

# **Minnesota Volunteer Fire Relief Association Working Group Meeting**

Office of the State Auditor

Tuesday, January 17, 2017

11 a.m. to 1 p.m.

## **I. Call to Order**

*Chair Auditor Otto.*

## **II. Review and Approval of Working Group Meeting Minutes**

Exhibit A. Draft December 6, 2016 Meeting Minutes

## **III. Review of Draft Legislation**

Exhibits B through F.

- Corporate Stock Restriction (B)
- Legal Compliance Audits (C)
- Supplemental Benefits for EMS Personnel (D)
- Updated Definitions of Municipality and Fire Department (E)
- Return to Service Technical Correction (F)

## **IV. Review of 2016 Legislation**

Exhibit G.

## **V. Discussion of Permitting Different Vesting Requirements for Certain Return-to-Service Members**

## **VI. Other Business**

## **VII. Next Meeting**

## **VIII. Adjournment**

# Volunteer Fire Relief Association Working Group

Office of the State Auditor  
Tuesday, December 6, 2016  
11 a.m. to 1 p.m.

## Members Present

Steve Donney, City of Harmony Mayor  
Luke Fischer, City of Plymouth Administrative Services Director  
Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)  
Ron Johnson, Minnesota State Fire Department Association Representative (defined contribution plans) (by phone)  
Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)  
Philip Jones, Eden Prairie Fire Relief Association Trustee (defined benefit monthly/lump sum plans)  
Michael Kruse, Falcon Heights Fire Relief Association Treasurer (defined contribution plans)  
Nealon Thompson, Minnesota State Fire Chiefs Association Representative (defined benefit monthly/lump sum plans)  
Kevin Wall, Lower Saint Croix Valley Fire Relief Association President (defined benefit lump sum plans)

## Members Excused

Dave Jaeger, Mahnomon Fire Relief Association Vice President (defined benefit lump sum plans)  
Rebecca Otto, State Auditor

## Others Present

Ramona Advani, Deputy State Auditor and General Counsel  
David Andrews, Public Employees Retirement Association Representative  
Rachel Barth, Legislative Commission on Pension and Retirement Deputy Director  
Bill Braun, Public  
Mary Chamberlain, Abdo, Eick & Meyers, LLP Representative  
Phil Coleman, Public Employees Retirement Association Representative  
Amy Collins, Public Employees Retirement Association Representative  
Nicholas Enger, Office of the State Auditor Pension Analyst  
Candace Gislason, Van Iwaarden Associates Representative  
Rose Hennessy Allen, Office of the State Auditor Pension Director  
David Kenney, Office of the State Auditor Assistant Legal Counsel  
Jason Kuenle, Office of the Revisor of Statutes Representative  
Susan Lenczewski, Legislative Commission on Pension and Retirement Executive Director  
Molly Resch, Office of the State Auditor Pension Analyst  
Mike Stroeing, Public  
Nyle Zikmund, Minnesota State Fire Chiefs Association Representative

The following motions were duly made, seconded and approved:

RESOLVED to approve the November 9, 2016, Working Group Meeting Minutes;  
RESOLVED to approve draft language updating the definitions of municipality and fire department to incorporate joint powers fire departments and making additional technical updates; and

RESOLVED to adopt draft language that would make the corporate stock provision consistent with the expanded list requirement that underlying assets of mutual funds and exchange-traded funds be permissible direct investments on the expanded list.

**I. Call to Order**

Hennessy Allen called the meeting to order.

**II. Review and Approval of Working Group Meeting Minutes**

The members reviewed the November 9, 2016, meeting minutes that had been provided in advance. Fischer made a motion to adopt the minutes. Donney seconded the motion that was then adopted unanimously.

**III. Overview of PERA Voluntary Statewide Plan**

Coleman provided an overview of the Voluntary Statewide Plan that is administered by the Public Employees Retirement Association (PERA). Coleman encouraged Working Group members to refer relief association trustees and municipal representatives who are interested in the Statewide Plan to PERA's website. Coleman said that a video presentation explaining the process of joining the Statewide Plan and an overview of the benefits payable under the Statewide Plan is posted on PERA's website. Zikmund and Coleman answered questions from the Working Group members about the investment asset allocation and assumed rate of return for the Statewide Plan assets.

**IV. Review of Draft Language Updating the Definitions of Municipality and Fire Department**

Hennessy Allen explained that last year, the Working Group began the process of updating the relief association statutes to incorporate joint powers entities. Kuenle helped draft the changes presented in Exhibit B that take a holistic approach to making the updates. The terms "municipality" and "fire department" are updated to accommodate joint powers fire departments. These terms are used numerous times throughout the relief association statutes, and each reference was reviewed and updated as appropriate. Kuenle provided a brief walkthrough of the draft changes. Donney made a motion to adopt the draft language. Johnston seconded the motion that was then adopted unanimously.

**V. Review of Draft Language Clarifying the Corporate Stock Investment Restriction**

Kenney explained that statute defines lists of authorized investment securities for public pension plans. The investment securities can be owned directly, or indirectly through mutual funds or exchange-traded funds. Mutual funds and exchange-traded funds are not considered securities, but a method for public pension plans to buy securities. Office of the State Auditor staff have identified a problem with the corporate stock provision within the expanded list of authorized investment securities, which authorizes investment in *any* corporate stock including mutual funds or exchange-traded funds. This outcome is inconsistent with other portions of the expanded list that require the underlying assets of

mutual funds and exchange-traded funds to be directly-permissible investments on the expanded list.

