

Minnesota Volunteer Fire Relief Association
Working Group Meeting

Office of the State Auditor

Tuesday, January 17, 2012

11 a.m. to 1 p.m.

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

- II. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft December 13, 2011 Meeting Minutes

- III. Final Review of Approved Language for Technical Changes**
Exhibit B.

- IV. Review of New Draft Technical Change**
Exhibit C.

- V. Review of Draft Deferred Service Pension Changes**
Exhibits D through F.
 - Eligibility Clarification (D)
 - Specification of Calculation Method (E)
 - Clarification for Full-Time Firefighters (F)

- VI. Discussion of IRS Tax-Exempt Issues**

- VII. Other Business**

- VIII. Adjournment**

Volunteer Fire Relief Association Working Group

Office of the State Auditor
Tuesday, December 13, 2011
11 a.m. to 1 p.m.

Members Present

Wayne Anderson, Coon Rapids Fire Department Inspector (defined contribution plans)
Bruce Duncan, Excelsior Fire Relief Association President (defined benefit lump sum plans)
Dave Ganfield, Apple Valley Fire Relief Association Administrator (defined benefit monthly/lump sum combination plans)
Dave Jaeger, Mahnomon Fire Relief Association Treasurer (defined benefit lump sum plans)
Larry Martin, Legislative Commission on Pensions and Retirement Director
Rebecca Otto, State Auditor
Tim Simon, Elk River City Finance Director
Steven Wallner, Watertown City Finance Director
Nyle Zikmund, Minnesota State Fire Chiefs Association Representative (defined benefit monthly plans)

Members Excused

Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)
John King, Minnesota State Fire Department Association Representative
Bruce Roed, Mentor Fire Relief Association Trustee (defined contribution plans)

Others Present

Colleen Bollom, Minnesota Firefighter Pension Consultants Representative
Eve Borenstein, Borenstein and McVeigh Law Office Representative
Mary Chamberlain, Abdo, Eick & Meyers Representative
Aaron Dahl, Office of the State Auditor Pension Analyst
Rose Hennessy Allen, Office of the State Auditor Pension Director
Jim Jensen, Office of the State Auditor Pension Analyst
Deb Jezierski, HLB Tautges Redpath Representative
Michael Johnson, Office of the State Auditor Pension Analyst
Aaron Johnston, Coon Rapids Fire Relief Association Representative
Mark Kerr, Office of the State Auditor Assistant Legal Counsel
Brian McKnight, Wells Fargo Advisors Representative
Terry Post, City of Long Lake Representative

The following motions were duly made, seconded and approved:

- RESOLVED to approve the November 16, 2011, Working Group Meeting Minutes;
RESOLVED to adopt draft language clarifying that the tests to determine whether a relief association is eligible to invest using the expanded list of authorized investment securities are based solely on Special Fund assets;
RESOLVED to adopt draft language that removes out-dated references to the Minneapolis Teachers Retirement Fund Association and the Minneapolis Employees Retirement Fund;
RESOLVED to adopt draft language that removes duplicative language from Section 424A.02;

RESOLVED to adopt language that clarifies the entitlement to a deferred service pension for members who separate from active service and membership after reaching age 50; and

RESOLVED to draft language requiring that a calculation method be specified in the bylaws of relief associations electing to pay deferred interest or credit additional investment performance.

I. Call to Order

Chair Auditor Otto called the meeting to order.

The Working Group members and others in attendance introduced themselves and identified the community that they are representing.

II. Review and Approval of Working Group Meeting Minutes

The members reviewed the November 16, 2011, meeting minutes that had been provided in advance. Duncan made a motion to adopt the meeting minutes. Jaeger seconded the motion that was adopted unanimously. Simon, Wallner, and Zikmund abstained as they were not in attendance at the November 16 meeting.

