

Minnesota Volunteer Fire Relief Association

Working Group Meeting

Office of the State Auditor

Tuesday, October 1, 2019

11 a.m. to 1 p.m.

I. Call to Order

Chair Auditor Blaha.

II. Introductions

III. Review and Approval of Working Group Meeting Minutes

Exhibit A. Draft December 6, 2018 Meeting Minutes

IV. Working Group Process Discussion

Exhibits B through E.

- Working Group Meeting Schedule (B)
- Working Group Purpose Statement (C)
- Working Group Process (D)
- Working Group Membership List (E)

V. Update on 2019 Relief Association Legislation

Exhibit F.

VI. Discussion of Working Group Topic Suggestions

Exhibits G and H.

- Requests from Legislature and Other Agencies (G)
- Requests from Stakeholders (H)

VII. Other Business

Exhibits I and J.

- Discussion of Uniformity of Benefits Technical Change (if approved in Agenda item VI) (I)
- Discussion of Supplemental Benefits for Firefighters Receiving Multiple Distributions (if approved in Agenda item VI) (J)

VIII. Next Meeting

Thursday, October 22, 2019

11 a.m. to 1 p.m.

Retirement Systems Building

IX. Adjournment

Individuals with disabilities who need a reasonable accommodation to participate in this event, please contact Rose Hennessy Allen at (651) 296-5985 or (800) 627-3529 (TTY) by September 27, 2019.

Volunteer Fire Relief Association Working Group

Office of the State Auditor
Thursday, December 6, 2018
11 a.m. to 1 p.m.

Members Present

Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)
Ron Johnson, Minnesota State Fire Department Association Representative (defined contribution plans)
Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)
Thomas Wilson, Eden Prairie Fire Relief Association Trustee (defined benefit monthly/lump sum plans)
Michael Kruse, Falcon Heights Fire Relief Association Treasurer (defined contribution plans)
Susan Lenczewski, Legislative Commission on Pension and Retirement Executive Director
Rebecca Otto, State Auditor
Tim O'Neill, Minnesota State Fire Chiefs Association Representative (defined benefit monthly/lump sum plans)
Sue Virnig, City of Golden Valley Finance Director
Kevin Wall, Lower Saint Croix Valley Fire Relief Association President (defined benefit lump sum plans)

Members Excused

Steve Donney, City of Harmony Mayor
Dave Jaeger, Mahnommen Fire Relief Association Vice President (defined benefit lump sum plans)

Others Present

Ramona Advani, Deputy State Auditor and General Counsel
Julie Blaha, State Auditor Elect
Anne Finn, League of Minnesota Cities Representative
Rose Hennessy Allen, Office of the State Auditor Pension Director
Jason Kuenle, Office of the Revisor of Statutes Representative
Ann Lenczewski, Lockridge Grindal Nauen Representative
Mark Schulte, Van Iwaarden Associates Representative
Mike Stroeing, Public
Maddison Zikmund, Spring Lake Park, Blaine, Mounds View Fire Department Representative
Nyle Zikmund, City of Mounds View Administrator

The following motions were duly made, seconded and approved:

- RESOLVED to approve the November 29, 2018, meeting minutes;
- RESOLVED to approve draft language that would update the benefit level used to calculate survivor benefits for certain members of defined-benefit relief associations;
- RESOLVED to approve draft language that makes a technical change to the bylaw amendment approval requirement for relief associations affiliated with an independent nonprofit firefighting corporation;
- RESOLED to approve draft language that adjusts the threshold at which additional investment reporting is required so that relief associations maintain their current reporting requirements;

- RESOLVED to approve draft language clarifying the requirement that relief association audits be conducted in compliance with generally accepted governmental auditing standards and include a legal compliance audit;
- RESOLVED to approve draft language that expands eligibility for survivor supplemental benefits to designated beneficiaries and estates;
- RESOLVED to approve draft language that permits relief associations to establish lower vesting requirements for members who return to active service after being paid a service pension;
- RESOLVED to approve draft language that adds a definition of “break in service” to statute and that specifies firefighters with a break in service at the end of their career will receive benefits calculated at the benefit level in effect when the firefighter began the break; and
- RESOLVED to approve draft language that permits defined-benefit relief associations to offer full vesting after at least ten completed years of service and that clarifies the vesting language for both defined-benefit and defined-contribution plans.

I. Call to Order

Auditor Otto called the meeting to order.