Kenney explained that the loophole in the corporate stock provision would allow relief associations to invest in mutual funds and exchange-traded funds that are high-risk and speculative, and inappropriate for a public pension plan. The Working Group members reviewed draft language that would make the corporate stock provision consistent with the expanded list requirement that underlying assets of mutual funds and exchange-traded funds be permissible direct investments on the expanded list. Thompson made a motion to adopt the draft language. Hemstad seconded the motion that was then adopted unanimously.

**VI. Review of Draft Language Permitting Different Vesting Requirements for Certain Return-to-Service Members**

Hennessy Allen explained that currently, if a firefighter is paid a service pension and then resumes active service and membership, the firefighter is required to complete the same vesting requirements as all other members of the relief association to receive a second service pension. At the last meeting the Working Group members had expressed an interest in allowing relief associations that pay monthly service pensions to establish lower vesting requirements for firefighters who return to service after being paid a service pension. Members who are paid monthly service pensions have a financial incentive to retire and commence receipt of the monthly benefits as soon as they become eligible to do so because otherwise benefits are lost for each month that they are not yet collecting. This has resulted in some firefighters retiring before they may have otherwise elected. The Working Group members considered whether it would be appropriate to allow for defined contribution plans to establish lower vesting requirements for return-to-service members, too, and discussed the appropriate minimum required years of service upon a resumption. The Working Group members agreed to continue the discussion at the next meeting.

**VII. Other Business**

There was no other business.

**VIII. Next Meeting**

Thursday, December 15, 2016  
11 a.m. to 1 p.m.  
Office of the State Auditor

**IX. Adjournment**

The meeting was adjourned at 1:00 p.m.

## Exhibit B Corporate Stock Restriction

### Topic:

Language is provided below that would update the corporate stock authority on the expanded list of authorized investment securities to make the expanded list consistent and to be in keeping with the Investment Study Group's goal of measuring compliance with the investment statutes based on the underlying securities owned by the pension plan and not by how the securities were purchased.

### **356A.06 INVESTMENTS; ADDITIONAL DUTIES.**

**Subd. 7. Expanded list of authorized investment securities.** (a) **Authority.** A covered pension plan not described by subdivision 6, paragraph (a), is an expanded list plan and shall invest its assets as specified in this subdivision. The governing board of an expanded list plan may select and appoint investment agencies to act for or on its behalf.

(b) **Securities generally; investment forms.** An expanded list plan is authorized to purchase, sell, lend, and exchange the investment securities authorized under this subdivision, including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned directly or through shares in exchange-traded or mutual funds, or as units in commingled trusts, subject to any limitations specified in this subdivision.

...

(g) **Corporate stocks.** An expanded list plan is authorized to invest in stocks or convertible issues of any corporation organized under the laws of the United States or any of its states, any corporation organized under the laws of the Dominion of Canada or any of its provinces, or any corporation listed on an exchange that is regulated by an agency of the United States or of the Canadian national government.

An investment in any corporation must not exceed five percent of the total outstanding shares of that corporation, ~~except that an expanded list plan may hold up to 20 percent of the shares of a real estate investment trust and up to 20 percent of the shares of a closed mutual fund.~~ Purchase of shares of exchange-traded or mutual funds shall be consistent with paragraph (b).

## Exhibit C

# Legal Compliance Audits

### Topic:

Language is provided below that clarifies that relief association audits are required to follow the minimum audit procedures prescribed by the Office of the State Auditor. This change is in keeping with the practice that auditors should already be following and is consistent with the requirements of all other local units of government.

### **69.051 FINANCIAL REPORT, BOND, EXAMINATION.**

Subdivision 1. **Financial report and audit.** (a) The board of the Bloomington Fire Department Relief Association and each volunteer firefighters relief association as defined in section 424A.001, subdivision 4, with assets of at least \$500,000 or liabilities of at least \$500,000 in the prior year or in any previous year, according to the applicable actuarial valuation or according to the financial report if no valuation is required, shall prepare a financial report covering the special and general funds of the relief association for the preceding fiscal year, file the financial report, and submit financial statements.

(b) The financial report must contain financial statements and disclosures which present the true financial condition of the relief association and the results of relief association operations in conformity with generally accepted accounting principles and in compliance with the regulatory, financing and funding provisions of this chapter and any other applicable laws. The financial report must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality in which the relief association is located if the relief association is a firefighters relief association which is directly associated with a municipal fire department; or

(2) by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the volunteer firefighter relief association is a subsidiary of an independent nonprofit firefighting corporation and by the secretary of the independent nonprofit firefighting corporation; or

(3) by the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(c) The financial report must be retained in its office for public inspection and must be filed with the governing body of the government subdivision in which the associated fire department is located after the close of the fiscal year. One copy of the financial report must be furnished to the state auditor after the close of the fiscal year.

(d) Audited financial statements must be attested to by a certified public accountant or by the state auditor and must be filed with the state auditor within 180 days after the close of the fiscal year. Audits must be conducted in compliance with generally

accepted governmental auditing standards, and section 6.65 governing audit procedures.  
The state auditor may accept this report in lieu of the report required in paragraph (c).

**Exhibit D**  
**Supplemental Benefits for Volunteer Emergency  
Medical Personnel**

**Topic:**

Language is provided below that would include fire prevention personnel and volunteer emergency medical personnel as qualified recipients for supplemental benefits if they are approved for inclusion in a relief association's membership.

