defined contribution plans)
Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)
Michael Kruse, Falcon Heights Fire Relief Association Treasurer (defined contribution plans)
Thomas Wilson, Eden Prairie Fire Relief Association Trustee (defined benefit monthly/lump sum plans)

Members Excused
Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)
Kevin Wall, Lower Saint Croix Valley Fire Relief Association President (defined benefit lump sum plans)

Office of the State Auditor and Legislative Support Present
Ramona Advani, Deputy State Auditor and General Counsel
Chad Burkitt, Legislative Commission on Pension and Retirement Analyst
Rose Hennessy Allen, Office of the State Auditor Pension Director
Susan Lenczewski, Legislative Commission on Pension and Retirement Executive Director

Others Present
David Andrews, Public Employees Retirement Association Representative
Maia Dabney-Miller, Office of the State Auditor Pension Analyst
Anne Finn, League of Minnesota Cities Representative
Angie Huss, Lockridge Grindal Nauen Representative
Dean Knowles, Fridley Fire Relief Association Representative
Emily Knutson, Van Iwaarden Associates Representative
Jim McCoy, City of Austin Fire Chief
Donald McFarland, Office of the State Auditor Communications and Legislative Affairs Director
Molly Resch, Office of the State Auditor Pension Analyst
Brian Rice, Rice Michels & Walther Representative
Mike Stroeing, Public

I. Call to Order

Auditor Blaha called the meeting to order. There were no objections to the agenda.

II. Review and Approval of Working Group Meeting Minutes

The members reviewed the November 26, 2019, meeting minutes that had been provided in advance. There were no objections to the minutes.

III. Discussion of Vesting Requirements

Auditor Blaha explained that the topic of vesting requirements was raised when the 2019 Working Group bill was heard by the Legislative Commission on Pensions and Retirement. Some commission members wondered whether the requirements for full and partial vesting were too long, and asked the Working Group to consider the topic. The members reviewed a draft document listing reasons why the Working Group was recommending no changes to relief association vesting requirements. The members discussed local control and agreed that the current options allowed in statute provide sufficient local control. An update to the document would be made to reflect the agreement that there is sufficient local control currently, and no other changes were recommended to the draft.

IV. Review of Draft Language Changing Accrued Liability Calculation for Defined-Benefit Lump-Sum Plans

Auditor Blaha explained that last year, the Working Group decided to move forward with legislation that changed vesting requirements for relief associations with a defined benefit plan. The changes allow a relief association to offer full vesting to members who complete at least ten years of active service. When the Working Group decided to move forward with this proposal, the Working Group members also agreed that the accrued liability factors should be reviewed to determine if changes would be needed. The liability factors assume that members will serve for 20 years to become fully vested, and municipal contribution requirements are based on these liability amounts. Hennessy Allen explained that the concern is that if members are able to receive a larger benefit amount after fewer years of service, relief associations will not receive the contributions needed to fully-fund earned benefits if the liability factors are not accurate.

Hennessy Allen stated that actuaries with Van Iwaarden Associates analyzed relief association data and the current liability formula, and provided some updated sample calculations. The updated sample calculations are based on a relief association's vesting requirement and each member's age and length of service. The updated calculations result in liability amounts that are more precise and provide more accurate funding calculations. Office of the State Auditor (OSA) staff ran comparisons to determine the difference between liability amounts using the updated calculations and liability amounts using the current statutory formula. For 2018 Schedule Form data, Hennessy Allen shared that accrued liability amount changes ranged from $8 to $302,541 assuming ten-year full vesting, with an average difference in liabilities of $14,590.

The Working Group members reviewed draft language that would remove the current liability factors from statute and require that the liabilities be calculated using the standards for actuarial work established by the Legislative Commission on Pensions and Retirement. The Working Group members adopted the draft language unanimously.

V. Discussion of Fire Chief Service Credit Certification

Auditor Blaha explained that the OSA has received questions regarding the new requirement that the fire chief annually certify service credit information for each firefighter. One question that has been raised for the Working Group's consideration is whether a change to the certification requirement should be made so that the fire chief need not wait 60 days to certify the service credit amounts if each firefighter has received and approved the notification. The Working Group agreed that 60 days is a long time to wait to certify service credit amounts after the amounts have been provided to each firefighter. The Working Group members adopted unanimously the motion to pursue a change to the certification language so that the fire chief need only wait at least 21 days after providing notice of service credit amounts to each firefighter to certify those amounts to the relief association and municipality.