III. Review of Draft Language for Technical Changes

The members discussed Technical Change #1, which clarifies that the tests to determine whether a relief association is eligible to invest using the expanded list of authorized investment securities are based just on Special Fund assets (rather than Special and General Fund assets). Simon made a motion to adopt the draft language. Anderson seconded the motion, which was adopted unanimously.

Technical Change #2 was discussed, which removes out-dated references to the Minneapolis Teachers Retirement Fund Association and the Minneapolis Employees Retirement Fund. Zikmund made a motion to adopt the draft language. Jaeger seconded the motion, which was adopted unanimously.

The Working Group members discussed Technical Change #3, which removes duplicative language. When Chapter 424A was updated two years ago, language providing an exception for full-time firefighters to the requirement that a firefighter must “separate from active service” to be eligible for a service pension was added to Section 424A.015, subdivision 1 (the section for generally-applicable regulations). The language wasn’t removed from Section 424A.02, however. The draft language removes the duplicative language. Zikmund made a motion to adopt the draft language. Anderson seconded the motion, which was adopted unanimously.

IV. Discussion of Deferred Service Pension Changes

Auditor Otto explained that there are three issues regarding deferred service for the Working Group’s consideration. The first issue is a clarification issue. Current law appears to limit entitlement to a deferred service pension to members who separate from

active service before reaching age 50. Sometimes, members separate from active service after age 50 and choose not to immediately apply for their service pension distribution. Relief associations treat these members as deferred members, so a change should be made to reflect current practice. Martin explained when the statute was drafted, it was presumed that firefighters would draw their service pension once they reached age 50. The purpose of the deferred service pension section is to make clear that members didn't need to remain an active firefighter up until the time of their retirement to be eligible for a service pension. Duncan made a motion to delete the language in paragraph (a), clause (3) after "separates from active service and membership," and, per Martin's suggestion, add "at least" before the age 50 requirement in paragraph (b). Wallner seconded the motion, which was adopted unanimously.

The second deferred service pension issue is in regard to volunteer firefighters who become employed as full-time firefighters. In these situations, the firefighter can retire as a volunteer firefighter and, subject to certain requirements, be paid a volunteer service pension after reaching age 50. It is unclear, however, how these situations should be handled if the firefighter is younger than 50 when he or she becomes employed on a full-time basis. Relief associations have treated these firefighters as deferred members of the relief association, but the statute should be clarified. The members agreed to the concept of treating these firefighters as deferred, and asked that language be drafted for consideration at the January Working Group meeting.

The third deferred service pension issue pertains to how interest or additional investment performance is calculated and credited to deferred member accounts. If a relief association elects to pay interest or additional investment performance to its deferred members, the bylaws must authorize the payments. Most relief associations don't state in their bylaws, however, how the interest or additional investment performance will be calculated and credited to deferred members. Relief associations usually calculate the interest for each completed month of deferral, for each completed calendar year of deferral, or for the entire period of deferral. A hand-out was provided that showed examples of these three calculation methods. Zikmund made a motion to have language drafted for review at the January Working Group meeting. Anderson seconded the motion, which was adopted unanimously.

V. Discussion of IRS Tax-Exempt Issues

Auditor Otto shared with the Group that the Office of the State Auditor did an informal survey two weeks ago to gather information from relief association trustees and consultants about IRS tax-exempt status issues. Auditor Otto shared a summary of the survey results with the Working Group members and provided a brief history of the issues. The members and others in the audience shared their experiences and what they are hearing from other relief association trustees. Zikmund notified the Group of work being done by a coalition of the Minnesota fire service organizations.

VI. Other Business

Auditor Otto mentioned that last year's Working Group bill is expected to be heard during the upcoming session, and that members will be kept updated on the bill's progress. Working Group members are encouraged to attend hearings to show support of the bill and answer any questions that may arise.

VII. Next Meeting

Tuesday, January 17, 2012

11 a.m. to 1 p.m.

Office of the State Auditor

VIII. Adjournment

The meeting was adjourned at 1:00.