**424A.10 STATE SUPPLEMENTAL BENEFIT; VOLUNTEER  
FIREFIGHTERS.**

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

(1) "qualified recipient" means ~~a volunteer firefighter an individual~~ 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 ~~for service that the individual has performed as a volunteer firefighter;~~

(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;

(3) "active volunteer firefighter" means a person who (i) regularly renders fire suppression service, the performance or supervision of authorized fire prevention duties, or performance or supervision of authorized emergency medical response activities for a municipal fire department or an independent nonprofit firefighting corporation, who(ii) has met the statutory and other requirements for relief association membership, and who (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; and

(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, (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.

**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.

1.1 Section 1. Minnesota Statutes 2016, section 424A.001, subdivision 2, is amended to read:

1.2 Subd. 2. **Fire department.** "Fire department" includes a municipal fire department ~~or~~<sub>2</sub>  
 1.3 an independent nonprofit firefighting corporation, and a fire department serving a joint  
 1.4 powers entity established under section 471.59.

1.5 Sec. 2. Minnesota Statutes 2016, section 424A.001, is amended by adding a subdivision  
 1.6 to read:

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

1.8 Sec. 3. Minnesota Statutes 2016, section 424A.001, subdivision 3, is amended to read:

1.9 Subd. 3. **Municipality.** "Municipality" means a ~~municipality~~ city or township which  
 1.10 has established a fire department with which the relief association is directly associated, ~~or~~  
 1.11 ~~the municipalities~~ a city or township which ~~have~~ has entered into a contract with the  
 1.12 independent nonprofit firefighting corporation of which the relief association is ~~a subsidiary~~  
 1.13 directly associated, or a city or township that has entered into a contract with a joint powers  
 1.14 entity established under section 471.59 of which the relief association is directly associated.

1.15 Sec. 4. Minnesota Statutes 2016, section 424A.001, subdivision 10, is amended to read:

1.16 Subd. 10. **Volunteer firefighter.** "Volunteer firefighter" means a person who is a member  
 1.17 of the applicable fire department or the independent nonprofit firefighting corporation and  
 1.18 is eligible for membership in the applicable relief association and:

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

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

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

1.27 Sec. 5. Minnesota Statutes 2016, section 424A.002, subdivision 1, is amended to read:

1.28 Subdivision 1. **Authorization.** A ~~municipal~~ fire department ~~or an independent nonprofit~~  
 1.29 ~~firefighting corporation~~, with approval by the applicable municipality or municipalities,  
 1.30 may establish a new volunteer firefighter relief association or may retain an existing volunteer

2.1 firefighter relief association. A ~~municipal~~ fire department ~~or an independent nonprofit~~  
2.2 ~~firefighting corporation~~ may be associated with only one volunteer firefighter relief  
2.3 association at one time.

2.4 Sec. 6. Minnesota Statutes 2016, section 424A.01, subdivision 1, is amended to read:

2.5 Subdivision 1. **Minors.** No volunteer firefighters relief association associated with a  
2.6 municipality, a joint powers entity, or an independent nonprofit firefighting corporation  
2.7 may include as a relief association member a minor serving as a volunteer firefighter.

2.8 Sec. 7. Minnesota Statutes 2016, section 424A.01, subdivision 5, is amended to read:

2.9 Subd. 5. **Fire prevention personnel.** (a) If the ~~fire department is a municipal department~~  
2.10 ~~and the applicable municipality approves, or if the fire department is an independent nonprofit~~  
2.11 ~~firefighting corporation and the contracting municipality~~ or municipalities approve, the fire  
2.12 department may employ or otherwise utilize the services of persons as volunteer firefighters  
2.13 to perform fire prevention duties and to supervise fire prevention activities.

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

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

2.21 Sec. 8. Minnesota Statutes 2016, section 424A.015, subdivision 1, is amended to read:

2.22 Subdivision 1. **Separation from active service; exception.** (a) No service pension is  
2.23 payable to a person while the person remains an active member of the respective fire  
2.24 department, and a person who is receiving a service pension is not entitled to receive any  
2.25 other benefits from the special fund of the relief association.

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

3.1 (1) the person discontinues volunteer firefighter duties with the ~~municipality or the~~  
3.2 ~~independent nonprofit firefighting corporation, whichever applies,~~ fire department and  
3.3 performs duties within the ~~municipal~~ fire department ~~or corporation~~ on a full-time basis;

3.4 (2) the governing body of the municipality ~~or~~ of the independent nonprofit firefighting  
3.5 corporation, or of the joint powers entity has filed its determination with the board of trustees  
3.6 of the relief association that the person's experience with and service to the fire department  
3.7 in that person's full-time capacity would be difficult to replace; and

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

3.10 Sec. 9. Minnesota Statutes 2016, section 424A.016, subdivision 2, is amended to read:

3.11 Subd. 2. **Defined contribution service pension eligibility.** (a) A relief association,  
3.12 when its articles of incorporation or bylaws so provide, may pay out of the assets of its  
3.13 special fund a defined contribution service pension to each of its members who:

3.14 (1) separates from active service with the fire department;

3.15 (2) reaches age 50;

3.16 (3) completes at least five years of active service as an active member of the ~~municipal~~  
3.17 fire department to which the relief association is associated;

3.18 (4) completes at least five years of active membership with the relief association before  
3.19 separation from active service; and

3.20 (5) complies with any additional conditions as to age, service, and membership that are  
3.21 prescribed by the bylaws of the relief association.

