

Minnesota Volunteer Fire Relief Association

Working Group Meeting

Office of the State Auditor

Tuesday, October 28, 2008

11 a.m. to 1 p.m.

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

- II. Introductions**

- III. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft January 8, 2008 Meeting Minutes

- IV. Working Group Process Discussion**
Exhibits B through E.
 - Working Group Meeting Schedule
 - Working Group Purpose Statement
 - Working Group Process
 - Working Group Membership List

- V. Discussion of Working Group Topic Suggestions**
Exhibit F.

- VI. Overview of Defined Contribution Plan Sub-Group Draft Legislation**
Exhibit G.
 - Larry Martin to Present

- VII. Other Business**
 - Discussion of VFRA Financial and Investment Report

- VIII. Next Meeting**
Thursday, November 6, 2008
11 a.m. to 1 p.m.
Office of the State Auditor

- IX. Adjournment**

Volunteer Fire Relief Association Working Group

Office of the State Auditor

Tuesday, January 8, 2008

11 a.m. to 1 p.m.

Members Present

Ed Dietz, Maplewood Fire Relief Association Treasurer (defined benefit lump sum plans)

Dave Ganfield, Apple Valley Fire Relief Association Administrator (defined benefit monthly/lump sum combination plans)

Jim Hansen, Minnesota Area Relief Association Coalition Representative

Larry Martin, Legislative Commission on Pensions and Retirement Director

Rebecca Otto, State Auditor

Mike Stroeing, Minnesota State Fire Department Association Representative

Steven Wallner, Watertown City Finance Director

Nyle Zikmund, Minnesota State Fire Chiefs Association Representative (defined benefit monthly plans)

Members Excused

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

Tom Nelson, Northfield Fire Relief Association Secretary (defined benefit lump sum plans)

Curt Roberts, Maple Grove Fire Relief Association President (defined contribution plans)

Tim Simon, Elk River City Finance Director

Others Present

Wayne Anderson, Coon Rapids Fire Relief Association Representative

Colleen Bollom, Minnesota Firefighter Pension Consultants Representative

Edward Burek, Deputy Director of the Legislative Commission on Pensions and Retirement

Aaron Dahl, Pension Analyst

Celeste Grant, Deputy State Auditor/General Counsel

Rose Hennessy Allen, Pension Director

Craig Hertog, Loretto Fire Relief Association Representative

Lucas Hinz, Pension Analyst

David Kenney, Assistant Legal Counsel

Mike Miller, Integra Shield Financial Group Representative

Laura Sayles, DFL House Caucus Research Consultant

The following motions were duly made, seconded and approved:

RESOLVED to approve the December 6, 2007 Working Group Meeting Minutes.

I. Call to Order

Chair Auditor Otto called the meeting to order.

II. Review and Approval of Working Group Meeting Minutes

The Working Group members reviewed the December 6, 2007 meeting minutes that had been provided in advance. A motion was made by Ganfield to approve the meeting minutes. Dietz seconded the motion and it was adopted unanimously.

III. Review of Working Group Legislative Proposals

Auditor Otto briefly discussed each proposal that had previously been adopted by the Group. Martin explained that the 609 reporting requirement will be in a separate bill so that the entire Working Group bill doesn't need to go through judicial committees, as Chapter 609 contains criminal code.

A copy of the proposed Broker Certification form was provided to each of the members for review. Auditor Otto explained that the Office of the State Auditor (OSA) would continue to work on the formatting. Martin reminded the Group that the requirement to use the uniform certification form applies to other local public pension plans, as well. Martin also explained that he is not sure the draft bill explicitly requires plans to use the uniform form created by the Office of the State Auditor. Auditor Otto said that the draft language could be modified to make it clear the uniform form must be used.

Kenney responded to a question on the SIPC insurance coverage requirement and explained that SIPC covers \$500,000, with a maximum amount that can be held in cash. Most brokers have additional SIPC insurance coverage. Kenney also explained that SIPC coverage protects a broker's customers, while the certificate of insurance requirement that already exists in state law protects the broker. Coverage beyond the SIPC limit is needed so that a relief association's assets are fully protected. The bill language will be clarified to reflect this intent.

Martin explained that historically, the Pension Commission Chair and Vice Chair authored the Working Group bill. Auditor Otto said that both would be contacted. Martin also explained that he would draft a memo on the bill for the Pension Commission, which he hopes to be available soon.

IV. Return to Service Issues

Under current law there are penalties for volunteer firefighters that retire, are paid their service pension, and subsequently return to active service with the same volunteer fire department. Relief associations, especially in Greater Minnesota, have expressed concern with the limitations on resuming active service due to their recruitment and retention problems. The members agreed that many relief associations don't know about the current penalty under state law. Auditor Otto said that the OSA would provide education on this topic to raise awareness and help members avoid getting into this situation. She asked the Group if the issue affects plans just in certain regions, or in the

entire State, and whether the statutory penalties could impact services the department is able to provide. Stroeing said that the issue doesn't just impact one area; fire department staffing is a problem everywhere. Stroeing suggested that a better approach may be to allow firefighters to return to service after retirement, with the firefighter starting over for pension purposes. Zikmund said that he is in support of revisiting the current statutory requirements, but reminded the Group that the return to service issue only affects a relatively small number of firefighters.

Martin said that he would be concerned about a change to allow the issue to be addressed at the local level. Relief associations may make decisions on allowing firefighters to return to service based on personality, which is not a good way to make public policy. He recommended gathering information on what is actually happening, to determine whether there are volunteer firefighters that would like to return to service with the fire department but haven't because of the statutory penalties. Martin also wondered whether firefighters would be interested in returning to service if they were not able to serve in the same capacity (e.g. fire chief).

Auditor Otto said that there may be an issue with firefighters returning as honorary or auxiliary members, to help drive the fire truck or provide other support. She stated that this should be examined as well next year. Zikmund acknowledged there are a small group of fire departments with this situation.

V. Other Business

- **Informational Update on the Statewide Plan Proposal**

Zikmund provided a brief update on the Statewide Plan proposal and provided a briefing paper. The proposal is the result of work done by members from the three professional fire associations. The proposal would create a board of directors, with the plan being administered by the Minnesota State Retirement System and the plan's assets managed by the State Board of Investment. The proposal ensures that participation in the Statewide plan would be voluntary, requiring resolutions to be passed by the relief association and the political subdivision in order for the association to join. The proposal is aimed at smaller relief associations, and would pay benefits of between \$10,000 and \$80,000. Municipalities with firefighters covered by the plan would have a mandatory annual contribution requirement.

- **Online Reporting Forms and Online Signatures**

Auditor Otto explained the OSA has provided online reporting forms for several years. Currently, the reporting forms are submitted online, but the signature pages must be submitted by mail or fax. The OSA would like to allow relief associations to sign the forms online, using a password or some other type of online signature. One of the issues that this poses is that relief association contact information changes frequently, and a very large percentage of association officers have not provided, or do not have, email addresses. She asked if the Group had ideas on how to obtain contact information changes on a timely basis and current email addresses.

Stroeing suggested allowing contact information to be updated online. Ganfield said that some members may not be comfortable using the internet, so it may take awhile before each relief association is online. Hansen added that relief associations have a hard time keeping track of contact information internally for the board trustees. Auditor Otto stated that the Office would continue to work on this issue.

- **Financial and Investment Report Distribution**

Auditor Otto explained that under her administration, the Office does not automatically send out paper copies of reports. It has been past practice to mail the Volunteer Relief Association Report to all relief associations. She asked the Group whether relief associations would prefer to receive the 2006 Financial and Investment Report in a paper format, or whether providing the report online would be acceptable. Paper copies of reports would be available by request. She stressed that she did not want to reduce readership among the plans. The Group agreed that an electronic format would be sufficient, with paper copies provided to those that request one.

- **Topic Suggestions for the 2008/2009 Working Group**

A list of topics for the next Working Group is already being compiled. Auditor Otto asked the Group if there are topics that they would like the next group to consider. Zikmund suggested reviewing signature requirements for the reporting forms and changing the interest assumption rate for the larger relief associations. Auditor Otto said that she would add the return to service issue to the list. Martin recommended that the next Group consider portability, since the combined service pension provision in current law doesn't seem to work. Zikmund said that the audit requirement threshold most likely will be raised by relief associations again, as audit costs are increasing due to GASB requirements.

VI. Next Meeting Date

Auditor Otto said that the OSA will send a notice to relief associations that seeks participants for the Defined Contribution Sub-Group during the summer. The Working Group will convene again in the fall. She asked members to let her know if they would be interested in serving on the Group again, and thanked the current members for their time and hard work.

VII. Adjournment

The meeting was adjourned at 1:06 pm.

Exhibit B
Working Group Meeting Schedule

Tuesday, October 28, 2008

Thursday, November 6, 2008

Tuesday, November 18, 2008

Thursday, December 4, 2008

Tuesday, December 16, 2008

State Auditor Rebecca Otto, Chair
Office of the State Auditor Conference Room
11:00 a.m. to 1:00 p.m.

Exhibit C
Working Group Purpose Statement

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

Exhibit D
Working Group Process

- Discuss and make recommendations to clarify state laws, simplify reporting forms, and address training and other issues,
- Implement recommendations that do not require law changes, and
- Forward suggested statutory changes upon consensus to the Legislative Commission on Pensions and Retirement.