Auditor Blaha explained that a second question raised for the Working Group's consideration is what options are available for handling disagreements about certified service credit amounts. The Working Group members agreed that, to avoid confusion, municipalities should have clear policies defining service credit requirements and how fire chiefs should certify service credit. It was recommended that the OSA provide guidance in an upcoming Pension Division Newsletter. The guidance could include a recommendation that firefighters be held to minimum standards and that an appeals board and process be created to handle service credit disagreements.

VI. Other Business

- Discussion of Bonus Payments or Incentives to Retain Firefighters

The Working Group members considered the topic suggestion of allowing bonus payments or other financial incentives to be paid from a relief association's special fund. The members were not supportive of allowing these additional payments from the special fund as they generally do not support newer members (even if they meet the same minimum service requirements) or defined contribution plan members. The Working Group members noted that municipalities could provide a 457 plan in addition to relief association benefits as an incentive to attract and retain firefighters.

- Discussion of Allowing Emergency or Hardship Distributions

The Working Group members considered the topic suggestion of allowing emergency or hardship distributions from the special fund for firefighters with an immediate financial need. Lenczewski noted that IRS Code does not permit defined benefit plan hardship withdrawals. The Working Group members were not supportive of pursuing the topic further at this time.

- Discussion of Increase to $500,000 Statutory Audit Threshold

Auditor Blaha said that the OSA will be reviewing standards for when audits should be required. The goal is to define a formula that is based on several factors, rather than just asset size. Auditor Blaha will provide an update on this topic when the Working Group reconvenes next fall.

VII. Next Meeting

Thursday, January 23, 2020
11 a.m. to 1 p.m.
Retirement Systems Building

VIII. Adjournment

The meeting was adjourned shortly before 12:30.

Exhibit B
Supplemental Benefits

424A.10 STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exhibit C

Uniformity of Benefits Technical Change

424A.03 VOLUNTEER FIREFIGHTER SERVICE PENSION AND RETIREMENT BENEFITS BASED ON SERVICE.

Subdivision 1. **Service pensions based on service, not compensation.** A relief association must provide service pensions or retirement benefits to its members based on the years of service of the members, not on the compensation paid to the members for their service.

Subd. 2. **Penalty for violation.** If a relief association violates subdivision 1, the affiliated municipality or municipalities must not be included in the apportionment of fire state aid and police and firefighter retirement supplemental state aid payable under chapter 477B and section 423A.022 and in the apportionment of fire state aid to the various municipalities under section 477B.03.

<u>**EFFECTIVE DATE:** This section is effective the day following final enactment.</u>

Exhibit D
Deferred Interest for Defined Contribution Plans

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

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

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

(c) A defined contribution relief association must ~~may, if its governing bylaws so provide,~~ credit interest or additional investment performance on the deferred lump-sum service pension during the period of deferral. ~~If provided for in the bylaws, the interest~~ Interest must be credited in one of the following methods, as provided for in the bylaws:

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

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

(3) at the investment return on the assets of the special fund of the defined contribution volunteer firefighters relief association in proportion to the share of the assets of the special fund to the credit of each individual deferred member account through the accounting date on which the investment return is recognized by and credited to the special fund.

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

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

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

(e) If the bylaws do not define a method for crediting interest or additional investment performance, the interest or additional investment performance must be credited using the method defined in paragraph (c), clause (3).

EFFECTIVE DATE: This section is effective January 1, 2021, and applies to relief association members who are deferred on or after that date. Members who are deferred on January 1, 2021, and who are not receiving interest or additional investment performance in a manner consistent with this subdivision must begin receiving interest or additional investment performance pursuant to this subdivision on January 1, 2021.

Exhibit E
Fire Chief
Service Credit Certification

424A.003 CERTIFICATION OF SERVICE CREDIT.