3.22 (b) In the case of a member who has completed at least five years of active service as  
3.23 an active member of the fire department to which the relief association is associated on the  
3.24 date that the relief association is established and incorporated, the requirement that the  
3.25 member complete at least five years of active membership with the relief association before  
3.26 separation from active service may be waived by the board of trustees of the relief association  
3.27 if the member completes at least five years of inactive membership with the relief association  
3.28 before the date of the payment of the service pension. During the period of inactive  
3.29 membership, the member is not entitled to receive any disability benefit coverage, is not  
3.30 entitled to receive additional individual account allocation of fire state aid or municipal  
3.31 contribution towards a service pension, and is considered to have the status of a person  
3.32 entitled to a deferred service pension.

4.1 (c) The service pension earned by a volunteer under this chapter and the articles of  
4.2 incorporation and bylaws of the relief association may be paid whether or not the municipality  
4.3 or independent nonprofit firefighting corporation to which the relief association is associated  
4.4 qualifies for the receipt of fire state aid under chapter 69.

4.5 Sec. 10. Minnesota Statutes 2016, section 424A.02, subdivision 1, is amended to read:

4.6 Subdivision 1. **Authorization.** (a) A defined benefit relief association, when its articles  
4.7 of incorporation or bylaws so provide, may pay out of the assets of its special fund a defined  
4.8 benefit service pension to each of its members who: (1) separates from active service with  
4.9 the fire department; (2) reaches age 50; (3) completes at least five years of active service  
4.10 as an active member of the ~~municipal~~ fire department to which the relief association is  
4.11 associated; (4) completes at least five years of active membership with the relief association  
4.12 before separation from active service; and (5) complies with any additional conditions as  
4.13 to age, service, and membership that are prescribed by the bylaws of the relief association.  
4.14 A service pension computed under this section may be prorated monthly for fractional years  
4.15 of service as the bylaws or articles of incorporation of the relief association so provide. The  
4.16 bylaws or articles of incorporation may define a "month," but the definition must require a  
4.17 calendar month to have at least 16 days of active service. If the bylaws or articles of  
4.18 incorporation do not define a "month," a "month" is a completed calendar month of active  
4.19 service measured from the member's date of entry to the same date in the subsequent month.  
4.20 The service pension earned by a volunteer firefighter under this chapter and the articles of  
4.21 incorporation and bylaws of the volunteer firefighters relief association may be paid whether  
4.22 or not the municipality or independent nonprofit firefighting corporation to which the relief  
4.23 association is associated qualifies for the receipt of fire state aid under chapter 69.

4.24 (b) In the case of a member who has completed at least five years of active service as  
4.25 an active member of the fire department to which the relief association is associated on the  
4.26 date that the relief association is established and incorporated, the requirement that the  
4.27 member complete at least five years of active membership with the relief association before  
4.28 separation from active service may be waived by the board of trustees of the relief association  
4.29 if the member completes at least five years of inactive membership with the relief association  
4.30 before the date of the payment of the service pension. During the period of inactive  
4.31 membership, the member is not entitled to receive disability benefit coverage, is not entitled  
4.32 to receive additional service credit towards computation of a service pension, and is  
4.33 considered to have the status of a person entitled to a deferred service pension under  
4.34 subdivision 7.

5.1 (c) No municipality ~~or~~, independent nonprofit firefighting corporation, or joint powers  
5.2 entity may delegate the power to take final action in setting a service pension or ancillary  
5.3 benefit amount or level to the board of trustees of the relief association or to approve in  
5.4 advance a service pension or ancillary benefit amount or level equal to the maximum amount  
5.5 or level that this chapter would allow rather than a specific dollar amount or level.

5.6 Sec. 11. Minnesota Statutes 2016, section 424A.02, subdivision 3a, is amended to read:

5.7 Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a) If a  
5.8 defined benefit relief association pays a service pension greater than the maximum service  
5.9 pension associated with the applicable average amount of available financing per active  
5.10 covered firefighter under the table in subdivision 3, paragraph (c) or (d), whichever applies,  
5.11 the maximum service pension under subdivision 3, paragraph (f), or the applicable maximum  
5.12 service pension amount specified in subdivision 3, paragraph (g), whichever is less, the  
5.13 state auditor shall:

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

5.18 (2) order the treasurer of the applicable relief association to recover the amount of the  
5.19 overpaid service pension or pensions from any retired firefighter who received an  
5.20 overpayment.

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

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

5.28 (d) The determination of the state auditor that a relief association has paid a service  
5.29 pension greater than the applicable maximum must be made on the basis of the information  
5.30 filed by the relief association and the municipality with the state auditor under sections  
5.31 69.011, subdivision 2, and 69.051, subdivision 1 or 1a, whichever applies, and any other  
5.32 relevant information that comes to the attention of the state auditor. The determination of

6.1 the state auditor is final. An aggrieved municipality, relief association, or person may appeal  
6.2 the determination under section 480A.06.

6.3 (e) The state auditor may certify, upon learning that a relief association overpaid a service  
6.4 pension based on an error in the maximum service pension calculation, the municipality or  
6.5 independent nonprofit firefighting corporation associated with the relief association for fire  
6.6 state aid if (1) there is evidence that the error occurred in good faith, and (2) the relief  
6.7 association has initiated recovery of any overpayment amount. Notwithstanding paragraph  
6.8 (c), all overpayments recovered under this paragraph must be credited to the relief  
6.9 association's special fund.