Exhibit E
Working Group Membership List

- 1. City Finance Manager**
Tim Simon, Finance Director
City of Elk River
13065 Orono Parkway
Elk River, MN 55330
Phone: (763) 635-1029
Fax: (763) 635-1090
tsimon@ci.elk-river.mn.us
- 2. Defined Contribution Plans**
Wayne Anderson, Inspector
Coon Rapids Fire Department
11155 Robinson Drive
Coon Rapids, MN 55433-3761
Phone: (763) 767-6471
wanderson@coonrapidsmn.gov
- 3. Defined Benefit Lump Sum Plans**
Ed Dietz, Treasurer
Maplewood Fire Relief Association
1403 Kohlman Avenue
Maplewood, MN 55109
Phone: (651) 483-5354
Fax: (651) 249-2879
eddietz@hotmail.com
- 4. Legislative Commission on Pensions & Retirement**
Lawrence A. Martin, Director
Edward Burek, Deputy Director
55 State Office Building
Saint Paul, MN 55155
Phone: (651) 296-2750
Fax: (651) 297-3697
lisa.dieslin@lcpr.leg.mn

- 5. Minnesota Area Relief Association Coalition**
Jim Hansen, Vice President of Legislative Advocacy
Spring Lake Park Fire Relief Association
1710 County Highway 10 NE
Spring Lake Park, MN 55432
Phone: (763) 786-4436
jhansen@sbmfire.com
- 6. Minnesota State Fire Chiefs Association/Monthly Plans**
Nyle Zikmund, Chief
Spring Lake Park, Blaine & Mounds View Fire Department
1710 County Highway 10 NE
Spring Lake Park, MN 55432
Phone: (763) 786-4436
nzikmund@sbmfire.com
- 7. Defined Benefit Monthly/Lump Sum Combination Plans**
Dave Ganfield, Administrator
Apple Valley Fire Relief Association
7100 – 147th Street West
Apple Valley, MN 55124
Phone: (612) 598-6369
dganfield@hotmail.com
- 8. Minnesota State Fire Department Association**
- 9. City Finance Manager**
Steven Wallner, Finance Director
City of Watertown
PO Box 279
Watertown, MN 55388
Phone: (952) 955-2687
Fax: (952) 955-2695
swallner@ci.watertown.mn.us

10. Defined Benefit Lump Sum Plans

Dave Jaeger, Treasurer
Mahnomen Fire Relief Association
116 SW Roosevelt Street
Mahnomen, MN 56557
Phone: (218) 935-5668
Fax: (218) 935-2574
jaegerd@localnet.com

11. Defined Contribution Plans

Bruce Roed, Trustee
Mentor Fire Relief Association
14945 Maple Inn Road S.E.
Mentor, MN 56736
(218) 686-7233
broed@gvtel.com

12. State Auditor Rebecca Otto

Suite 500
525 Park Street
Saint Paul, MN 55103
Phone: (651) 296-2551
Fax: (651) 282-5298
state.auditor@state.mn.us

Volunteer Fire Relief Association Defined Contribution Plan Sub-Group

The following motions were duly made, seconded and approved:

Tuesday, July 29, 2008 Meeting

- RESOLVED To specify a deadline for submission of the Defined Contribution Allocation Table to the Office of the State Auditor.
- RESOLVED To authorize separate investment account and separate investment vehicle deferred interest options for defined contribution plans.
- RESOLVED To strike the limitation that survivor benefits to designated beneficiaries only be paid to the beneficiaries of a deceased active or deferred member.

Thursday, August 7, 2008 Meeting

- RESOLVED To adopt the July 29, 2008 Meeting Minutes.
- RESOLVED To send a letter to the Legislative Commission on Pensions and Retirement describing the lack of municipal financial support that is affecting some defined contribution plans.
- RESOLVED To treat members on a military break in service the same as active members for purposes of defined contribution plan allocations.
- RESOLVED To table the discussion on minimum membership requirements that must be met for military service credit eligibility until more information is obtained.
- RESOLVED To table the discussion on allowing service pension rollovers to an IRA before a member reaches age 50, and allow sub-group members to begin informal discussions on this topic if they choose.
- RESOLVED To educate relief associations on the timing of forfeitures and to encourage clarification for partially vested member forfeitures through the association bylaws.

Tuesday, August 19, 2008

- RESOLVED To adopt the August 7, 2008 Meeting Minutes.
- RESOLVED To adopt language (the 4-A amendment) that treats members as though they were active while on a military break in service.
- RESOLVED To amend the draft language to read that any investment return on the assets of the special fund must be credited in proportion to the share of the assets of the special fund to the credit of each individual active member account.
- RESOLVED To forward to the Working Group for consideration the issue of whether paying interest to deferred members of defined contribution plans should be mandatory or remain voluntary.
- RESOLVED To adopt language (the 1-A amendment, as modified) authorizing defined contribution plans to establish separate investment accounts or separate investment vehicles for deferred members.
- RESOLVED To adopt the draft language that specifies procedures for defined contribution plan consolidations.
- RESOLVED To adopt language (the 2-A amendment) that requires service pension credit and allocations to be applied in a uniform manner.
- RESOLVED To allow administrative expenses to be deducted in a manner as prescribed in the relief association's bylaws.

Thursday, September 18, 2008

- RESOLVED To adopt the August 19, 2008 Meeting Minutes.
- RESOLVED To amend the August 19, 2008 resolution to forward to the Working Group for consideration the issue of whether paying interest to deferred members should remain voluntary.
- RESOLVED To delete lines 1.9 and 1.10 from the 7-A amendment, which removes recurring phrases in the Separate from Active Service definition.
- RESOLVED To adopt lines 1.11 through 1.14 of the 7-A amendment, which is language that precludes minors from being members of a relief association.
- RESOLVED To forward to the Working Group for consideration the issue of whether the current statutory prohibition on employing minors should be changed to accommodate explorer programs.
- RESOLVED To delete line 1.5 from the 7-A amendment and to adopt lines 1.6 through 1.8. The deleted language pertains to the exclusion for explorer programs, while the adopted language moves the prohibition on employing minors to a new section.
- RESOLVED To delete lines 1.15 to 1.18 of the 7-A amendment, which removes recurring phrases in the fire prevention personnel provision.
- RESOLVED To adopt line 1.19 of the 7-A amendment, which changes the section heading for Chapter 424A.015.
- RESOLVED To delete lines 1.21 and 1.22 from the 7-A amendment, which seeks to clarify the reduced service pension language for defined contribution plans.
- RESOLVED To adopt line 1.23 of the 7-A amendment, which clarifies that survivor benefits would be paid to the estate when there are no survivors and no designated beneficiary.
- RESOLVED To adopt line 1.20 of the 7-A amendment, which specifies that the reduced service pension may not exceed the nonforfeitable percentage of the account balance.
- RESOLVED To forward to the Working Group for consideration the issue of whether lump sum benefits should be authorized to a trust, rather than only to a natural person.
- RESOLVED To change the Fire Department definition to include a municipal fire department *or* an independent nonprofit firefighting corporation.
- RESOLVED To forward to the Working Group for consideration the issue of allowing relief associations to define in their bylaws what constitutes a month of active service.
- RESOLVED To forward to the Working Group for consideration the topic of allowing special fund assets to be used to purchase insurance from the VFBA, or comparable insurance company licensed by the State of Minnesota.

Volunteer Fire Relief Association Working Group

2008/2009 Potential Topic List

<u>Topic</u>	<u>Description</u>
Administrative Expenses (69.80)	1. Consider allowing vice presidents to be paid salaries from the special fund.
	2. Consider allowing decutibles for treasurer bonds to be paid from the special fund.
Authorization (424A.02, subd. 1)	3. Consider allowing relief associations to define in their bylaws what constitutes a month of service. Implement a floor (such as 16 days) and a default in case the bylaws do not specify.
Board of Trustees (424A.04)	4. Consider allowing additional ex officio trustees to serve on the board of a relief association affiliated with an independent nonprofit firefighting corporation. Some relief associations that are affiliated with several municipalities would like each municipality to be represented. In these cases, the fire chief is not a municipal representative, since the department is an independent corporation.
	5. Consider whether the fire chief should be a required trustee on the board.
	6. Allow more than one retired member to serve on the board of a relief association that offers a monthly or monthly/lump sum combination service pension.
	7. Clarify that nine trustees are required on the board of a relief association that is directly affiliated with a fire department operated as or by a joint powers entity or a fire department service area township.
Data Requests	8. Consider adding a specific fee for requests of relief association contact data. The money collected could be used for relief association pension training.
Deadlines	9. Consider adding a specific deadline for submission of the Schedule form.
Designated Beneficiary (424A.05, subd. 3)	10. Allow survivor benefits to be paid to the designated beneficiary, or if none, to the surviving spouse or the surviving children, or if none, to the estate.
Fire State Aid (69.031, subd. 5)	11. Consider adding authority in Chapter 69 that specifically allows fire state aid to be used for PERA contributions.
	12. Discuss equity issues for relief associations with full-time and volunteer members.
Flexible Service Pension Maximums (424A.02, subd. 3a)	13. Consider changing the flexible service pension maximum calculation to take greater consideration of the relief association's funded status.
Installment Payments (424A.02, subd. 8)	14. Consider changing the installment payment calculation to make it easier to understand and calculate correctly.
	15. Consider allowing installment payments in cases of a survivor benefit payment.