II. Review and Approval of Working Group Meeting Minutes

The members reviewed the November 29, 2018, meeting minutes that had been provided in advance. Hemstad made a motion to adopt the minutes. Johnson seconded the motion that was then adopted unanimously.

III. Review of Draft Legislation

• **Benefit Levels for Ancillary Benefits**

Members reviewed draft language that would update the ancillary benefit provision for defined-benefit relief associations to use the benefit level in effect at the time of a member’s separation from active service as the benefit level when calculating disability and survivor benefits. Kuenle noted that changes being proposed for members with a break in service could intersect with this ancillary benefit change. Hemstad made a motion to adopt the draft language. Johnston seconded the motion that was then adopted unanimously.

• **Bylaw Approval Technical Change**

Draft language that makes a technical change to the bylaw amendment approval requirement for relief associations affiliated with an independent nonprofit firefighting corporation was reviewed. Kruse made a motion to adopt the draft language. Wall seconded the motion that was then adopted unanimously.

• **Deferred Interest Technical Change**

The members reviewed draft language that makes technical changes to the deferred interest provisions for both defined-benefit and defined-contribution relief associations. The changes replace the words “pay,” “paid,” and “payable” with “credit” or “credited.”

Virnig made a motion to adopt the draft language. Johnson seconded the motion that was then adopted unanimously.

- **Investment Additional Reporting Threshold**

Draft language was reviewed that would increase the threshold that requires additional investment reporting from the current \$25 million to \$50 million. The threshold has been adjusted a number of times, and needs to be adjusted again so that relief associations remain under the threshold and maintain their current reporting. Johnston made a motion to adopt the draft language. Wilson seconded the motion that was then adopted unanimously.

- **Legal Compliance Audits Technical Change**

The members reviewed draft language that clarifies relief association audits are required to be conducted in compliance with generally accepted governmental auditing standards and include a legal compliance audit. The members agreed that the provision should become effective upon enactment. Hemstad made a motion to adopt the draft language with the amended effective date. O'Neill seconded the motion that was then adopted unanimously.

- **Supplemental Survivor Benefits**

Currently, supplemental survivor benefits can only be paid to a surviving spouse or to a surviving child or children. If a survivor benefit is paid to a designated beneficiary or to an estate, no supplemental benefit is payable. Members reviewed draft language that would expand eligibility for supplemental survivor benefits to designated beneficiaries and to trusts. Johnston asked if the expanded eligibility would require relief associations to go back and pay supplemental survivor benefits to individuals who were not qualified to receive a supplemental benefit when the survivor benefit was paid. It was agreed that the effective date language should be amended to make clear that the expanded authority is for benefits paid to firefighters who die on or after January 1, 2019. Johnston made a motion to adopt the draft language as amended. Kruse seconded the motion that was then adopted unanimously.

IV. Discussion of Permitting Different Vesting Requirements for Certain Return-to-Service Members

Advani provided an explanation of the draft changes to the return-to-service provisions. The intent of the changes is to allow relief associations to establish lower vesting requirements for firefighters who return to active service and membership after being paid a service pension. The members discussed whether a minimum vesting period should be defined in statute for members who return after being paid a service pension, or whether each relief association should have flexibility to establish its own requirements. After discussion, the members agreed that lower vesting requirements for return-to-service members should be permitted only for members who are paid a service pension and then resume active service with the same fire department, and that relief associations should have flexibility to define the vesting requirements for these members in their

bylaws. Hemstad made a motion to adopt the draft language as amended. Kruse seconded the motion that was then adopted unanimously.

V. Discussion of Benefit Level for Members with a Break in Service

Members reviewed draft language that would add a definition of “break in service” to statute and specify that benefits for members with a break in service at the end of their firefighting career are based on the benefit level in effect when the break began. The intent is for benefits to be calculated using the benefit level in effect when a firefighter last was active. It was identified that a future Working Group project will be a review of language throughout 424A, including the pending “break in service” definition, and make updates to include members who solely perform emergency medical services. Lenczewski suggested striking “volunteer” from fire department on line 1.1. Wall made a motion to adopt the draft language as amended. Johnston seconded the motion that was then adopted unanimously.