(a) When a municipal fire department, a joint powers fire department, or an independent nonprofit firefighting corporation is directly associated with the volunteer firefighters relief association, the fire chief shall certify annually by March 31 the service credit for the previous calendar year of each volunteer firefighter rendering active service with the fire department.

(b) The certification shall be made to an officer of the relief association's board of trustees and to the municipal clerk or clerk-treasurer of the largest municipality in population served by the associated fire department.

(c) The fire chief shall notify each volunteer firefighter rendering active service with the fire department of the amount of service credit rendered by the firefighter for the previous calendar year. The service credit notification and a description of the process and deadlines for the firefighter to challenge the fire chief's determination of service credit must be provided to the firefighter <u>at least 21</u> ~~60~~ days prior to its certification to the relief association and municipality. If the service credit amount is challenged, the fire chief shall accept and consider any additional pertinent information and shall make a final determination of service credit.

(d) The service credit certification must be expressed as the number of completed months of the previous year during which an active volunteer firefighter rendered at least the minimum level of duties as specified and required by the fire department under the rules, regulations, and policies applicable to the fire department. No more than one year of service credit may be certified for a calendar year.

(e) If a volunteer firefighter who is a member of the relief association leaves active firefighting service to render active military service that is required to be governed by the federal Uniformed Services Employment and Reemployment Rights Act, as amended, the firefighter must be certified as providing service credit for the period of the military service, up to the applicable limit of the federal Uniformed Services Employment and Reemployment Rights Act. If the volunteer firefighter does not return from the military service in compliance with the federal Uniformed Services Employment and Reemployment Rights Act, the service credits applicable to that military service credit period are forfeited and canceled at the end of the calendar year in which the time limit set by federal law occurs.

<u>**EFFECTIVE DATE:** This section is effective January 1, 2021.</u>

Exhibit F
Accrued Liability Calculation

424A.092 RELIEF ASSOCIATIONS PAYING LUMP-SUM SERVICE PENSIONS.

Subdivision 1. **Application.** This section shall apply to any firefighters relief association specified in section 424A.091, subdivision 1, which pays a lump-sum service pension, but which does not pay a monthly service pension, to a retiring firefighter when at least the minimum requirements for entitlement to a service pension specified in section 424A.02, or any applicable special legislation and the articles of incorporation or bylaws of the relief association have been met. Each firefighters relief association to which this section applies shall determine the accrued liability of the special fund of the relief association in accordance with ~~the accrued liability table set forth in~~ subdivision 2 and subdivision 2a, if applicable, and the financial requirements of the relief association and the minimum obligation of the municipality in accordance with the procedure set forth in subdivision 3.

Subd. 2. **Determination of accrued liability.** (a) Each firefighters relief association which pays a service pension when a retiring firefighter meets the minimum requirements for entitlement to a service pension specified in section 424A.02 ~~and which in its articles of incorporation or bylaws requires service credit for a period of service of at least 20 years of active service for a totally nonforfeitable service pension~~ shall determine the accrued liability of the special fund of the firefighters relief association relative to each active member of the relief association, calculated using the standards for actuarial work established by the Legislative Commission on Pensions and Retirement under section 3.85, subdivision 10. ~~individually using the following table:~~

~~Cumulative Year~~	~~Accrued Liability~~
~~...........~~	~~...........~~
~~1~~	~~$ 60~~
~~2~~	~~124~~
~~3~~	~~190~~
~~4~~	~~260~~
~~5~~	~~334~~
~~6~~	~~410~~
~~7~~	~~492~~
~~8~~	~~576~~
~~9~~	~~666~~
~~10~~	~~760~~
~~11~~	~~858~~
~~12~~	~~962~~

~~13~~	~~1070~~
~~14~~	~~1184~~
~~15~~	~~1304~~
~~16~~	~~1428~~
~~17~~	~~1560~~
~~18~~	~~1698~~
~~19~~	~~1844~~
~~20~~	~~2000~~
~~21 and thereafter~~	~~100 additional per year~~

(b) ~~As set forth in the table the accrued liability for each member of the relief association corresponds to the cumulative years of active service to the credit of the member. The accrued liability of the special fund for each active member is determined by multiplying the accrued liability from the chart by the ratio of the lump-sum service pension amount currently provided for in the bylaws of the relief association to a service pension of $100 per year of service.~~ If a member has fractional service as of December 31, the figure for service credit to be used for the determination of accrued liability pursuant to this section shall be rounded to the nearest full year of service credit. The total accrued liability of the special fund as of December 31 shall be the sum of the accrued liability attributable to each active member of the relief association.