Investments (356.219, subd. 3 and 356A.06, subd. 7)	16.	Require the relief association to hold a public meeting if the rate of return was below the plan's benchmark for two years in a row.
	17.	Review the reference to the "Certified Financial Analyst Institute." Should this be the "Chartered Financial Analyst Institute?"
	18.	Discuss additional reporting requirements that would make investment fees more transparent.
	19.	Allow investment in exchange traded funds that invest in "other investments."
Municipal Approval (69.772, subd. 6, 69.773, subd. 6, and 424A.02, subd. 10)	20.	Review and clarify the 90 percent rule for municipal approval. Clarify whether previous surplus means the previous year's surplus. Also clarify step two of test and how to determine whether the relief association exceeded the minimum financial requirements.
Reporting Deadlines (69.051, subds. 1 and 1a)	21.	Review the reporting deadlines and reconsider the \$200,000 audit threshold.
Return to Service (424A.02, subd. 9b)	22.	Ideas obtained from our training sessions: 1) Allow to come back without repaying benefit, just can't accrue any more service credit; 2) Allow to come back after waiting a certain period of time, allow to accrue more service credit (start over); 3) Allow to come back and start over without waiting; 4) Allow to come back, don't accrue any more service credit, sign a waiver with the city relieving the city of any liability (member not treated as an active firefighter).
Rollovers (424A.02, subd. 8b)	23.	Allow rollovers to 401(k) retirement plans.
	24.	Allow members to rollover their account balance to an IRA before reaching age 50.
Service Credit	25.	Clarify that all pensions and benefits must be calculated at the rate in effect on the date of the member's separation from active service and membership. Consider including a specific formula for calculating a service pension.
Service Pensions (424A.02, subd. 3a)	26.	Discuss requirement that OSA forfeit state aid and get overpayment back from member if pension paid in excess of the allowable maximum.
Supplemental Benefit Reimbursements (424A.10)	27.	Make definitions consistent with others in 424A.
Survivor Benefits (424A.02, subd. 9)	28.	Consider allowing funeral benefits for plans that solely offer monthly service pensions.
Uniformity of Service Pensions (424A.02, subd. 6)	29.	Clarify "except as otherwise provided in this section" language.
Vesting Requirements	30.	Consider allowing lump sum and monthly plans to have full vesting after 10 years of service.



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

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

RE: Engrossment of Working Group's Statutory Change Recommendations

DATE: September 22, 2008

Introduction

On September 18, 2008, the working group on defined contribution volunteer firefighters' relief associations completed its work. The attached document, LCPR08-037, represents the statutory changes recommended by the group.

Document LCPR08-037 is an update of the reorganization/recodification document (LCPR08-031) that the working group initially considered and includes all recommended modifications through September 18, 2008.

At the September 18, 2008, working group meeting, the working group recommended the following changes:

1. Clarification of Prohibition on Employing Minors as Firefighters. The current prohibition on fire departments relating to the employment of minors as firefighters, Minnesota Statutes, Section 424A.01, Subdivision 1, is moved from the volunteer firefighters' relief association governing law to a general fire department statutory chapter, Minnesota Statutes, Chapter 420 (proposed new section Minnesota Statutes, Section 420.20) and Minnesota Statutes, Section 424A.01, Subdivision 1, is amended to prohibit volunteer firefighters' relief associations to include minors as volunteer firefighters' relief association members (Document LCPR08-037, page 1, lines 19-23, and page 4, lines 29-33);
2. Clarification of "Fire Department" Definition. A reference to "or" replaces a reference to "and" in the definition of "fire department" with respect to municipal fire departments or nonprofit firefighting corporations (Document LCPR08-037, page 2, lines 19-20);
3. Clarification of Headnote on New Generally Applicable Regulation Section. A reference to "benefit plan" was replaced with a reference to "pension plan" in the headnote proposed for the new section to which generally applicable volunteer firefighters' relief association governing law provisions are moved, new Minnesota Statutes, Section 424A.015 (Document LCPR08-037, page 6, line 2);
4. Clarification of Reduced Vesting Schedule Reduced Benefit Reference. A reference to "based on" in specifying the account balance percentage payable to a member with less than 20 years was replaced with a reference to "not to exceed" to make the provision clearer (Document LCPR08-037, page 8, line 3);
5. Addition of Specific Requirement for Reporting Allocations to the State Auditor. Defined contribution volunteer firefighters' relief associations will be specifically required to certify account allocations annually to the State Auditor at the same time as the relief association financial reporting is due (Document LCPR08-037, page 9, lines 8-11); and
6. Clarification of Survivor Benefit Payment Priority. The statutory priority of recipients for survivor benefits payable from the relief association special fund is clarified by the addition of a reference to "no" in specifying when a survivor benefit is payable to an estate, correcting a longstanding omission in Minnesota Statutes, Section 424A.05, Subdivision 3 (Document LCPR08-037, page 31, line 17).

If any members of the working group have questions about Document LCPR08-037 or identify any additional clerical or grammatical errors in the document, please contact me (651-296-2750).

A bill for an act

1.1 relating to retirement; volunteer firefighters' relief associations; reorganizing
 1.2 the defined contribution relief association provisions; recodifying the general
 1.3 volunteer firefighters' relief association law; making conforming changes;
 1.4 amending Minnesota Statutes 2006, sections 69.771, subdivision 3; 424A.001,
 1.5 subdivisions 1, 1a, as added, 2, 3, 4, 5, 6, as amended, 8, 9, 10, by adding
 1.6 subdivisions; 424A.01; 424A.02, subdivisions 1, 2, 3, as amended, 3a, 7, as
 1.7 amended, 8, 9, as amended, 9a, 9b, 10, 12, 13; 424A.021; 424A.03; 424A.04;
 1.8 424A.05, subdivisions 1, 2, 3, as amended, 4; 424A.06; 424A.07; 424A.08;
 1.9 424A.10, subdivisions 4, 5; 424B.10; 424B.21; Minnesota Statutes 2007
 1.10 Supplement, section 424A.10, subdivisions 1, 2, 3; proposing coding for new
 1.11 law in Minnesota Statutes, chapters 420; 424A; 424B; repealing Minnesota
 1.12 Statutes 2006, sections 424A.001, subdivision 7; 424A.02, subdivisions 4, 6,
 1.13 8a, 8b; 424A.09.

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

1.16 ARTICLE 1

1.17 REORGANIZATION AND RECODIFICATION OF
 1.18 VOLUNTEER FIREFIGHTER RETIREMENT PROVISIONS

1.19 Section 1. 420.20 PROHIBITION OF SERVICE BY MINORS AS VOLUNTEER
 1.20 FIREFIGHTERS.

1.21 It is unlawful for any municipality or independent nonprofit firefighting corporation
 1.22 to employ a minor to serve as a volunteer firefighter or to permit a minor to serve in any
 1.23 capacity performing any firefighting duties with a volunteer fire department.

1.24 Sec. 2. Minnesota Statutes 2006, section 424A.001, subdivision 1, is amended to read:

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

2.1 Sec. 3. Minnesota Statutes 2006, section 424A.001, subdivision 1a, as added by Laws
2.2 2008, chapter 349, article 14, section 6, is amended to read:

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

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

2.8 Subd. 1b. **Defined benefit relief association.** "Defined benefit relief association"
2.9 means a volunteer firefighters' relief association that provides a lump sum service pension,
2.10 provides a monthly benefit service pension, or provides a lump sum service pension as an
2.11 alternative to the monthly benefit service pension.

2.12 Sec. 5. Minnesota Statutes 2006, section 424A.001, is amended by adding a
2.13 subdivision to read:

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

2.18 Sec. 6. Minnesota Statutes 2006, section 424A.001, subdivision 2, is amended to read:

2.19 Subd. 2. **Fire department.** "Fire department" includes a municipal fire department
2.20 ~~and~~ or an independent nonprofit firefighting corporation.

2.21 Sec. 7. Minnesota Statutes 2006, section 424A.001, subdivision 3, is amended to read:

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

2.26 Sec. 8. Minnesota Statutes 2006, section 424A.001, subdivision 4, is amended to read:

2.27 Subd. 4. **Relief association.** "Relief association" means ~~(a)~~ (1) a volunteer
2.28 firefighters' relief association or a volunteer firefighters' division or account of a partially
2.29 salaried and partially volunteer firefighters' relief association that is organized and
2.30 incorporated under chapter 317A and any laws of the state, is governed by this chapter
2.31 and chapter 69, and is directly associated with a fire department established by municipal

3.1 ordinance; or ~~(b) (2) any separate~~ separately incorporated volunteer firefighters' relief
3.2 association that is subsidiary to and providing that provides service pension and retirement
3.3 benefit coverage for members of an independent nonprofit firefighting corporation that is
3.4 organized under the provisions of chapter 317A, is governed by this chapter, and ~~operating~~
3.5 operates exclusively for firefighting purposes. A relief association is a governmental entity
3.6 that receives and manages public money to provide retirement benefits for individuals
3.7 providing the governmental services of firefighting and emergency first response.

3.8 Sec. 9. Minnesota Statutes 2006, section 424A.001, subdivision 5, is amended to read:

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

3.12 Sec. 10. Minnesota Statutes 2006, section 424A.001, subdivision 6, as amended by
3.13 Laws 2008, chapter 349, article 14, section 7, is amended to read:

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

3.18 Sec. 11. Minnesota Statutes 2006, section 424A.001, subdivision 8, is amended to read:

3.19 Subd. 8. **Firefighting service.** "Firefighting service," if the applicable municipality
3.20 approves for a fire department that is a municipal department, or if the applicable
3.21 contracting municipality or municipalities approve for a fire department that is an
3.22 independent nonprofit firefighting corporation, includes fire department service rendered
3.23 by fire prevention personnel.

3.24 Sec. 12. Minnesota Statutes 2006, section 424A.001, subdivision 9, is amended to read:

3.25 Subd. 9. **Separate from active service.** "Separate from active service" means
3.26 ~~to that a firefighter~~ permanently ceases to perform fire suppression duties with
3.27 a particular volunteer fire department, ~~to permanently cease~~ ceases to perform fire
3.28 prevention duties, ~~to permanently cease~~ ceases to supervise fire suppression duties, and ~~to~~
3.29 permanently ceases to supervise fire prevention duties.