VI. Discussion of Vesting Requirements for Defined-Benefit Plans

Members reviewed draft language that would make clear for both defined-contribution and defined-benefit plans that the statutory vesting percentages are maximums, and that would allow defined-benefit plans to offer full vesting after at least ten completed years of service. Schulte explained how the current liability factors assume 20 years of service. The members agreed that the liability factors should be reviewed to determine if future changes are needed to avoid underfunding. Kuenle suggested changes to clarify the Working Group’s intent that full-vesting requirements could be set as low as ten years and as high as 20 years. Hemstad made a motion to adopt the draft language as amended, and to provide permission for the language to be further clarified by staff if necessary. Johnson seconded the motion that was then adopted unanimously.

VII. Review Statutory Definitions of “Volunteer Firefighter”

Kuenle provided the members with a document showing the statutory chapters where “volunteer firefighter” is defined, and identified sections that use the term without referencing a specific definition. The members thanked Kuenle for the incredibly helpful information.

VIII. Other Business

Auditor Otto shared what an honor it was to serve Minnesotans as the State Auditor over the last 12 years. She thanked the Working Group members and others in attendance for all of the important work that was accomplished.

IX. Next Meeting

None was scheduled.

X. Adjournment

The meeting was adjourned at 1:00.

Exhibit B
Working Group Meeting Schedule

Tuesday, October 1, 2019

Tuesday, October 22, 2019

Friday, November 8, 2019

Tuesday, November 26, 2019

Tuesday, December 17, 2019

Additional meetings in early 2020 may be scheduled

State Auditor Julie Blaha, Chair
Retirement Systems Building, first floor board room
60 Empire Drive
Saint Paul, MN 55103
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 while maintaining effective and efficient Office of the State Auditor oversight. 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. The ultimate goal is to help volunteer fire relief association plans be successful.

Exhibit D

Working Group Process

- Identify and discuss topics and make recommendations to clarify state laws,*
- Forward suggested statutory changes to the Legislative Commission on Pensions and Retirement, and
- Identify ways to simplify reporting forms, identify training needs and other issues.

*Unanimous consent is required for all proposals to move forward, although proposals may be revisited and reconsidered.

Exhibit E
Working Group Membership List
2019/2020

1. Municipal Official

Steve Donney, Mayor
City of Harmony
PO Box 175
Harmony, MN 55939
(507) 951-4320
stdonney2002@yahoo.com

2. Municipal Official

Sue Iverson, Finance Director
City of Lake Elmo
3880 Laverne Avenue North
Lake Elmo, MN 55042
(651) 747-3909
siverson@lakeelmo.org

3. Defined Benefit Monthly/Lump Sum Combination Plans

Thomas Wilson, Secretary
Eden Prairie Fire Relief Association
14800 Scenic Heights Road
Eden Prairie, MN 55344
(952) 594-4411
tomwilson52@hotmail.com

4. Defined Benefit Lump Sum Plans

Bruce Hemstad, Secretary
Bemidji Fire Relief Association
318 – 5th Street N.W.
Bemidji, MN 56601
(218) 766-0014
bruce.hemstad@gmail.com

5. Defined Benefit Lump Sum Plans

Dave Jaeger, Treasurer
Mahnomen Fire Relief Association
116 SW Roosevelt Street
Mahnomen, MN 56557
(218) 935-5668
jaegerd68@gmail.com

6. Minnesota State Fire Department Association

Ron Johnson, Treasurer
Maple Grove Fire Relief Association
P.O. Box 1174
Maple Grove, MN 55311
(612) 245-0012
ron@johnsonmn.com

7. Defined Contribution Plans

Aaron Johnston, Treasurer
Coon Rapids Fire Relief Association
2831 – 113th Avenue NW
Coon Rapids, MN 55433
(763) 767-6477
ajohnston@coonrapidsmn.gov

8. Defined Contribution Plans

Michael Kruse, Treasurer
Falcon Heights Fire Relief Association
2077 West Larpenteur Avenue
Falcon Heights, MN 55113
(651) 792-7635
mikek1716@hotmail.com

9. Minnesota State Fire Chiefs Association

Eric Bullen, Chief, Director of Emergency Management, Fire Marshal
Albertville Fire Department
P.O. Box 9
Albertville, MN 55301
(763) 497-3384 ext. 107
ebullen@ci.albertville.mn.us

10. Defined Benefit Lump Sum Plans

Kevin Wall, President
Lower Saint Croix Valley Fire Relief Association
P.O. Box 234
Lake St. Croix Beach, MN 55043
(763) 401-2289
wallkcw@gmail.com