A bill for an act

relating to retirement;; amending Minnesota Statutes 2010, sections 356.219, subdivision 8; 356A.01, subdivision 19; 356A.06, subdivision 6; 424A.02, subdivision 1.

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

Section 1. Minnesota Statutes 2010, section 356.219, subdivision 8, is amended to read:

Subd. 8. **Timing of reports.** (a) For salaried firefighter relief associations, police relief associations, and volunteer firefighter relief associations, the information required under this section must be submitted by the due date for reports required under section 69.051, subdivision 1 or 1a, as applicable. If a relief association satisfies the definition of a fully invested plan under subdivision 1, paragraph (b), for the calendar year covered by the report required under section 69.051, subdivision 1 or 1a, as applicable, the chief administrative officer of the covered pension plan shall certify that compliance on a form prescribed by the state auditor. The state auditor shall transmit annually to the State Board of Investment a list or lists of covered pension plans which submitted certifications in order to facilitate reporting by the State Board of Investment under paragraph (c).

(b) For the ~~Minneapolis Teachers Retirement Fund Association~~, the St. Paul Teachers Retirement Fund Association, the Duluth Teachers Retirement Fund Association, the ~~Minneapolis Employees Retirement Fund~~, the University of Minnesota faculty supplemental retirement plan, and the applicable administrators for the University of Minnesota faculty retirement plan and the individual retirement account plans under chapters 354B and 354D, the information required under this section must be submitted to the state auditor by June 1 of each year.

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

2.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.5 Sec. 2. Minnesota Statutes 2010, section 356A.01, subdivision 19, is amended to read:

2.6 Subd. 19. **Pension fund.** "Pension fund" means the assets amassed and held in a
2.7 pension plan, other than the general fund, as reserves for present and future payment of
2.8 benefits and administrative expenses. For a retirement plan governed by section 69.77 or
2.9 by chapter 424A, the term means the relief association special fund.

2.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.11 Sec. 3. Minnesota Statutes 2010, section 356A.06, subdivision 6, is amended to read:

2.12 Subd. 6. **Limited list of authorized investment securities.** (a) Except to the
2.13 extent otherwise authorized by law, a covered pension plan may invest its assets only in
2.14 investment securities authorized by this subdivision if the plan does not:

2.15 (1) have pension fund assets with a book value in excess of \$1,000,000;

2.16 (2) use the services of an investment advisor registered with the Securities and
2.17 Exchange Commission in accordance with the Investment Advisers Act of 1940, or
2.18 registered as an investment advisor in accordance with sections 80A.58, and 80A.60, for
2.19 the investment of at least 60 percent of its pension fund assets, calculated on book value;

2.20 (3) use the services of the State Board of Investment for the investment of at least 60
2.21 percent of its pension fund assets, calculated on book value; or

2.22 (4) use a combination of the services of an investment advisor meeting the
2.23 requirements of clause (2) and the services of the State Board of Investment for the
2.24 investment of at least 75 percent of its pension fund assets, calculated on book value.

2.25 (b) Investment securities authorized for a pension plan covered by this subdivision
2.26 are:

2.27 (1) certificates of deposit issued, to the extent of available insurance or
2.28 collateralization, by a financial institution that is a member of the Federal Deposit
2.29 Insurance Corporation or the Federal Savings and Loan Insurance Corporation, is insured
2.30 by the National Credit Union Administration, or is authorized to do business in this state
2.31 and has deposited with the chief administrative officer of the plan a sufficient amount of
2.32 marketable securities as collateral in accordance with section 118A.03;

3.1 (2) savings accounts, to the extent of available insurance, with a financial institution
3.2 that is a member of the Federal Deposit Insurance Corporation or the Federal Savings
3.3 and Loan Insurance Corporation;

3.4 (3) governmental obligations, including bonds, notes, bills, or other fixed
3.5 obligations, issued by the United States, an agency or instrumentality of the United States,
3.6 an organization established and regulated by an act of Congress or by a state, state agency
3.7 or instrumentality, municipality, or other governmental or political subdivision that:

3.8 (i) for the obligation in question, issues an obligation that equals or exceeds the
3.9 stated investment yield of debt securities not exempt from federal income taxation and of
3.10 comparable quality;

3.11 (ii) for an obligation that is a revenue bond, has been completely self-supporting
3.12 for the last five years; and

3.13 (iii) for an obligation other than a revenue bond, has issued an obligation backed by
3.14 the full faith and credit of the applicable taxing jurisdiction and has not been in default on
3.15 the payment of principal or interest on the obligation in question or any other nonrevenue
3.16 bond obligation during the preceding ten years;

3.17 (4) corporate obligations, including bonds, notes, debentures, or other regularly
3.18 issued and readily marketable evidences of indebtedness issued by a corporation organized
3.19 under the laws of any state that during the preceding five years has had on average
3.20 annual net pretax earnings at least 50 percent greater than the annual interest charges
3.21 and principal payments on the total issued debt of the corporation during that period
3.22 and that, for the obligation in question, has issued an obligation rated in one of the top
3.23 three quality categories by Moody's Investors Service, Incorporated, or Standard and
3.24 Poor's Corporation; and

3.25 (5) shares in an open-end investment company registered under the federal
3.26 Investment Company Act of 1940, if the portfolio investments of the company are limited
3.27 to investments that meet the requirements of clauses (1) to (4).

3.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.29 Sec. 4. Minnesota Statutes 2010, section 424A.02, subdivision 1, is amended to read:

3.30 Subdivision 1. **Authorization.** (a) A defined benefit relief association, when its
3.31 articles of incorporation or bylaws so provide, may pay out of the assets of its special
3.32 fund a defined benefit service pension to each of its members who: (1) separates from
3.33 active service with the fire department; (2) reaches age 50; (3) completes at least five
3.34 years of active service as an active member of the municipal fire department to which the
3.35 relief association is associated; (4) completes at least five years of active membership

4.1 with the relief association before separation from active service; and (5) complies with
4.2 any additional conditions as to age, service, and membership that are prescribed by the
4.3 bylaws of the relief association. A service pension computed under this section may be
4.4 prorated monthly for fractional years of service as the bylaws or articles of incorporation
4.5 of the relief association so provide. The bylaws or articles of incorporation may define
4.6 a "month," but the definition must require a calendar month to have at least 16 days of
4.7 active service. If the bylaws or articles of incorporation do not define a "month," a
4.8 "month" is a completed calendar month of active service measured from the member's
4.9 date of entry to the same date in the subsequent month. The service pension earned by a
4.10 volunteer firefighter under this chapter and the articles of incorporation and bylaws of the
4.11 volunteer firefighters' relief association may be paid whether or not the municipality or
4.12 nonprofit firefighting corporation to which the relief association is associated qualifies for
4.13 the receipt of fire state aid under chapter 69.

4.14 (b) In the case of a member who has completed at least five years of active service as
4.15 an active member of the fire department to which the relief association is associated on
4.16 the date that the relief association is established and incorporated, the requirement that
4.17 the member complete at least five years of active membership with the relief association
4.18 before separation from active service may be waived by the board of trustees of the relief
4.19 association if the member completes at least five years of inactive membership with the
4.20 relief association before the date of the payment of the service pension. During the
4.21 period of inactive membership, the member is not entitled to receive disability benefit
4.22 coverage, is not entitled to receive additional service credit towards computation of a
4.23 service pension, and is considered to have the status of a person entitled to a deferred
4.24 service pension under subdivision 7.

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

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

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

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

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

5.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

Exhibit C

Technical Change

The following technical change is recommended to clarify that combination lump-sum/monthly relief associations have authority to pay ancillary benefits following the death of a monthly retiree who was collecting monthly benefits. Relief associations would continue to be prohibited from paying ancillary benefits if a lump-sum service pension had already been paid.