3.30 Sec. 13. Minnesota Statutes 2006, section 424A.001, subdivision 10, is amended to
3.31 read:

4.1 Subd. 10. **Volunteer firefighter.** "Volunteer firefighter" means a person who either:
 4.2 (1) was a member of the applicable fire department or the independent nonprofit
 4.3 firefighting corporation and a member of the relief association on July 1, 2006; or
 4.4 (2) became a member of the applicable fire department or the independent nonprofit
 4.5 firefighting corporation and is eligible for membership in the applicable relief association
 4.6 after June 30, 2006, and
 4.7 (i) is engaged in providing emergency response services or delivering fire education
 4.8 or prevention services as a member of a municipal fire department, a joint powers entity
 4.9 fire department, or an independent nonprofit firefighting corporation;
 4.10 (ii) is trained in or is qualified to provide fire suppression duties or to provide fire
 4.11 prevention duties under subdivision 8; and
 4.12 (iii) meets any other minimum firefighter and service standards established by the
 4.13 fire department or the independent nonprofit firefighting corporation or specified in the
 4.14 articles of incorporation or bylaws of the relief association.

4.15 Sec. 14. **[424A.002] AUTHORIZATION OF NEW OR CONTINUING**
 4.16 **VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.**

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

4.21 Subd. 2. Defined benefit or defined contribution relief association. The articles
 4.22 of incorporation or the bylaws of the volunteer firefighters' relief association must specify
 4.23 that the relief association is either a defined benefit relief association subject to sections
 4.24 69.771 to 69.774, 424A.015, and 424A.02 or is a defined contribution relief association
 4.25 subject to sections 424A.015 and 424A.017.

4.26 Sec. 15. Minnesota Statutes 2006, section 424A.01, is amended to read:

4.27 **424A.01 MEMBERSHIP IN A VOLUNTEER FIREFIGHTERS' RELIEF**
 4.28 **ASSOCIATION.**

4.29 Subdivision 1. Minors. It is unlawful for any No volunteer firefighters' relief
 4.30 association associated with a municipality or an independent nonprofit firefighting
 4.31 corporation to employ may include as a relief association member a minor serving as
 4.32 a volunteer firefighter or to permit a minor to serve in any capacity performing any
 4.33 firefighting duties with a volunteer fire department.

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

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

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

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

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

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

6.1 Sec. 16. **[424A.015] GENERALLY APPLICABLE VOLUNTEER**
6.2 **FIREFIGHTERS' RELIEF ASSOCIATION PENSION PLAN REGULATION.**

6.3 Subdivision 1. Separation from active service; exception. (a) No service pension
6.4 is payable to any person while the person remains an active member of the respective fire
6.5 department, and no person who is receiving a service pension is entitled to receive any
6.6 other benefits from the special fund of the relief association.

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

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

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

6.32 Subd. 4. Transfer to individual retirement account. A relief association that
6.33 is a qualified pension plan under section 401(a) of the federal Internal Revenue Code,
6.34 as amended, and that provides a single payment service pension, at the written request
6.35 of the applicable retiring member or, following the death of the active member, at
6.36 the written request of the deceased member's surviving spouse, may directly transfer

7.1 on an institution-to-institution basis the eligible member's lump sum pension or the
7.2 death, funeral, or survivor benefit attributable to the member, whichever applies, to the
7.3 requesting person's individual retirement account under section 408(a) of the federal
7.4 Internal Revenue Code, as amended.

7.5 Sec. 17. **[424A.016] DEFINED CONTRIBUTION VOLUNTEER**
7.6 **FIREFIGHTERS' RELIEF ASSOCIATION SPECIFIC REGULATION.**

7.7 Subdivision 1. Defined contribution relief association authorization. If the
7.8 articles of incorporation or the bylaws governing the volunteer firefighters' relief
7.9 association so provide exclusively, the relief association may pay a defined contribution
7.10 lump sum service pension instead of a defined benefit service pension governed by section
7.11 424A.02.

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

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

8.1 Subd. 3. Reduced vesting schedule. If the articles of incorporation or bylaws of a
 8.2 defined contribution relief association so provide, a relief association may pay a reduced
 8.3 service pension not to exceed the nonforfeitable percentage of the account balance to a
 8.4 retiring member who has completed fewer than 20 years of service. The reduced service
 8.5 pension may be paid when the retiring member meets the minimum age and service
 8.6 requirements of subdivision 2. the nonforfeitable percentage of pension amounts are
 8.7 as follows:

	<u>Completed Years of Service</u>	<u>Nonforfeitable Percentage of Pension Amount</u>
8.10	<u>5</u>	<u>40 percent</u>
8.11	<u>6</u>	<u>52 percent</u>
8.12	<u>7</u>	<u>64 percent</u>
8.13	<u>8</u>	<u>76 percent</u>
8.14	<u>9</u>	<u>88 percent</u>
8.15	<u>10 and thereafter</u>	<u>100 percent</u>

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

8.18 (b) To each individual active member account must be credited an equal share of:
 8.19 (1) any amounts of fire state aid received by the relief association; (2) any amounts of
 8.20 municipal contributions to the relief association raised from levies on real estate or from
 8.21 other available revenue sources exclusive of fire state aid; and (3) any amounts equal
 8.22 to the share of the assets of the special fund to the credit of: (i) any former member
 8.23 who terminated active service with the fire department to which the relief association is
 8.24 associated before meeting the minimum service requirement provided for in paragraph (b)
 8.25 and has not returned to active service with the fire department for a period no shorter than
 8.26 five years; or (ii) any retired member who retired before obtaining a full nonforfeitable
 8.27 interest in the amounts credited to the individual member account under paragraph (b)
 8.28 and any applicable provision of the bylaws of the relief association. In addition, any
 8.29 investment return on the assets of the special fund must be credited in proportion to the
 8.30 share of the assets of the special fund to the credit of each individual active member
 8.31 account. Administrative expenses of the relief association payable from the special
 8.32 fund may be deducted from individual accounts in a manner specified in the bylaws of
 8.33 the relief association.

8.34 (c) The method of crediting amounts to individual accounts must be allocated
 8.35 uniformly for all years of active service and allocations must be made for all years of
 8.36 service, except as otherwise provided in this section. The allocation method may utilize

9.1 monthly proration for fractional years of service, if the bylaws or articles of incorporation
9.2 of the relief association so provide.

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

9.8 (e) Annually, the secretary of the relief association shall certify the individual
9.9 account allocations to the state auditor at the same time that the annual financial statement
9.10 or financial report and audit of the relief association, whichever applies, is due under
9.11 section 69.051.

9.12 Subd. 5. **Service pension installment payments.** A defined contribution relief
9.13 association, if the governing bylaws so provide, may pay, at the option of the retiring
9.14 member and in lieu of a single payment of a service pension, the service pension in
9.15 installments. The election of installment payments is irrevocable and must be made by the
9.16 retiring member in writing and filed with the secretary of the relief association no later
9.17 than 30 days before the commencement of payment of the service pension. The amount of
9.18 the installment payments must be the fractional portion of the remaining account balance
9.19 equal to one divided by the number of remaining annual installment payments.

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

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

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

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

9.29 (b) The deferred service pension is payable when the former member reaches age
9.30 50, or the minimum age specified in the bylaws governing the relief association if that age
9.31 is greater than age 50, and when the former member makes a valid written application.

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

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

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

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

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

10.17 For deferred members, the ancillary benefit must equal the vested amount of the
10.18 individual account of the member. For the recipient of installment payments of a service
10.19 pension, the ancillary benefit must equal the remaining balance in the individual account
10.20 of the recipient.

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

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

11.1 Sec. 18. Minnesota Statutes 2006, section 424A.02, subdivision 1, is amended to read:

11.2 **424A.02 DEFINED BENEFIT VOLUNTEER FIREFIGHTERS**
11.3 **FIREFIGHTERS' RELIEF ASSOCIATIONS; SERVICE PENSIONS.**

11.4 Subdivision 1. **Authorization.** (a) A defined benefit relief association, when its
11.5 articles of incorporation or bylaws so provide, may pay out of the assets of its special fund
11.6 a service pension to each of its members who: (1) separates from active service with the
11.7 fire department; (2) reaches age 50; (3) completes at least five years of active service
11.8 as an active member of the municipal fire department to which the relief association
11.9 is associated; (4) completes at least five years of active membership with the relief
11.10 association before separation from active service; and (5) complies with any additional
11.11 conditions as to age, service, and membership that are prescribed by the bylaws of the
11.12 relief association. A service pension computed under this section may be prorated
11.13 monthly for fractional years of service, if the bylaws or articles of incorporation of the
11.14 relief association so provide. The service pension earned by a volunteer firefighter under
11.15 this chapter and the articles of incorporation and bylaws of the volunteer firefighters'
11.16 relief association may be paid whether or not the municipality or nonprofit firefighting
11.17 corporation to which the relief association is associated qualifies for the receipt of fire
11.18 state aid under chapter 69.

11.19 (b) In the case of a member who has completed at least five years of active service as
11.20 an active member of the fire department to which the relief association is associated on
11.21 the date that the relief association is established and incorporated, the requirement that
11.22 the member complete at least five years of active membership with the relief association
11.23 before separation from active service may be waived by the board of trustees of the relief
11.24 association if the member completes at least five years of inactive membership with the
11.25 relief association before the date of the payment of the service pension. During the
11.26 period of inactive membership, the member is not entitled to receive disability benefit
11.27 coverage, is not entitled to receive additional service credit towards computation of a
11.28 service pension, and is considered to have the status of a person entitled to a deferred
11.29 service pension under subdivision 7.