6.10 Sec. 12. Minnesota Statutes 2016, section 424A.02, subdivision 7, is amended to read:

6.11 Subd. 7. **Deferred service pensions.** (a) A member of a defined benefit relief association  
6.12 is entitled to a deferred service pension if the member separates from active service and  
6.13 membership and has completed the minimum service and membership requirements in  
6.14 subdivision 1. The requirement that a member separate from active service and membership  
6.15 is waived for persons who have discontinued their volunteer firefighter duties and who are  
6.16 employed on a full-time basis under section 424A.015, subdivision 1.

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

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

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

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

6.31 (3) at an interest rate of up to five percent, compounded annually, as set by the board of  
6.32 trustees.



7.1 (d) Any change in the interest rate set by the board of trustees under paragraph (c), clause  
7.2 (3), must be ratified by the governing body of the municipality or joint powers entity served  
7.3 by the fire department to which the relief association is directly associated, or by the  
7.4 independent nonprofit firefighting corporation, as applicable.

7.5 (e) Interest under paragraph (c), clause (3), is payable beginning on the January 1 next  
7.6 following the date on which the deferred service pension interest rate as set by the board of  
7.7 trustees was ratified by the governing body of the municipality or joint powers entity served  
7.8 by the fire department to which the relief association is directly associated, or by the  
7.9 independent nonprofit firefighting corporation, as applicable.

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

7.15 (1) for a relief association that has elected to pay interest or additional investment  
7.16 performance under paragraph (c), clause (1) or (3), beginning on the first day of the month  
7.17 next following the date on which the member separates from active service and membership  
7.18 and ending on the last day of the month immediately before the month in which the deferred  
7.19 member commences receipt of the deferred service pension; or

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

7.25 (g) For a deferred service pension that is transferred to a separate account established  
7.26 and maintained by the relief association or separate investment vehicle held by the relief  
7.27 association, the deferred member bears the full investment risk subsequent to transfer and  
7.28 in calculating the accrued liability of the volunteer firefighters relief association that pays  
7.29 a lump-sum service pension, the accrued liability for deferred service pensions is equal to  
7.30 the separate relief association account balance or the fair market value of the separate  
7.31 investment vehicle held by the relief association.

8.1 Sec. 13. Minnesota Statutes 2016, section 424A.04, subdivision 1, is amended to read:

8.2 Subdivision 1. **Membership.** (a) A relief association that is directly associated with a  
8.3 municipal fire department must be managed by a board of trustees consisting of nine  
8.4 members. Six trustees must be elected from the membership of the relief association and  
8.5 three trustees must be drawn from the officials of the municipalities served by the fire  
8.6 department to which the relief association is directly associated. The bylaws of a relief  
8.7 association which provides a monthly benefit service pension may provide that one of the  
8.8 six trustees elected from the relief association membership may be a retired member receiving  
8.9 a monthly pension who is elected by the membership of the relief association. The three  
8.10 municipal trustees must be one elected municipal official and one elected or appointed  
8.11 municipal official who are designated as municipal representatives by the municipal  
8.12 governing board annually and the chief of the municipal fire department.

8.13 (b) A relief association that is a subsidiary of an independent nonprofit firefighting  
8.14 corporation must be managed by a board of trustees consisting of nine members. Six trustees  
8.15 must be elected from the membership of the relief association, two trustees must be drawn  
8.16 from the officials of the municipalities served by the fire department to which the relief  
8.17 association is directly associated, and one trustee must be the fire chief serving with the  
8.18 independent nonprofit firefighting corporation. The bylaws of a relief association may  
8.19 provide that one of the six trustees elected from the relief association membership may be  
8.20 a retired member receiving a monthly pension who is elected by the membership of the  
8.21 relief association. The two municipal trustees must be elected or appointed municipal  
8.22 officials, selected as follows:

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

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

8.30 (c) The municipal trustees for a relief association that is directly associated with a fire  
8.31 department operated as or by a joint powers entity must be the fire chief of the fire department  
8.32 and two trustees designated annually by the joint powers board. The municipal trustees for  
8.33 a relief association that is directly associated with a fire department service area township

9.1 must be the fire chief of the fire department and two trustees designated by the township  
9.2 board.

9.3 (d) If a relief association lacks the municipal board members provided for in paragraph  
9.4 (a), (b), or (c) because the fire department is not located in or associated with ~~an organized~~  
9.5 a municipality, or joint powers entity, or township, the municipal board members must be  
9.6 the fire chief of the fire department and two board members appointed from the fire  
9.7 department service area by the board of commissioners of the applicable county.

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

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

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

9.21 Sec. 14. Minnesota Statutes 2016, section 424A.07, is amended to read:

9.22 **424A.07 NONPROFIT FIREFIGHTING CORPORATIONS; ESTABLISHMENT**  
9.23 **OF RELIEF ASSOCIATIONS.**

9.24 Before paying any service pensions or retirement benefits under section 424A.02 or  
9.25 before becoming entitled to receive any amounts of fire state aid upon transmittal from a  
9.26 contracting municipality under section 69.031, subdivision 5, a an independent nonprofit  
9.27 firefighting corporation shall establish a volunteer firefighters relief association governed  
9.28 by this chapter.