(c) To the extent that the state auditor considers it to be necessary or practical, the state auditor may specify and issue procedures, forms, or mathematical tables for use in performing the calculations of the accrued liability for deferred members pursuant to this subdivision.

EFFECTIVE DATE: This section is effective January 1, 2021, and applies to minimum municipal obligations calculated for the 2022 calendar year and thereafter.

Exhibit G

Deferred Interest for Defined Benefit Plans

For the reasons identified below, the Volunteer Fire Relief Association Working Group believes that relief associations with a defined-benefit plan should continue to have authority to pay interest to deferred members.

1) Local Control – Relief association trustees and the affiliated municipal governing boards have the ability to decide locally whether to pay interest to deferred members. This provides communities with the ability to consider the payment of interest when making overall decisions regarding firefighter compensation.

2) Funding Levels – The reason augmentation was eliminated from other Minnesota public pension plans was to help with underfunding problems. Relief associations have the opposite problem; most are overfunded and are looking at ways to reduce their surpluses. At the end of the 2017 calendar year, relief associations in total had a surplus of nearly $92 million, and the average funding ratio was 138.5 percent.

3) Accessibility to Deferred Benefits – Unlike members of other Minnesota public pension plans, relief association members who leave service cannot access their funds until at least age 50. Nearly all relief association members receive a one-time lump-sum benefit, with most benefit amounts being relatively modest. Interest helps maintain the purchasing power of these benefits during deferral when the benefit amounts cannot be rolled over to an IRA for investment.

Exhibit H
Vesting Requirements

For the reasons identified below, the Volunteer Fire Relief Association Working Group recommends that no changes be made to relief association vesting requirements.

1) Training Requirements – Required training for firefighters takes several years to complete, making the first few years of a firefighter's career on-the-job training. Reducing vesting from the current five-year minimum requirement would allow a firefighter to retire and receive a service pension before being a fully-trained firefighter.

2) Onboarding Costs – When a firefighter is hired the local community spends thousands of dollars on equipment and training for that firefighter. These upfront costs are not recovered until the firefighter has worked for about four or five years. Allowing vesting before five years of service results in firefighters becoming eligible for a service pension before the local community has received its return on investment.

3) Local Control – Relief association vesting requirements are one factor considered by local communities when setting fire department staffing models and compensation packages. The current statutes are permissive, and allow local communities to set vesting requirements within set ranges. Local control is an important tool for communities as they look at options to address recruitment and retention issues and to make sure their fire departments are equipped to handle the various needs of their residents. The current vesting requirements provide sufficient local control and set parameters that are guardrails for municipalities.

Exhibit I
Firefighter Definitions

The chart below illustrates compensation, availability, and pension characteristics to be used when drafting new firefighter definitions.

Firefighter	**Compensation**		**Availability**		**Pension**	
	Paid per Call or Hour	Salaried	Firefighter's Choice	Scheduled Hours	Relief Association or SVFRP	PERA P&F or Coordinated
Volunteer			X		X	
Paid on Call	X		X		X	
Part Time	X			X		X
Full-Time/Career	X	X		X		X

*Volunteer firefighters not paid per call, but may receive reimbursement for expenses.

A **combination fire department** is a fire department with at least one full-time or career firefighter and at least one volunteer or paid on call firefighter

356.219 DISCLOSURE OF PUBLIC PENSION PLAN INVESTMENT PORTFOLIO AND PERFORMANCE INFORMATION.

Subdivision 1. Report required. (a) The ~~State Board of Investment, on behalf of the public pension funds and programs for which it is the investment authority, and any Minnesota public pension plan that is not fully invested through the State Board of Investment, including the~~ Bloomington Fire Department Relief Association, ~~and a~~ local volunteer firefighters relief associations governed by sections 424A.091 to 424A.095, the St. Paul Teachers Retirement Fund Association, and any Minnesota public pension plan that is not fully invested through the State Board of Investment, must ~~shall~~ report the information specified in subdivision 3 to the state auditor. The state auditor may prescribe a form or forms for the purposes of the reporting requirements contained in this section.