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

11.35 (d) No relief association as defined in section 424A.001, subdivision 4, may pay a
11.36 service pension or disability benefit to a former member of the relief association if that

12.1 person has not separated from active service with the fire department to which the relief
12.2 association is directly associated, unless:

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

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

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

12.12 Sec. 19. Minnesota Statutes 2006, section 424A.02, subdivision 2, is amended to read:

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

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

12.21 For a defined benefit volunteer firefighter relief association that pays a lump-sum
12.22 service pension, a monthly benefit service pension, or a lump-sum service pension or a
12.23 monthly benefit service pension as alternative benefit forms, the nonforfeitable percentage
12.24 of pension amounts are as follows:

	Completed Years of Service	Nonforfeitable Percentage of Pension Amount
12.27	5	40 percent
12.28	6	44 percent
12.29	7	48 percent
12.30	8	52 percent
12.31	9	56 percent
12.32	10	60 percent
12.33	11	64 percent
12.34	12	68 percent
12.35	13	72 percent
12.36	14	76 percent
12.37	15	80 percent

13.1	16	84 percent
13.2	17	88 percent
13.3	18	92 percent
13.4	19	96 percent
13.5	20 and thereafter	100 percent

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

13.8	Completed Years of Service	Nonforfeitable Percentage
13.9		of Pension Amount
13.10	5	40 percent
13.11	6	52 percent
13.12	7	64 percent
13.13	8	76 percent
13.14	9	88 percent
13.15	10 and thereafter	100 percent

13.16 Sec. 20. Minnesota Statutes 2006, section 424A.02, subdivision 3, as amended by
 13.17 Laws 2008, chapter 349, article 14, section 8, is amended to read:

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

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

13.35 (c) For a defined benefit relief association where the governing bylaws provide for
 13.36 a monthly service pension to a retiring member, the maximum monthly service pension
 13.37 amount per month for each year of service credited that may be provided for in the bylaws

14.1 is the greater of the service pension amount provided for in the bylaws on the date of the
 14.2 calculation of the average amount of the available financing per active covered firefighter
 14.3 or the maximum service pension figure corresponding to the average amount of available
 14.4 financing per active covered firefighter:

14.5	Minimum Average Amount of Available Financing per Firefighter	Maximum Service Pension Amount Payable per Month for Each Year of Service
14.8	\$...	\$.25
14.9	41	.50
14.10	81	1.00
14.11	122	1.50
14.12	162	2.00
14.13	203	2.50
14.14	243	3.00
14.15	284	3.50
14.16	324	4.00
14.17	365	4.50
14.18	405	5.00
14.19	486	6.00
14.20	567	7.00
14.21	648	8.00
14.22	729	9.00
14.23	810	10.00
14.24	891	11.00
14.25	972	12.00
14.26	1053	13.00
14.27	1134	14.00
14.28	1215	15.00
14.29	1296	16.00
14.30	1377	17.00
14.31	1458	18.00
14.32	1539	19.00
14.33	1620	20.00
14.34	1701	21.00
14.35	1782	22.00
14.36	1823	22.50
14.37	1863	23.00
14.38	1944	24.00
14.39	2025	25.00
14.40	2106	26.00
14.41	2187	27.00
14.42	2268	28.00
14.43	2349	29.00

15.1	2430	30.00
15.2	2511	31.00
15.3	2592	32.00
15.4	2673	33.00
15.5	2754	34.00
15.6	2834	35.00
15.7	2916	36.00
15.8	2997	37.00
15.9	3078	38.00
15.10	3159	39.00
15.11	3240	40.00
15.12	3321	41.00
15.13	3402	42.00
15.14	3483	43.00
15.15	3564	44.00
15.16	3645	45.00
15.17	3726	46.00
15.18	3807	47.00
15.19	3888	48.00
15.20	3969	49.00
15.21	4050	50.00
15.22	4131	51.00
15.23	4212	52.00
15.24	4293	53.00
15.25	4374	54.00
15.26	4455	55.00
15.27	4536	56.00
15.28	Effective beginning December 31, 2008	
15.29	4617	57.00
15.30	4698	58.00
15.31	4779	59.00
15.32	4860	60.00
15.33	4941	61.00
15.34	5022	62.00
15.35	5103	63.00
15.36	5184	64.00
15.37	5265	65.00
15.38	Effective beginning December 31, 2009	
15.39	5346	66.00
15.40	5427	67.00
15.41	5508	68.00
15.42	5589	69.00
15.43	5670	70.00

16.1	5751	71.00
16.2	5832	72.00
16.3	5913	73.00
16.4	5994	74.00
16.5	Effective beginning December 31, 2010	
16.6	6075	75.00
16.7	6156	76.00
16.8	6237	77.00
16.9	6318	78.00
16.10	6399	79.00
16.11	6480	80.00
16.12	6561	81.00
16.13	6642	82.00
16.14	6723	83.00
16.15	Effective beginning December 31, 2011	
16.16	6804	84.00
16.17	6885	85.00
16.18	6966	86.00
16.19	7047	87.00
16.20	7128	88.00
16.21	7209	89.00
16.22	7290	90.00
16.23	7371	91.00
16.24	7452	92.00
16.25	Effective beginning December 31, 2012	
16.26	7533	93.00
16.27	7614	94.00
16.28	7695	95.00
16.29	7776	96.00
16.30	7857	97.00
16.31	7938	98.00
16.32	8019	99.00
16.33	8100	100.00
16.34	any amount in excess of 8100	100.00

16.35 (d) For a defined benefit relief association in which the governing bylaws provide
16.36 for a lump sum service pension to a retiring member, the maximum lump sum service
16.37 pension amount for each year of service credited that may be provided for in the bylaws is
16.38 the greater of the service pension amount provided for in the bylaws on the date of the
16.39 calculation of the average amount of the available financing per active covered firefighter
16.40 or the maximum service pension figure corresponding to the average amount of available
16.41 financing per active covered firefighter for the applicable specified period:

17.1	Minimum Average Amount of Available	Maximum Lump Sum Service
17.2	Financing per Firefighter	Pension Amount Payable for
17.3		Each Year of Service
17.4	\$...	\$ 10
17.5	11	20
17.6	16	30
17.7	23	40
17.8	27	50
17.9	32	60
17.10	43	80
17.11	54	100
17.12	65	120
17.13	77	140
17.14	86	160
17.15	97	180
17.16	108	200
17.17	131	240
17.18	151	280
17.19	173	320
17.20	194	360
17.21	216	400
17.22	239	440
17.23	259	480
17.24	281	520
17.25	302	560
17.26	324	600
17.27	347	640
17.28	367	680
17.29	389	720
17.30	410	760
17.31	432	800
17.32	486	900
17.33	540	1000
17.34	594	1100
17.35	648	1200
17.36	702	1300
17.37	756	1400
17.38	810	1500
17.39	864	1600
17.40	918	1700
17.41	972	1800
17.42	1026	1900
17.43	1080	2000
17.44	1134	2100

18.1	1188	2200
18.2	1242	2300
18.3	1296	2400
18.4	1350	2500
18.5	1404	2600
18.6	1458	2700
18.7	1512	2800
18.8	1566	2900
18.9	1620	3000
18.10	1672	3100
18.11	1726	3200
18.12	1753	3250
18.13	1780	3300
18.14	1820	3375
18.15	1834	3400
18.16	1888	3500
18.17	1942	3600
18.18	1996	3700
18.19	2023	3750
18.20	2050	3800
18.21	2104	3900
18.22	2158	4000
18.23	2212	4100
18.24	2265	4200
18.25	2319	4300
18.26	2373	4400
18.27	2427	4500
18.28	2481	4600
18.29	2535	4700
18.30	2589	4800
18.31	2643	4900
18.32	2697	5000
18.33	2751	5100
18.34	2805	5200
18.35	2859	5300
18.36	2913	5400
18.37	2967	5500
18.38	3021	5600
18.39	3075	5700
18.40	3129	5800
18.41	3183	5900
18.42	3237	6000
18.43	3291	6100

19.1	3345	6200
19.2	3399	6300
19.3	3453	6400
19.4	3507	6500
19.5	3561	6600
19.6	3615	6700
19.7	3669	6800
19.8	3723	6900
19.9	3777	7000
19.10	3831	7100
19.11	3885	7200
19.12	3939	7300
19.13	3993	7400
19.14	4047	7500
19.15	Effective beginning December 31, 2008	
19.16	4101	7600
19.17	4155	7700
19.18	4209	7800
19.19	4263	7900
19.20	4317	8000
19.21	4371	8100
19.22	4425	8200
19.23	4479	8300
19.24	Effective beginning December 31, 2009	
19.25	4533	8400
19.26	4587	8500
19.27	4641	8600
19.28	4695	8700
19.29	4749	8800
19.30	4803	8900
19.31	4857	9000
19.32	4911	9100
19.33	Effective beginning December 31, 2010	
19.34	4965	9200
19.35	5019	9300
19.36	5073	9400
19.37	5127	9500
19.38	5181	9600
19.39	5235	9700
19.40	5289	9800
19.41	5343	9900
19.42	5397	10,000
19.43	any amount in excess of 5397	10,000

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

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

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

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

20.20 Sec. 21. Minnesota Statutes 2006, section 424A.02, subdivision 3a, is amended to read:

20.21 Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a)
20.22 If a defined benefit relief association pays a service pension greater than the maximum
20.23 service pension associated with the applicable average amount of available financing per
20.24 active covered firefighter under the table in subdivision 3, paragraph (c) or (d), whichever
20.25 applies, the maximum service pension under subdivision 3, paragraph (f), or the applicable
20.26 maximum service pension amount specified in subdivision 3, paragraph (g), whichever is
20.27 less, the state auditor shall:

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

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

20.34 (b) Fire state aid amounts from disqualified municipalities for the period of
20.35 disqualifications under paragraph (a), clause (1), must be credited to the amount of

21.1 fire insurance premium tax proceeds available for the next subsequent fire state aid
21.2 apportionment.