9.29 Sec. 15. Minnesota Statutes 2016, section 424A.091, subdivision 3, is amended to read:

9.30 Subd. 3. **Remedy for noncompliance; determination.** (a) A municipality in which  
9.31 there exists a firefighters relief association as specified in subdivision 1 which does not  
9.32 comply with the applicable provisions of sections 424A.091 to 424A.096 or the provisions

10.1 of any applicable special law relating to the funding or financing of the association does  
10.2 not qualify initially to receive, and is not entitled subsequently to retain, fire state aid under  
10.3 sections 69.011 to 69.051 until the reason for the disqualification specified by the state  
10.4 auditor is remedied, whereupon the municipality or relief association, if otherwise qualified,  
10.5 is entitled to again receive fire state aid for the year occurring immediately subsequent to  
10.6 the year in which the disqualification is remedied.

10.7 (b) The state auditor shall determine if a municipality to which a firefighters' relief  
10.8 association is directly associated or a firefighters relief association fails to comply with the  
10.9 provisions of sections 424A.091 to 424A.096 or the funding or financing provisions of any  
10.10 applicable special law based upon the information contained in the annual financial report  
10.11 of the firefighters relief association required under section 69.051, the actuarial valuation  
10.12 of the relief association, if applicable, the relief association officers' financial requirements  
10.13 of the relief association and minimum municipal obligation determination documentation  
10.14 under section 424A.092, subdivisions 3 and 4; 424A.093, subdivisions 4 and 5; or 424A.094,  
10.15 subdivision 2, if requested to be filed by the state auditor, the applicable municipal or  
10.16 independent nonprofit firefighting corporation budget, if requested to be filed by the state  
10.17 auditor, and any other relevant documents or reports obtained by the state auditor.

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

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

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

10.24 (3) the relief association officers fail to determine or improperly determine the accrued  
10.25 liability and the annual accruing liability of the relief association under section 424A.092,  
10.26 subdivisions 2, 2a, and 3, paragraph (c), clause (2), if applicable;

10.27 (4) if applicable, the relief association officers fail to obtain and file a required actuarial  
10.28 valuation or the officers file an actuarial valuation that does not contain the special fund  
10.29 actuarial liability calculated under the entry age normal actuarial cost method, the special  
10.30 fund current assets, the special fund unfunded actuarial accrued liability, the special fund  
10.31 normal cost under the entry age normal actuarial cost method, the amortization requirement  
10.32 for the special fund unfunded actuarial accrued liability by the applicable target date, a  
10.33 summary of the applicable benefit plan, a summary of the membership of the relief  
10.34 association, a summary of the actuarial assumptions used in preparing the valuation, and a

11.1 signed statement by the actuary attesting to its results and certifying to the qualifications of  
11.2 the actuary as an approved actuary under section 356.215, subdivision 1, paragraph (c);

11.3 (5) the municipality failed to provide a municipal contribution, or the independent  
11.4 nonprofit firefighting corporation failed to provide a corporate contribution, in the amount  
11.5 equal to the minimum municipal obligation if the relief association is governed under section  
11.6 424A.092, or the amount necessary, when added to the fire state aid actually received in  
11.7 the plan year in question, to at least equal in total the calculated annual financial requirements  
11.8 of the special fund of the relief association if the relief association is governed under section  
11.9 424A.093, and, if the municipal or corporate contribution is deficient, the municipality  
11.10 failed to include the minimum municipal obligation certified under section 424A.092,  
11.11 subdivision 3, or 424A.093, subdivision 5, in its budget and tax levy or the independent  
11.12 nonprofit firefighting corporation failed to include the minimum corporate obligation certified  
11.13 under section 424A.094, subdivision 2, in the corporate budget;

11.14 (6) the defined benefit relief association did not receive municipal ratification for the  
11.15 most recent plan amendment when municipal ratification was required under section 424A.02,  
11.16 subdivision 10; 424A.092, subdivision 6; or 424A.093, subdivision 6;

11.17 (7) the relief association invested special fund assets in an investment security that is  
11.18 not authorized under section 424A.095;

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

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

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

11.26 (11) the relief association officers permitted to occur a prohibited transaction under  
11.27 section 356A.06, subdivision 9, or 424A.04, subdivision 2a, or failed to undertake correction  
11.28 of a prohibited transaction that did occur; or

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

12.1 Sec. 16. Minnesota Statutes 2016, section 424A.094, subdivision 3, is amended to read:

12.2 Subd. 3. **Authorized pension disbursements.** Authorized disbursements of assets of  
12.3 the special fund of the subsidiary relief association of the independent nonprofit firefighting  
12.4 corporation shall be governed by the provisions of section 424A.05.