(b) For purposes of this section, a pension plan is fully invested through the State Board of Investment during a given calendar year if all assets of the applicable pension plan beyond sufficient cash equivalent investments to cover six months of expected expenses are invested under section 11A.17.

~~(b) The Bloomington Fire Department Relief Association and a local volunteer firefighters relief association governed by sections 424A.091 to 424A.095 is fully invested during a given calendar year for purposes of this section if all assets of the applicable pension plan beyond sufficient cash equivalent investments to cover six months expected expenses are invested under section 11A.17. The board of any fully invested public pension plan remains responsible for submitting investment policy statements and subsequent revisions as required by subdivision 3, paragraph (a).~~

~~(c) For purposes of this section, the State Board of Investment is considered to be the investment authority for any Minnesota public pension fund required to be invested by the State Board of Investment under section 11A.23, or for any Minnesota public pension fund authorized to invest in the supplemental investment fund under section 11A.17 and which is fully invested by the State Board of Investment.~~

(c)~~(d)~~ This section does not apply to the following plans:

(1) the Minnesota unclassified employees retirement program under chapter 352D;
(2) the public employees defined contribution plan under chapter 353D;
(3) the individual retirement account plans under chapters 354B and 354D;
(4) the higher education supplemental retirement plan under chapter 354C;
(5) any alternative retirement benefit plan established under section 383B.914; and
(6) the University of Minnesota faculty retirement plan and supplemental plan.

Subd. 2. Asset class definition. (a) For purposes of this section, "asset class" means any of the following asset groupings as authorized in applicable law, bylaws, or articles of incorporation:

(1) cash and any cash equivalent investments with maturities of one year or less when issued;

(2) debt securities with maturities greater than one year when issued, including but not limited to mortgage participation certificates and pools, asset backed securities, guaranteed investment contracts, and authorized government and corporate obligations of corporations

organized under laws of the United States or any state, or the Dominion of Canada or its provinces;

(3) stocks or convertible issues of any corporation organized under laws of the United States or any state, or the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange;

(4) international stocks or convertible issues;

(5) international debt securities; and

(6) real estate and venture capital.

(b) If the pension plan is investing in open-end investment companies registered under the federal Investment Company Act of 1940, or in the Minnesota supplemental investment fund under section 11A.17, this investment must be included under an asset class indicated in paragraph (a), clauses (1) through (6), as appropriate. If the investment vehicle includes underlying securities from more than one asset class as indicated by paragraph (a), clauses (1) through (6), the investment may be treated as a separate asset class.

Subd. 3. Content of reports. (a) The report required by subdivision 1 must include a written statement of the investment policy. Following that initial report, subsequent reports must include investment policy changes and the effective date of each policy change rather than a complete statement of investment policy, unless the state auditor requests submission of a complete current statement. The report must also include the information required by the following paragraphs, as applicable.

(b) ~~If, after four years of reporting under this paragraph, the total portfolio time weighted rate of return, net of all investment related costs and fees, provided by the public pension plan differs by no more than 0.1 percent from the comparable return for the plan calculated by the Office of the State Auditor, and if a public pension plan has a total market value of $50,000,000 or more as of the beginning of the calendar year, and if the public pension plan's annual audit is performed by the state auditor or by the legislative auditor, the~~ For public pension plans with a market value of $50,000,000 or more as of the beginning of the calendar year, or that had a market value of $50,000,000 or more in a prior calendar year, the report required by subdivision 1 must include the following:

(1) ~~the market value of the total portfolio and the market value of each asset class included in the pension fund as of the beginning of the calendar year and as of the end of the calendar year. At the discretion of the state auditor, the public pension plan may be required to submit~~ the market value of the total portfolio and the market value of each investment account, investment portfolio, or asset class included in the pension fund for each month;~~, and~~