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

21.6 (d) The determination of the state auditor that a relief association has paid a service
21.7 pension greater than the applicable maximum must be made on the basis of the information
21.8 filed by the relief association and the municipality with the state auditor under sections
21.9 69.011, subdivision 2, and 69.051, subdivision 1 or 1a, whichever applies, and any other
21.10 relevant information that comes to the attention of the state auditor. The determination
21.11 of the state auditor is final. An aggrieved municipality, relief association, or person may
21.12 appeal the determination under section 480A.06.

21.13 Sec. 22. Minnesota Statutes 2006, section 424A.02, subdivision 7, as amended by
21.14 Laws 2008, chapter 349, article 14, section 9, is amended to read:

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

21.17 (1) has completed the lesser of either the minimum period of active service with
21.18 the fire department specified in the bylaws or 20 years of active service with the fire
21.19 department;

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

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

21.25 (b) The deferred service pension is payable when the former member reaches age
21.26 50, or the minimum age specified in the bylaws governing the relief association if that age
21.27 is greater than age 50, and when the former member makes a valid written application.

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

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

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

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

22.6 (e) ~~A relief association that provides a defined contribution service pension may,
22.7 if its governing bylaws so provide, credit interest or additional investment performance
22.8 on the deferred lump sum service pension during the period of deferral. If provided for
22.9 in the bylaws, the interest must be paid in one of the manners specified in paragraph
22.10 (c) or alternatively the relief association may credit any investment return on the assets
22.11 of the special fund of the defined contribution volunteer firefighter relief association in
22.12 proportion to the share of the assets of the special fund to the credit of each individual
22.13 deferred member account through the date on which the investment return is recognized
22.14 by and credited to the special fund.~~

22.15 (f) For a deferred service pension that is transferred to a separate account established
22.16 and maintained by the relief association or separate investment vehicle held by the relief
22.17 association, the deferred member bears the full investment risk subsequent to transfer and
22.18 in calculating the accrued liability of the volunteer firefighters relief association that pays
22.19 a lump sum service pension, the accrued liability for deferred service pensions is equal
22.20 to the separate relief association account balance or the fair market value of the separate
22.21 investment vehicle held by the relief association.

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

22.26 Sec. 23. Minnesota Statutes 2006, section 424A.02, subdivision 8, is amended to read:

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

22.31 The election of installment payments ~~shall be~~ is irrevocable and ~~shall~~ must
22.32 be made by the retiring member in writing and filed with the secretary of the relief
22.33 association no later than 30 days prior to the commencement of payment of the service
22.34 pension. The amount of the installment payments ~~shall~~ must be determined so that the
22.35 present value of the aggregate installment payments computed at an interest rate of five

23.1 percent, compounded annually, is equal to the amount of the single lump sum payment
23.2 which would have been made had the installment payments option not been elected.
23.3 The payment of each installment ~~shall~~ must include interest at the rate of five percent,
23.4 compounded annually on the reserve supporting the remaining installment payments as
23.5 of the date on which the previous installment payment was paid and computed from the
23.6 date on which the previous installment payment was paid to the date of payment for
23.7 the current installment payment.

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

23.12 Sec. 24. Minnesota Statutes 2006, section 424A.02, subdivision 9, as amended by
23.13 Laws 2008, chapter 349, article 14, section 10, is amended to read:

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

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

23.25 (2) with respect to any defined benefit relief association, no ancillary benefit paid or
23.26 payable to any member, to any former member, or to any person on behalf of any member
23.27 or former member, may exceed in amount the total earned service pension of the member
23.28 or former member. The total earned service pension must be calculated by multiplying
23.29 the service pension amount specified in the bylaws of the relief association at the time of
23.30 death or disability, whichever applies, by the years of service credited to the member or
23.31 former member. The years of service must be determined as of (i) the date the member or
23.32 former member became entitled to the ancillary benefit; or (ii) the date the member or
23.33 former member died entitling a survivor or the estate of the member or former member to
23.34 an ancillary benefit. The ancillary benefit must be calculated without regard to whether the
23.35 member had attained the minimum amount of service and membership credit specified in

24.1 the governing bylaws. For active members, the amount of a permanent disability benefit
24.2 or a survivor benefit must be equal to the member's total earned service pension except
24.3 that the bylaws of ~~any~~ a defined benefit relief association may provide for the payment of
24.4 a survivor benefit in an amount not to exceed five times the yearly service pension amount
24.5 specified in the bylaws on behalf of any member who dies before having performed five
24.6 years of active service in the fire department with which the relief association is affiliated.

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

24.8 Subd. 9a. **Postretirement increases.** Notwithstanding any provision of general or
24.9 special law to the contrary, a defined benefit relief association paying a monthly service
24.10 pension may provide a postretirement increase to retired members and ancillary benefit
24.11 recipients of the relief association if (1) the relief association adopts an appropriate bylaw
24.12 amendment; and (2) the bylaw amendment is approved by the municipality pursuant to
24.13 subdivision 10 and section 69.773, subdivision 6. The postretirement increase ~~shall be~~
24.14 is applicable only to retired members and ancillary benefit recipients receiving a service
24.15 pension or ancillary benefit as of the effective date of the bylaw amendment. The authority
24.16 to provide a postretirement increase to retired members and ancillary benefit recipients
24.17 of a relief association contained in this subdivision ~~shall supersede~~ supersedes any prior
24.18 special law authorization relating to the provision of postretirement increases.

24.19 Sec. 26. Minnesota Statutes 2006, section 424A.02, subdivision 9b, is amended to read:

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

24.27 Sec. 27. Minnesota Statutes 2006, section 424A.02, subdivision 10, is amended to read:

24.28 Subd. 10. **Local approval of bylaw amendments; filing requirements.** (a) Each
24.29 defined benefit relief association to which this section applies ~~shall~~ must file a revised
24.30 copy of its governing bylaws with the state auditor upon the adoption of any amendment
24.31 to its governing bylaws by the relief association or upon the approval of any amendment
24.32 to its governing bylaws granted by the governing body of each municipality served by the
24.33 fire department to which the relief association is directly associated. Failure of the relief

25.1 association to file a copy of the bylaws or any bylaw amendments with the state auditor
25.2 ~~shall disqualify~~ disqualifies the municipality from the distribution of any future fire state
25.3 aid until this filing requirement has been completed.

25.4 (b) If the special fund of the relief association does not have a surplus over full
25.5 funding ~~pursuant to~~ under section 69.772, subdivision 3, clause (2), subclause (e), or
25.6 69.773, subdivision 4, and if the municipality is required to provide financial support to
25.7 the special fund of the relief association ~~pursuant to~~ under section 69.772 or 69.773, no
25.8 bylaw amendment which would affect the amount of, the manner of payment of, or the
25.9 conditions for qualification for service pensions or ancillary benefits or disbursements
25.10 other than administrative expenses authorized ~~pursuant to~~ under section 69.80 payable
25.11 from the special fund of the relief association ~~shall be~~ is effective until it has been ratified
25.12 by the governing body or bodies of the appropriate municipalities. If the municipality is
25.13 not required to provide financial support to the special fund ~~pursuant to~~ under this section,
25.14 the relief association may adopt or amend without municipal ratification its articles
25.15 of incorporation or bylaws which increase or otherwise affect the service pensions or
25.16 ancillary benefits payable from the special fund so long as the changes do not cause the
25.17 amount of the resulting increase in the accrued liability of the special fund to exceed 90
25.18 percent of the amount of the prior surplus over full funding and the changes do not result
25.19 in the financial requirements of the special fund exceeding the expected amount of the
25.20 ~~future~~ subsequent calendar year's fire state aid to be received by the relief association.

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

26.1 Sec. 28. Minnesota Statutes 2006, section 424A.02, subdivision 12, is amended to read:

26.2 Subd. 12. **Transfer of service credit to new district.** Notwithstanding the
26.3 requirements of subdivision 1 or any other law, a member of a fire department which is
26.4 disbanded upon formation of a fire district to serve substantially the same geographic
26.5 area, who serves as an active firefighter with the new district fire department, and is a
26.6 member of the district firefighters' defined benefit relief association ~~shall be~~ is entitled
26.7 to a nonforfeitable service pension from the new relief association upon completion of
26.8 a combined total of 20 years active service in the disbanded and the new departments.
26.9 The amount of the service pension ~~shall be~~ is based upon years of service in the new
26.10 department only; and ~~shall~~ must be in an amount equal to the accrued liability for the
26.11 appropriate years of service calculated in accordance with section 69.772, subdivision 2.

26.12 Sec. 29. Minnesota Statutes 2006, section 424A.02, subdivision 13, is amended to read:

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

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

26.31 Sec. 30. Minnesota Statutes 2006, section 424A.021, is amended to read:

26.32 **424A.021 CREDIT FOR BREAK IN SERVICE TO PROVIDE UNIFORMED**
26.33 **SERVICE.**

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

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

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

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

27.21 Sec. 31. Minnesota Statutes 2006, section 424A.03, is amended to read:

27.22 **424A.03 UNIFORMITY OF VOLUNTEER FIREFIGHTER SERVICE**
 27.23 **PENSION AND RETIREMENT BENEFITS.**

27.24 Subdivision 1. **Limitation on nonuniformity of pensions.** Every partially salaried
 27.25 and partially volunteer firefighters' relief association ~~shall~~ must provide service pensions
 27.26 to volunteer firefighter members based on the years of service of the members not on
 27.27 the compensation paid to the members for firefighting services. Each relief association
 27.28 ~~shall~~ must provide service pensions to salaried members as set forth in chapter 424 and
 27.29 applicable special laws.