12.5 Sec. 17. Minnesota Statutes 2016, section 424A.10, subdivision 1, is amended to read:

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

12.7 (1) "qualified recipient" means an individual who receives a lump-sum distribution of  
12.8 pension or retirement benefits from a volunteer firefighters relief association or from the  
12.9 voluntary statewide lump-sum volunteer firefighter retirement plan for service that the  
12.10 individual has performed as a volunteer firefighter;

12.11 (2) "survivor of a deceased active or deferred volunteer firefighter" means the surviving  
12.12 spouse of a deceased active or deferred volunteer firefighter or, if none, the surviving child  
12.13 or children of a deceased active or deferred volunteer firefighter;

12.14 (3) "active volunteer firefighter" means a person who regularly renders fire suppression  
12.15 service for a ~~municipal fire department or an independent nonprofit firefighting corporation,~~  
12.16 who has met the statutory and other requirements for relief association membership, and  
12.17 who is deemed by the relief association under law and its bylaws to be a fully qualified  
12.18 member of the relief association or from the voluntary statewide lump-sum volunteer  
12.19 firefighter retirement plan for at least one month; and

12.20 (4) "deferred volunteer firefighter" means a former active volunteer firefighter who  
12.21 terminated active firefighting service, has sufficient service credit from the applicable relief  
12.22 association or from the voluntary statewide lump-sum volunteer firefighter retirement plan  
12.23 to be entitled to a service pension under the bylaws of the relief association, but has not  
12.24 applied for or has not received the service pension.

**Exhibit F**  
**Return to Service Technical Correction**

**Topic:**

Language is provided below that clarifies that the “Return to Service” provision in statute applies only to firefighters who return to active firefighting after a break in service.

**424A.01 MEMBERSHIP IN A VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION.**

...

Subd. 6. **Return to active firefighting after break in service.** (a) This subdivision governs the service pension calculation requirements of a firefighter who returns to active service after a break in service and applies to all breaks in service, except that the resumption service requirements of this subdivision do not apply to leaves of absence made available by federal statute, such as the Family Medical Leave Act, United States Code, title 29, section 2691, and the Uniformed Services Employment and Reemployment Rights Act, United States Code, title 38, section 4301, and do not apply to leaves of absence made available by state statute, such as the Parental Leave Act, section 181.941; the Leave for Organ Donation Act, section 181.9456; the Leave for Civil Air Patrol Service Act, section 181.946; the Leave for Immediate Family Members of Military Personnel Injured or Killed in Active Service Act, section 181.947; or the Protection of Jurors' Employment Act, section 593.50.

...

1.1 A bill for an act

1.2 relating to volunteer firefighters relief associations; implementing the  
1.3 recommendations of the state auditor's volunteer firefighter working group;  
1.4 addressing various service credit and service pension eligibility issues; updating  
1.5 references to accommodate joint powers fire departments; amending Minnesota  
1.6 Statutes 2014, sections 424A.01, by adding subdivisions; 424A.015, by adding a  
1.7 subdivision; 424B.20, subdivision 4; proposing coding for new law in Minnesota  
1.8 Statutes, chapter 424A; repealing Minnesota Statutes 2014, section 424A.02,  
1.9 subdivision 13.

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

1.11 Section 1. **[424A.003] CERTIFICATION OF SERVICE CREDIT.**

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

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

1.20 (c) The fire chief shall notify each volunteer firefighter rendering active service with  
1.21 the fire department of the amount of service credit rendered by the firefighter for the  
1.22 previous calendar year. The service credit notification and a description of the process and  
1.23 deadlines for the firefighter to challenge the fire chief's determination of service credit  
1.24 must be provided to the firefighter 60 days prior to its certification to the relief association  
1.25 and municipality. If the service credit amount is challenged, the fire chief shall accept



2.1 and consider any additional pertinent information and shall make a final determination of  
 2.2 service credit.

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

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

2.18 **EFFECTIVE DATE.** This section is effective January 1, 2017.

2.19 Sec. 2. Minnesota Statutes 2014, section 424A.01, is amended by adding a subdivision  
 2.20 to read:

2.21 Subd. 4a. **Prohibition on receipt of concurrent service credit.** No firefighter may  
 2.22 be credited with service credit in a volunteer firefighters relief association for the same  
 2.23 hours of service for which coverage is already provided in a fund operated pursuant to  
 2.24 chapter 353.

2.25 **EFFECTIVE DATE.** This section is effective January 1, 2017, and applies to  
 2.26 service rendered on or after that date.

2.27 Sec. 3. Minnesota Statutes 2014, section 424A.01, is amended by adding a subdivision  
 2.28 to read:

2.29 Subd. 5a. **Volunteer emergency medical personnel.** Volunteer emergency  
 2.30 medical personnel are eligible to be members of the applicable volunteer firefighters  
 2.31 relief association and to qualify for service pension or other benefit coverage of the relief  
 2.32 association on the same basis as fire department personnel who perform or supervise fire  
 2.33 suppression or fire prevention duties, if:

3.1 (1) the fire department employs or otherwise uses the services of persons solely as  
 3.2 volunteer emergency medical personnel to perform emergency medical response duties or  
 3.3 supervise emergency medical response activities;

3.4 (2) the bylaws of the relief association authorize the eligibility; and

3.5 (3) the eligibility is approved by:

3.6 (i) the municipality, if the fire department is a municipal department;

3.7 (ii) the joint powers board, if the fire department is a joint powers entity; or

3.8 (iii) the contracting municipality or municipalities, if the fire department is an  
 3.9 independent nonprofit firefighting corporation.

3.10 **EFFECTIVE DATE.** This section is effective January 1, 2017, and applies to  
 3.11 service rendered on or after that date.

3.12 Sec. 4. Minnesota Statutes 2014, section 424A.015, is amended by adding a  
 3.13 subdivision to read:

3.14 Subd. 7. **Combined service pensions.** (a) A volunteer firefighter with credit for  
 3.15 service as an active firefighter in more than one volunteer firefighters relief association is  
 3.16 entitled to a prorated service pension from each relief association if:

3.17 (1) the articles of incorporation or bylaws of the relief associations provide;

3.18 (2) the applicable requirements of paragraphs (b) and (c) are met; and

3.19 (3) the volunteer firefighter otherwise qualifies.