(2) the amount and date of each injection and withdrawal to the total portfolio and to each investment account, investment portfolio, or asset class;~~. If the market value of a public pension plan's fund drops below $50,000,000 in a subsequent year, it must continue reporting under this paragraph for any subsequent year in which the public pension plan is not fully invested as specified in subdivision 1, paragraph (b), except that if the public pension plan's annual audit is not performed by the state auditor or legislative auditor, paragraph (c) applies.~~

~~(c) If paragraph (b) would apply if the annual audit were provided by the state auditor or legislative auditor, the report required by subdivision 1 must include the market value of the total portfolio and the market value of each asset class included in the pension fund as of the beginning of the calendar year and for each month, and the amount and date of each injection~~

~~and withdrawal to the total portfolio and to each investment account, investment portfolio, or asset class.~~

~~(d) For public pension plans to which paragraph (b) or (c) applies,~~

(3) ~~the report required by subdivision 1 must also include~~ a calculation of the total time-weighted rate of return available from index-matching investments assuming the asset class performance targets and target asset mix indicated in the written statement of investment policy;

(4)~~. The provided information must include~~ a description of indices used in the analyses and an explanation of why those indices are appropriate;

~~. This paragraph does not apply to any fully invested plan, as defined by subdivision 1, paragraph (b). Reporting by the State Board of Investment under this paragraph is limited to information on the Minnesota public pension plans required to be invested by the State Board of Investment under section 11A.23.~~

(5) computed time-weighted rates of return; and

(6) any other information required by the state auditor, as applicable.

(c) A public pension plan to which paragraph (b) applies is not required to file the report required by subdivision 1 for a given calendar year if the pension plan's most recent annual financial audit was conducted by the state auditor.

(d)~~(e)~~ If a public pension plan has a total market value of less than $50,000,000 as of the beginning of the calendar year and was never required to file under paragraph (b)~~ or (c)~~, the report required by subdivision 1 must include the following:

(1) the amount and date of each total portfolio injection and withdrawal; and~~. In addition, the report must include~~

(2) the market value of the total portfolio as of the beginning of the calendar year and for each quarter.

~~(f) Any public pension plan reporting under paragraph (b) or (c) must include computed time-weighted rates of return with the report, in addition to all other required information, as applicable. The chief administrative officer of the public pension plan submitting the returns must certify, on a form prescribed by the state auditor, that the returns have been computed by the pension plan's investment performance consultant or custodial bank. The chief administrative officer of the public pension plan submitting the returns also must certify that the returns are net of all costs and fees, including investment management fees, and that the procedures used to compute the returns are consistent with Bank Administration Institute studies of investment performance measurement and presentation standards set by the CFA Institute. If the certifications required under this paragraph are not provided, the reporting requirements of paragraph (c) apply.~~

(e)~~(g)~~ For public pension plans reporting under paragraph (d)~~(e)~~, the public pension plan must retain supporting information specifying the date and amount of each injection and withdrawal to each investment account and investment portfolio. The public pension plan must also retain the market value of each investment account and investment portfolio at the beginning of the calendar year and for each quarter. Information that is required to be collected and retained for any given year or years under this paragraph must be submitted to the state auditor ~~Office of the State Auditor~~ if the state auditor ~~Office of the State Auditor~~ requests in writing that the information be submitted by a public pension plan or plans~~, or be submitted by the State Board of Investment for any plan or plans for which the State Board of Investment is the investment authority under this section~~. If the state auditor requests information under this subdivision, and the public plan fails to comply, the pension plan is subject to penalties under subdivision 5, unless penalties are waived by the state auditor under that subdivision.

(f) A public pension plan reporting under paragraph (d) that is fully invested through the State Board of Investment for the given calendar year is required to report the market value of the total portfolio as of the beginning of the calendar year and for each quarter, but need not report the amount and date of each total portfolio injection and withdrawal.