27.30 Subd. 2. **Penalties for violations.** ~~Any~~ A municipality which has a fire department
 27.31 ~~to which~~ associated with a relief association which violates the provisions of subdivision
 27.32 1 is directly associated or which contracts with an independent nonprofit firefighting
 27.33 corporation ~~of which~~ associated with a relief association which violates the provisions
 27.34 of subdivision 1 is a subsidiary ~~shall~~ may not be included in the apportionment of fire
 27.35 state aid by the commissioner of commerce to the applicable county auditor ~~pursuant to~~

28.1 under section 69.021, subdivision 6, and ~~shall~~ may not be included in the apportionment
28.2 of fire state aid by the county auditor to the various municipalities ~~pursuant to~~ under
28.3 section 69.021, subdivision 7.

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

28.9 Sec. 32. Minnesota Statutes 2006, section 424A.04, is amended to read:

28.10 **424A.04 VOLUNTEER RELIEF ASSOCIATIONS; BOARD OF TRUSTEES.**

28.11 Subdivision 1. **Membership.** (a) A relief association that is directly associated with
28.12 a municipal fire department must be managed by a board of trustees consisting of nine
28.13 members. Six trustees must be elected from the membership of the relief association and
28.14 three trustees must be drawn from the officials of the municipalities served by the fire
28.15 department to which the relief association is directly associated. The bylaws of a relief
28.16 association which provides a monthly benefit service pension may provide that one of
28.17 the six trustees elected from the relief association membership may be a retired member
28.18 receiving a monthly pension who is elected by the membership of the relief association.
28.19 The three municipal trustees must be one elected municipal official and one elected or
28.20 appointed municipal official who are designated as municipal representatives by the
28.21 municipal governing board annually and the chief of the municipal fire department.

28.22 (b) A relief association that is a subsidiary of an independent nonprofit firefighting
28.23 corporation must be managed by a board of trustees consisting of nine members. Six
28.24 trustees must be elected from the membership of the relief association, two trustees must
28.25 be drawn from the officials of the municipalities served by the fire department to which
28.26 the relief association is directly associated, and one trustee ~~shall~~ must be the fire chief
28.27 serving with the independent nonprofit firefighting corporation. The bylaws of a relief
28.28 association may provide that one of the six trustees elected from the relief association
28.29 membership may be a retired member receiving a monthly pension who is elected by the
28.30 membership of the relief association. The two municipal trustees must be elected or
28.31 appointed municipal officials, selected as follows:

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

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

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

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

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

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

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

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

29.29 Subd. 2b. **Fiduciary responsibility.** In the discharge of their respective duties, the
29.30 officers and trustees shall be held to the standard of care specified in section 11A.09. In
29.31 addition, the trustees must act in accordance with chapter 356A. Each member of the board
29.32 is a fiduciary and shall undertake all fiduciary activities in accordance with the standard
29.33 of care of section 11A.09, and in a manner consistent with chapter 356A. No fiduciary
29.34 of a relief association shall cause a relief association to engage in a transaction if the
29.35 fiduciary knows or should know that the transaction constitutes one of the following direct
29.36 or indirect transactions: (1) sale or exchange or leasing of any real property between the

30.1 relief association and a board member; (2) lending of money or other extension of credit
 30.2 between the relief association and a board member or member of the relief association;
 30.3 (3) furnishing of goods, services, or facilities between the relief association and a board
 30.4 member; or (4) transfer to a board member, or use by or for the benefit of a board member,
 30.5 of any assets of the relief association. A transfer of assets does not mean the payment of
 30.6 relief association benefits or administrative expenses permitted by law.

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

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

- 30.14 (1) an actuary;
 30.15 (2) a licensed public accountant or a certified public accountant;
 30.16 (3) an attorney;
 30.17 (4) an investment advisor or manager, or an investment counselor;
 30.18 (5) an investment advisor or manager selection consultant;
 30.19 (6) a pension benefit design advisor or consultant; or
 30.20 (7) any other financial consultant.

30.21 Sec. 33. Minnesota Statutes 2006, section 424A.05, subdivision 1, is amended to read:

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

30.24 Sec. 34. Minnesota Statutes 2006, section 424A.05, subdivision 2, is amended to read:

30.25 Subd. 2. **Special fund assets and revenues.** The special fund ~~shall~~ must be credited
 30.26 with all fire state aid moneys received ~~pursuant to~~ under sections 69.011 to 69.051,
 30.27 all taxes levied by or other revenues received from the municipality ~~pursuant to~~ under
 30.28 sections 69.771 to 69.776 or any applicable special law requiring municipal support for
 30.29 the relief association, any moneys or property donated, given, granted or devised by any
 30.30 person which is specified for use for the support of the special fund and any interest or
 30.31 investment return earned upon the assets of the special fund. The treasurer of the relief
 30.32 association ~~shall be~~ is the custodian of the assets of the special fund and ~~shall~~ must be the
 30.33 recipient on behalf of the special fund of all revenues payable to the special fund. The
 30.34 treasurer shall maintain adequate records documenting any transaction involving the assets

31.1 or the revenues of the special fund. These records and the bylaws of the relief association
31.2 ~~shall be~~ are public and ~~shall~~ must be open for inspection by any member of the relief
31.3 association, any officer or employee of the state or of the municipality, or any member of
31.4 the public, at reasonable times and places.

31.5 Sec. 35. Minnesota Statutes 2006, section 424A.05, subdivision 3, as amended by
31.6 Laws 2008, chapter 349, article 14, section 11, is amended to read:

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

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

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

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

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

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

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

31.27 Sec. 36. Minnesota Statutes 2006, section 424A.05, subdivision 4, is amended to read:

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

31.30 Sec. 37. Minnesota Statutes 2006, section 424A.06, is amended to read:

31.31 **424A.06 RELIEF ASSOCIATION GENERAL FUND.**

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

32.1 Subd. 2. **General fund assets and revenues.** To the general fund, if established,
 32.2 ~~shall~~ must be credited all moneys received from dues, fines, initiation fees, entertainment
 32.3 revenues and any moneys or property donated, given, granted or devised by any person,
 32.4 for unspecified uses. The treasurer of the relief association ~~shall be~~ is the custodian of the
 32.5 assets of the general fund and ~~shall~~ must be the recipient on behalf of the general fund of
 32.6 all revenues payable to the general fund. The treasurer shall maintain adequate records
 32.7 documenting any transaction involving the assets or the revenues of the general fund.
 32.8 These records ~~shall~~ must be open for inspection by any member of the relief association
 32.9 at reasonable times and places.

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

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

32.18 Sec. 38. Minnesota Statutes 2006, section 424A.07, is amended to read:

32.19 **424A.07 NONPROFIT FIREFIGHTING CORPORATIONS;**
 32.20 **ESTABLISHMENT OF RELIEF ASSOCIATIONS.**

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

32.26 Sec. 39. Minnesota Statutes 2006, section 424A.08, is amended to read:

32.27 **424A.08 MUNICIPALITY WITHOUT RELIEF ASSOCIATION;**
 32.28 **AUTHORIZED DISBURSEMENTS.**

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

- 33.1 (1) payment of the fees, dues and assessments to the Minnesota State Fire
33.2 Department Association and to the state Volunteer Firefighters' Benefit Association in
33.3 order to entitle its firefighters to membership in and the benefits of these state associations;
- 33.4 (2) payment of the cost of purchasing and maintaining needed equipment for the
33.5 fire department; and
- 33.6 (3) payment of the cost ~~for~~ of construction, acquisition, repair ~~and~~ or maintenance of
33.7 buildings or other premises to house the equipment of the fire department.

33.8 Sec. 40. Minnesota Statutes 2007 Supplement, section 424A.10, subdivision 1, is
33.9 amended to read:

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

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

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

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

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

33.26 Sec. 41. Minnesota Statutes 2007 Supplement, section 424A.10, subdivision 2, is
33.27 amended to read:

33.28 Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a volunteer
33.29 firefighters' relief association of a lump sum distribution to a qualified recipient, the
33.30 association must pay a supplemental benefit to the qualified recipient. Notwithstanding
33.31 any law to the contrary, the relief association must pay the supplemental benefit out of
33.32 its special fund. ~~The amount of~~ This benefit ~~equals~~ is an amount equal to ten percent of
33.33 the regular lump sum distribution that is paid on the basis of the recipient's service as
33.34 a volunteer firefighter. In no case may the amount of the supplemental benefit exceed

34.1 \$1,000. A supplemental benefit under this paragraph may not be paid to a survivor of a
34.2 deceased active or deferred volunteer firefighter in that capacity.

34.3 (b) Upon the payment by a relief association of a lump sum survivor benefit or
34.4 funeral benefit to a survivor of a deceased active volunteer firefighter or of a deceased
34.5 deferred volunteer firefighter, the association may pay a supplemental survivor benefit
34.6 to the survivor of the deceased active or deferred volunteer firefighter from the special
34.7 fund of the relief association if its articles of incorporation or bylaws so provide. The
34.8 amount of the supplemental survivor benefit is 20 percent of the survivor benefit or funeral
34.9 benefit, but not to exceed \$2,000.