11. State Auditor Julie Blaha

525 Park Street, Suite 500
Saint Paul, MN 55103
(651) 296-2551
state.auditor@osa.state.mn.us

Office of the State Auditor and Legislative Support

Legislative Commission on Pensions & Retirement

Susan Lenczewski, Executive Director
55 State Office Building
Saint Paul, MN 55155
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susan.lenczewski@lcpr.leg.mn

Office of the State Auditor

Ramona Advani, General Counsel and Deputy State Auditor
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Office of the State Auditor

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Exhibit F

2019 Relief Association Legislation

Working Group Proposals:

- Clarified that audits must be conducted in compliance with generally accepted governmental auditing standards and include a legal compliance audit.
- Changed the threshold at which additional investment reporting is required so that relief associations maintain their current reporting requirements.
- Added a definition of “break in service” to statute and made a change so that if a firefighter has a break in service at the end of the firefighter’s career, the benefit level in effect when the firefighter began the break is used to calculate benefits.
- Provided authority for a relief association, if it wishes, to define a shorter vesting requirement for firefighters who resume active service after being paid a service pension.
- Allowed DB plans to permit full vesting after 10 completed years of active service and rewrote the vesting provisions for both DB and DC plans to make them clearer.
- Expanded survivor supplemental benefits to designated beneficiaries and estates.
- Made technical corrections to clean up language in the return to service and deferred interest provisions.

Other Proposals:

- The City of Austin extended the expiration date of its special legislation that allows fire state aid to be allocated between the relief association and contributions to PERA P&F for the City’s full-time firefighters.
- General legislation related to the allocation of fire state aid was laid over (no action was taken).
- Recommendations of the work group on conversions and dissolutions were heard but no action was taken.

Volunteer Fire Relief Association Working Group

2019/2020 Potential Topic Requests from Legislature and Other Agencies

Topic	Description
Deferred Interest (424A.016, subd. 6 and 424A.02, subd. 7)	1. Consider whether the payment of interest or additional investment earnings should be phased out.
Supplemental Benefits (424A.10)	2. Discuss supplemental benefit eligibility for firefighters who are paid more than one lump-sum distribution.
Uniformity of Benefits (424A.03)	3. Clarify the Uniformity of Volunteer Firefighter Service Pension and Retirement Benefits section as the language currently is unclear.
Vesting (424A.016, subd. 3 and 424A.02, subd. 2)	4. Discuss the current vesting requirements for both full and partial vesting and consider whether they are too long.

Volunteer Fire Relief Association Working Group

2019/2020 Potential Topic Requests from Stakeholders

Topic	Description
Accrued Liabilities (424A.092, subd. 2)	1. Review the accrued liability factors for defined-benefit lump-sum plans to determine if changes are needed for relief associations that elect to authorize full vesting after less than 20 years of service.
Career Firefighters (424A.015, subd. 1)	2. Consider allowing firefighters who are hired on a fulltime basis and retire from the relief association to be paid their relief association service pension before reaching age 50.
Concurrent Service Credit (424A.01, subd. 4a)	3. Consider whether the prohibition on the receipt of concurrent service credit should be broadened so that it applies to service credit in MSRS, too.
Combined Service Pensions (424A.015, subd. 7)	4. Consider making combined service pensions mandatory and available to all firefighters with service in more than one fire department. 5. Consider changing the combined service pension provision so that the pension amount accrued in the first relief association is locked in, and that vesting continues accruing in the subsequent relief association. (Similar to how combined service works in the PERA Statewide Plan.)
Deferred Interest (424A.016, subd. 6 and 424A.02, subd. 7)	6. Review situations where firefighters receive more in interest during their period of deferral than in service credit while active, and consider ways to lessen the incentive for a firefighter to end active firefighting duties because of this imbalance.
Definitions (424A.001, subd. 10)	7. Consider reviewing the definition of "volunteer firefighter" in the relief association statutes for consistency with definitions in other statutes.
Fire Chief Service Credit Certification (424A.003)	8. Consider whether the deadline for the fire chief to provide notice of the certified service credit amount is appropriate, or whether the fire chief should be provided with more time. 9. Consider changing the certification requirement so that fire chiefs do not need to wait 60 days to certify the service credit amounts after providing notice to each firefighter, if each firefighter has received the notification and provided confirmation that the amount is correct. 10. Discuss whether the municipal clerk and relief association should have the ability to approve or deny the fire chief's certification.
Reporting Deadlines (69.051, subd. 1a)	11. Consider increasing the threshold at which an audit is required. The current threshold is \$500,000 in either assets or liabilities.