Subd. 4. [Repealed, 2012 c 286 art 10 s 13]

Subd. 5. Penalty for noncompliance. Failure to comply with the reporting requirements of this section must result in a withholding of all state aid or state appropriation to which the pension plan may otherwise be directly or indirectly entitled until the pension plan has complied with the reporting requirements. The state auditor shall instruct the commissioners of revenue and management and budget to withhold any state aid or state appropriation from any pension plan that fails to comply with the reporting requirements contained in this section, until the pension plan has complied with the reporting requirements. The state auditor may waive the withholding of state aid or state appropriations if the state auditor determines in writing that compliance would create an excessive hardship for the pension plan.

Subd. 6. Investment disclosure report. (a) The state auditor shall prepare an annual report to the legislature on the investment performance of the various public pension plans subject to this section. The content of the report is specified in paragraphs (b) to (d)~~(f)~~.

(b) For each public pension plan reporting under subdivision 3, paragraph (b), the state auditor shall compute and report total portfolio and asset class time-weighted rates of return, net of all investment-related costs and fees~~. If the state auditor has required a plan to submit the market value of the total portfolio and the market value of each investment account, investment portfolio, or asset class included in the pension fund for each month, and the amount and date of each injection and withdrawal to the total portfolio and to each investment account, investment portfolio, or asset class as prescribed under subdivision 3, paragraph (b), the state auditor shall also compute and report total portfolio and asset class time-weighted rates of return, net of all costs and fees.~~

~~(c) For each public pension plan reporting under subdivision 3, paragraph (c), the state auditor shall compute and report total portfolio and asset class time-weighted rates of return, net of all costs and fees.~~ The report by the state auditor must also include the information submitted by the pension plans under subdivision 3, paragraph (3), or a synopsis of that information.

(c)~~(d)~~ For each public pension plan reporting under subdivision 3, paragraph (d)~~(e)~~, the state auditor shall compute and report total portfolio time-weighted rates of return, net of all costs and fees.

~~If the state auditor has requested data for a plan under subdivision 3, paragraph (g), the state auditor may also compute and report asset class time-weighted rates of return, net of all costs and fees.~~

~~(e) The report by the state auditor must include the information submitted by the pension plans under subdivision 3, paragraph (d), or a synopsis of that information.~~

(d)~~(f)~~ The report by the state auditor may also include a presentation of multiyear performance, ~~information collected under subdivision 4,~~ and any other information or analysis deemed appropriate by the state auditor.

Subd. 7. Expense of report. All administrative expenses incurred relating to the investment report by the state auditor described in subdivision 6 must be borne by the state auditor ~~Office of the State Auditor~~ and may not be charged back to the entities described in subdivisions 1 or 4.

Subd. 8. Timing of reports. (a) For the Bloomington Fire Department Relief Association and the volunteer firefighter relief associations, the information required under this section must be submitted by the due date for reports required under section 424A.014, subdivision 1 or 2, as applicable. ~~If a relief association satisfies the definition of a fully invested plan under subdivision 1, paragraph (b), for the calendar year covered by the report required under section 424A.014, subdivision 1 or 2, as applicable, the chief administrative officer of the covered pension plan shall certify that compliance on a form prescribed by the state auditor. The state auditor shall transmit annually to the State Board of Investment a list or lists of covered pension plans which submitted certifications in order to facilitate reporting by the State Board of Investment under paragraph (c).~~

(b) For the St. Paul Teachers Retirement Fund Association ~~and the University of Minnesota faculty supplemental retirement plan~~, the information required under this section must be submitted to the state auditor by June 1 of each year.

(c) Any Minnesota public pension plan required to submit information under this section that is not identified in paragraph (a) or paragraph (b) of this subdivision must submit the information to the state auditor by June 1 of each year.

~~(c) The State Board of Investment, on behalf of pension funds specified in subdivision 1, paragraph (c), shall report information required under this section by September 1 of each year.~~

Subd. 9. Data availability. Any information received by the state auditor under this section, if the data are public, must be made available to individuals or organizations which request that information. The state auditor is authorized to charge fees sufficient to cover the cost of providing the requested information in usable formats.

Subd. 10. Pension performance reporting. In addition to report presentations that the state auditor is required to provide elsewhere in this section, the state auditor shall provide an analysis comparing the one-year and the five-year rate of return for each pension fund and the benchmark rate of return for each fund. The state auditor shall select the benchmark rate of return based on the best practice in the industry.