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

34.13 Sec. 42. Minnesota Statutes 2007 Supplement, section 424A.10, subdivision 3, is
34.14 amended to read:

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

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

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

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

34.27 Sec. 43. Minnesota Statutes 2006, section 424A.10, subdivision 4, is amended to read:

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

34.31 (b) If the law is modified to exclude or exempt volunteer firefighters' lump sum
34.32 distributions from state income taxation, the supplemental benefits under this section
34.33 ~~may~~ are no longer be paid payable, beginning with the first calendar year in which the

35.1 exclusion or exemption is effective. This subdivision does not apply to exemption of all or
35.2 part of a lump sum distribution under section 290.032 or 290.0802.

35.3 Sec. 44. Minnesota Statutes 2006, section 424A.10, subdivision 5, is amended to read:

35.4 Subd. 5. **Retroactive reimbursement in certain instances.** A supplemental
35.5 survivor or funeral benefit may be paid by a relief association for the death of an active
35.6 volunteer firefighter or of a deferred volunteer firefighter that occurred on or after August
35.7 1, 2005, if the relief association articles of incorporation or bylaws ~~so~~ provide for a
35.8 supplemental survivor benefit and provide for retroactivity.

35.9 Sec. 45. Minnesota Statutes 2006, section 424B.10, is amended to read:

35.10 **424B.10 CONSOLIDATING DEFINED BENEFIT RELIEF ASSOCIATIONS;**
35.11 **BENEFITS; FUNDING.**

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

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

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

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

35.26 (2) for service rendered by each individual volunteer firefighter before consolidation,
35.27 the service pension amount under the consolidating volunteer firefighters relief association
35.28 that the firefighter belonged to immediately before the consolidation if the pension amount
35.29 was implemented consistent with section 424A.02 and for service rendered after the
35.30 effective date of the consolidation, the highest dollar amount service pension of any of the
35.31 consolidating volunteer firefighters relief associations in effect immediately before the
35.32 consolidation if the pension amount was implemented consistent with section 424A.02.

36.1 ~~(b)~~ (c) Any increase in the service pension amount beyond the amount implemented
36.2 under paragraph (a) must conform with the requirements and limitations of sections
36.3 69.771 to 69.775 and section 424A.02.

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

36.8 (b) If any applicable municipality fails to meet its portion of the minimum municipal
36.9 obligation to the subsequent relief association, all other applicable municipalities are
36.10 jointly obligated to provide the required funding upon certification by the relief association
36.11 secretary. An applicable municipality that pays the minimum municipal obligation
36.12 amount for another applicable municipality, the municipality may collect ~~the~~ that payment
36.13 amount, plus a 25 percent surcharge, from the responsible applicable municipality by any
36.14 available means, including a deduction from any state aid or payment amount payable
36.15 to the responsible municipality upon certification of the necessary information to the
36.16 commissioner of finance.

36.17 Sec. 46. [424B.11] CONSOLIDATING DEFINED CONTRIBUTION RELIEF
36.18 ASSOCIATIONS; INDIVIDUAL ACCOUNTS; FUNDING.

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

36.22 Subd. 2. **Individual accounts.** The successor relief association following the
36.23 consolidation of two or more defined contribution relief associations must be a defined
36.24 contribution relief association and the successor relief association board shall establish
36.25 individual accounts for every active member, deferred member, or retired member
36.26 receiving installment payments with that status as of the consolidation date. To each
36.27 individual account the successor relief association must credit the amount to the credit
36.28 of each person by a predecessor relief association as of the date of consolidation plus a
36.29 proportional share, based on account value, of any subsequent net revenue during the
36.30 consolidation process.

36.31 Subd. 3. **Funding.** Unless the articles of incorporation or bylaws of the successor
36.32 relief association specify that municipal contributions are wholly voluntary or unless the
36.33 municipalities associated with the consolidating defined contribution relief associations
36.34 agree in writing to a different municipal support arrangement, each municipality must
36.35 continue to provide the same amount of municipal support to the successor relief

37.1 association as the municipality provided to the applicable predecessor relief association in
37.2 the calendar year immediately prior to the calendar year in which the consolidation occurs.

37.3 Sec. 47. **[424B.12] MIXED CONSOLIDATING RELIEF ASSOCIATIONS;**
37.4 **BENEFIT PLAN; FUNDING.**

37.5 Subdivision 1. **Applicability.** This section applies where one or more of the
37.6 volunteer firefighters' relief associations involved in the consolidation are defined benefit
37.7 relief associations as defined in section 424A.001, subdivision 1b, and one or more of
37.8 the volunteer firefighters' relief associations involved in the consolidation are defined
37.9 contribution relief associations as defined in section 424A.001, subdivision 1c.

37.10 Subd. 2. **Benefit plan.** The articles of incorporation or bylaws of the relief successor
37.11 relief association must specify whether the relief association is a defined benefit relief
37.12 association or whether the relief association is a defined contribution relief association. If
37.13 the successor relief association is a defined benefit relief association, the relief association
37.14 benefits must comply with sections 424A.02 and 424B.11, subdivision 1a. If the successor
37.15 relief association is a defined contribution relief association, the relief association must
37.16 comply with sections 424A.017 and 424B.12, subdivision 2.

37.17 Subd. 3. **Funding.** If the successor relief association is a defined benefit relief
37.18 association, the relief association funding is governed by section 424B.11, subdivision 2.
37.19 If the successor relief association is a defined contribution relief association, the relief
37.20 association funding is governed by section 424B.12, subdivision 3.

37.21 Sec. 48. **REPEALER.**

37.22 Subdivision 1. **Repealed for recodification.** Minnesota Statutes 2006, sections
37.23 424A.001, subdivision 7; and 424A.02, subdivisions 4, 6, 8a, and 8b, are repealed.

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

37.26 Sec. 49. **EFFECTIVE DATE.**

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

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

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

38.1

ARTICLE 2

38.2

CONFORMING CHANGES

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

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

38.13 (b) The state auditor shall determine if a municipality to which a firefighters' relief
38.14 association is directly associated or a firefighters' relief association fails to comply with
38.15 the provisions of sections 69.771 to 69.776 or the funding or financing provisions of any
38.16 applicable special law based upon the information contained in the annual financial report
38.17 of the firefighters' relief association required under section 69.051, the actuarial valuation
38.18 of the relief association, if applicable, the relief association officers' financial requirements
38.19 of the relief association and minimum municipal obligation determination documentation
38.20 under section 69.772, subdivisions 3 and 4; 69.773, subdivisions 4 and 5; or 69.774,
38.21 subdivision 2, if requested to be filed by the state auditor, the applicable municipal or
38.22 nonprofit firefighting corporation budget, if requested to be filed by the state auditor, and
38.23 any other relevant documents or reports obtained by the state auditor.

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

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

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

38.30 (3) the relief association officers fail to determine or improperly determine the
38.31 accrued liability and the annual accruing liability of the relief association under section
38.32 69.772, subdivisions 2, 2a, and 3, paragraph (c), clause (2), if applicable;

38.33 (4) if applicable, the relief association officers fail to obtain and file a required
38.34 actuarial valuation or the officers file an actuarial valuation that does not contain the
38.35 special fund actuarial liability calculated under the entry age normal actuarial cost

39.1 method, the special fund current assets, the special fund unfunded actuarial accrued
39.2 liability, the special fund normal cost under the entry age normal actuarial cost method,
39.3 the amortization requirement for the special fund unfunded actuarial accrued liability
39.4 by the applicable target date, a summary of the applicable benefit plan, a summary of
39.5 the membership of the relief association, a summary of the actuarial assumptions used
39.6 in preparing the valuation, and a signed statement by the actuary attesting to its results
39.7 and certifying to the qualifications of the actuary as an approved actuary under section
39.8 356.215, subdivision 1, paragraph (c);

39.9 (5) the municipality failed to provide a municipal contribution, or the nonprofit
39.10 firefighting corporation failed to provide a corporate contribution, in the amount equal
39.11 to the minimum municipal obligation if the relief association is governed under section
39.12 69.772, or the amount necessary, when added to the fire state aid actually received
39.13 in the plan year in question, to at least equal in total the calculated annual financial
39.14 requirements of the special fund of the relief association if the relief association is
39.15 governed under section 69.773, and, if the municipal or corporate contribution is deficient,
39.16 the municipality failed to include the minimum municipal obligation certified under
39.17 section 69.772, subdivision 3, or 69.773, subdivision 5, in its budget and tax levy or the
39.18 nonprofit firefighting corporation failed to include the minimum corporate obligation
39.19 certified under section 69.774, subdivision 2, in the corporate budget;

39.20 (6) the defined benefit relief association did not receive municipal ratification for
39.21 the most recent plan amendment when municipal ratification was required under section
39.22 69.772, subdivision 6; 69.773, subdivision 6; or 424A.02, subdivision 10;

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

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

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

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

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

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

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

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

40.6 **424B.21 ANNUITY PURCHASES UPON DISSOLUTION.**

40.7 The board of trustees of a volunteer firefighters relief association that is scheduled
40.8 for dissolution may purchase annuity contracts under section ~~424A.02~~ 424A.015,
40.9 subdivision ~~8a~~ 3, instead of transferring special fund assets to a municipal trust fund
40.10 under section 424B.20, subdivision 4. Payment of an annuity for which a contract is
40.11 purchased may not commence before the retirement age specified in the relief association
40.12 bylaws and in compliance with section 424A.016, subdivision 2, or 424A.02, subdivision
40.13 1. Legal title to the annuity contract transfers to the municipal trust fund under section
40.14 424B.20, subdivision 4.

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