Return to Service
(424A.01, subd. 6)

12. Discuss removing language that exempts members with an approved leave of absence from the minimum period of resumption requirement.
13. Discuss allowing members who return to service to keep any interest that had been accrued during their period of deferral.

Service Credit
(424A.015, subd. 6)

14. Consider allowing relief associations to set a lower benefit level amount for EMS-only members if the minimum service requirements for these individuals are less than for firefighters.
15. Consider ways in which a relief association could allow for a bonus payment from the special fund for firefighters with at least 20 years of service, for example, as a way to retain firefighters. Ideas include authorizing a higher per-year-of-service benefit level for these years.
16. Consider allowing relief associations to provide different benefit levels per year of service depending on the percent of calls or other requirements that a firefighter completes.

Special Fund Disbursements
(424A.05, subd. 3)

17. Consider allowing for emergency or hardship distributions to firefighters.
18. Consider updating the insurance premiums language on the list of authorized special fund disbursements to remove the requirement that the insurance company offer casualty insurance.

State Aid
(477B and 423A.022)

19. Discuss fire state aid and supplemental state aid and whether they should be allocated in a different manner.

Vesting (424A.016,
subd. 3 and 424A.02, subd. 2)

20. Consider allowing vesting percentages to be prorated monthly for fractional years of service.
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Exhibit I
Uniformity of Benefits Technical Change

Current Language (as amended during the 2019 Session):

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

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

Subd. 2. **Penalties for violations.** A municipality which has a fire department associated with a relief association which violates the provisions of subdivision 1 is directly associated or which contracts with an independent nonprofit firefighting corporation associated with a relief association which violates the provisions of subdivision 1 is a subsidiary may not be included in the apportionment of fire state aid and police and firefighter retirement supplemental state aid payable under chapter 477B and section 423A.022 and may not be included in the apportionment of fire state aid to the various municipalities under section 477B.03.

Proposed Language:

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

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

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

Exhibit J

Supplemental Benefits

Topic:

When a relief association pays a lump-sum distribution, the relief association is also required to pay a supplemental benefit. The supplemental benefit is intended to help offset taxes that must be paid on the service pension or benefit distribution. For service pensions and disability benefits, the amount of the supplemental benefit is equal to 10 percent of the lump-sum distribution, up to a maximum of \$1,000. For survivor benefits, the amount of the supplemental benefit is equal to 20 percent of the survivor benefit distribution, up to a maximum of \$2,000. Relief associations are eligible to apply for reimbursement from the State of Minnesota for supplemental benefits paid to qualified recipients.

The Department of Revenue has identified several retired firefighters who have or will be receiving more than one lump-sum distribution. These firefighters fall into two categories:

- 1) firefighters who receive multiple distributions from the same entity; and
- 2) firefighters who receive one distribution from multiple entities.

The entities may be relief associations or fire departments that participate in the PERA Statewide Plan.

The supplemental benefit statute does not clearly address multiple benefit payments to the same individual. Multiple payments may become more common as more firefighters utilize the “return to service” provisions in statute. It would be helpful for those administering and overseeing supplemental benefits to have clarity on this topic.

Considerations:

1. Should firefighters who receive distributions from more than one entity receive a supplemental benefit with each distribution?
 - a. If “Yes,” should the \$1,000 maximum for supplemental benefits be the maximum for each benefit or a cumulative maximum?
2. Should firefighters who receive more than one distribution from the same entity receive a supplemental benefit with each distribution?
 - a. If “Yes,” should the \$1,000 maximum for supplemental benefits be the maximum for each benefit or a cumulative maximum?
3. Any additional?

Statute:

424A.10 STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.

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

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

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

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

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

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

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

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

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

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

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

Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a volunteer firefighters relief association or by the voluntary statewide lump-sum volunteer firefighter retirement plan of a lump-sum distribution to a qualified recipient, the association must pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the contrary, the relief association must pay the supplemental benefit out of its special fund and the voluntary statewide lump-sum volunteer firefighter retirement plan must pay the supplemental benefit out of the voluntary statewide lump-sum volunteer

firefighter retirement plan. This benefit is an amount equal to ten percent of the regular lump-sum distribution that is paid on the basis of the recipient's service as a volunteer firefighter. In no case may the amount of the supplemental benefit exceed \$1,000. A supplemental benefit under this paragraph may not be paid to a survivor of a deceased active or deferred volunteer firefighter in that capacity.

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

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

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

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

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

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

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

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