3.20 (b) A volunteer firefighter receiving a prorated service pension under this subdivision  
 3.21 must have a total combined amount of service credit from the two or more relief  
 3.22 associations of ten years or more, unless the bylaws of every affected relief association  
 3.23 specify less than a ten-year service vesting requirement, in which case, the total amount of  
 3.24 required service credit is the longest service vesting requirement of the relief associations.  
 3.25 The member must have one year or more of service credit in each relief association. The  
 3.26 prorated service pension must be based on:

3.27 (1) for defined benefit relief associations, the service pension amount in effect for  
 3.28 the relief association on the date on which active volunteer firefighting services covered  
 3.29 by that relief association terminate; and

3.30 (2) for defined contribution relief associations, the member's individual account  
 3.31 balance on the date on which active volunteer firefighting services covered by that relief  
 3.32 association terminate.

3.33 (c) To receive a prorated service pension under this subdivision, the firefighter  
 3.34 must become a member of the second or succeeding association and must give notice of  
 3.35 membership to the prior association within two years of the date of termination of active

4.1 service with the prior association. The second or subsequent relief association secretary  
4.2 must certify the notice.

4.3 **EFFECTIVE DATE.** This section is effective January 1, 2017.

4.4 Sec. 5. Minnesota Statutes 2014, section 424B.20, subdivision 4, is amended to read:

4.5 Subd. 4. **Benefit trust fund establishment.** (a) After the settlement of nonbenefit  
4.6 legal obligations of the special fund of the volunteer firefighters relief association under  
4.7 subdivision 3, the board of the relief association shall transfer the remaining assets of the  
4.8 special fund, as securities or in cash, as applicable, to the chief financial official of the  
4.9 municipality in which the associated fire department was located if the fire department was  
4.10 a municipal fire department or to the chief financial official of the municipality with the  
4.11 largest population served by the fire department if the fire department was an independent  
4.12 nonprofit firefighting corporation. If the fire department was a joint powers entity, the  
4.13 remaining assets of the special fund shall be transferred to the chief financial official of  
4.14 the municipality designated as the fiscal agent in the joint powers agreement or, if the  
4.15 agreement does not designate a municipality as the fiscal agent, the remaining assets of  
4.16 the special fund shall be transferred to the chief financial official of the municipality with  
4.17 the largest population served by the joint powers fire department. The board shall also  
4.18 compile a schedule of the relief association members to whom a service pension is or will  
4.19 be owed, any beneficiary to whom a benefit is owed, the amount of the service pension or  
4.20 benefit payable based on the applicable bylaws and state law and the service rendered to  
4.21 the date of the dissolution, and the date on which the pension or benefit would first be  
4.22 payable under the bylaws of the relief association and state law.

4.23 (b) The municipality ~~in which is located~~ receiving the remaining assets of the special  
4.24 fund of a volunteer firefighters relief association that is dissolving under this section shall  
4.25 establish a separate account in the municipal treasury which must function as a trust fund  
4.26 for members of the volunteer firefighters relief association and their beneficiaries to whom  
4.27 the volunteer firefighters relief association owes a service pension or other benefit under  
4.28 the bylaws of the relief association and state law. Upon proper application, on or after the  
4.29 initial date on which the service pension or benefit is payable, the municipal treasurer shall  
4.30 pay the pension or benefit due, based on the schedule prepared under paragraph (a) and the  
4.31 other records of the dissolved relief association. The trust fund under this section must be  
4.32 invested and managed consistent with chapter 356A and section 424A.095. Upon payment  
4.33 of the last service pension or benefit due and owing, any remaining assets in the trust  
4.34 fund cancel to the general fund of the municipality: or, if the fire department was a joint  
4.35 powers entity, any remaining assets in the trust fund cancel to the general fund of each

5.1 municipality that was a contracting party to the joint powers agreement as specified in the  
5.2 joint powers agreement. If the joint powers agreement does not specify how the remaining  
5.3 assets are to be distributed among the contracting parties, each of the contracting parties  
5.4 shall receive a pro rata share of the remaining assets based on the proportion of total  
5.5 operating contributions each contracting municipality made to the joint powers entity over  
5.6 the most recent ten calendar years. If the special fund of the volunteer firefighters relief  
5.7 association had an unfunded actuarial accrued liability upon dissolution, the municipality  
5.8 is liable for that unfunded actuarial accrued liability. If the fire department was a joint  
5.9 powers entity, the contracting municipalities are liable for their share of the unfunded  
5.10 actuarial accrued liability as specified in the joint powers agreement. If the joint powers  
5.11 agreement does not specify liability for any unfunded actuarial accrued liability, the  
5.12 contracting municipalities are liable for their pro rata share of the unfunded actuarial  
5.13 accrued liability based on the proportion of total operating contributions each contracting  
5.14 municipality made to the joint powers entity over the most recent ten calendar years.

5.15 **EFFECTIVE DATE.** This section is effective January 1, 2017.

5.16 Sec. 6. **REPEALER.**

5.17 Minnesota Statutes 2014, section 424A.02, subdivision 13, is repealed.

5.18 **EFFECTIVE DATE.** This section is effective January 1, 2017.