424A.02 DEFINED BENEFIT RELIEF ASSOCIATIONS; SERVICE PENSIONS.

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

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

...

1.1 moves to amend H.F. No.; S.F. No., as follows:

1.2 Page ..., after line ..., insert:

1.3 "Sec. Minnesota Statutes 2010, section 424A.016, subdivision 6, is amended to read:

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

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

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

1.9 and

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

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

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

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

1.25 (2) the investment return on the assets of the special fund of the defined contribution
1.26 volunteer firefighter relief association in proportion to the share of the assets of the special

2.1 fund to the credit of each individual deferred member account through the date on which
2.2 the investment return is recognized by and credited to the special fund.

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

2.7 Page ..., after line ..., insert:

2.8 "Sec. Minnesota Statutes 2010, section 424A.02, subdivision 7, is amended to read:

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

2.11 (1) has completed the lesser of either the minimum period of active service with
2.12 the fire department specified in the bylaws or 20 years of active service with the fire
2.13 department;

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

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

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

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

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

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

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

3.1 (e) For a deferred service pension that is transferred to a separate account established
3.2 and maintained by the relief association or separate investment vehicle held by the relief
3.3 association, the deferred member bears the full investment risk subsequent to transfer and
3.4 in calculating the accrued liability of the volunteer firefighters relief association that pays
3.5 a lump-sum service pension, the accrued liability for deferred service pensions is equal
3.6 to the separate relief association account balance or the fair market value of the separate
3.7 investment vehicle held by the relief association.

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

3.12 Page ..., after line ..., insert:

3.13 "Sec. **EFFECTIVE DATE.**

3.14 Sections ... and ... are effective the day following final enactment"

Exhibit E

Deferred Service Pension Changes

Relief associations electing to offer interest or additional investment performance to deferred members must specify as such in their bylaws. Most relief associations don't specify in their bylaws, however, how the interest or additional investment performance will be calculated and credited to deferred member accounts or benefits.

Optional changes in the new paragraph (d) (defined contribution plans) and the new paragraph (e) (defined benefit plans), establish a required default calculation method and crediting period, unless the relief association's bylaws specify a different method and period.

Defined Contribution Plans

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

Subd. 6. Deferred service pensions...

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

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

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

(d) Unless the bylaws of a relief association that has elected to pay interest or additional investment performance on deferred lump-sum service pensions under paragraph (c) specifies a different interest or additional investment performance method, including the interest or additional investment performance period starting date and ending date, the interest or additional investment performance on a deferred service pension is creditable beginning on the date that the member separates from active service and membership and ending on the earliest of the following dates: the date of payment of the deferred service pension or the date on which the deferred service pension amount is transferred under section 424A.015, subdivision 3, 4, or 5.

(e)

Defined Benefit Plans

424A.02 DEFINED BENEFIT RELIEF ASSOCIATIONS; SERVICE PENSIONS.

Subd. 7. Deferred service pensions...

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

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

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

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

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

(i) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (1), beginning on the date that the member separates from active service and membership and ending on the earliest of the following dates: the date of payment of the deferred service pension or the date on which the deferred service pension amount is transferred under section 424A.015, subdivision 3, 4, or 5; or

(ii) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (2), beginning on the first day of the month next following the date on which the member separates from active service and membership and ending on the earliest of the following dates: the last day of the month immediately before the month in which the deferred service pension is paid or the last day of the month immediately before the month in which the deferred service pension amount is transferred under section 424A.015, subdivision 3, 4, or 5.

(f)

Exhibit F
Clarification for Full-Time Firefighters

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

Subd. 6. Deferred service pensions.

(a) A member of a relief association is entitled to a deferred service pension if the member:

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

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

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

(b) The requirement under paragraph (a) that a member separate from active service and membership is waived for persons employed on a full-time basis under section 424A.015, subdivision 1. Full-time employment must be subsequent to the discontinuation of volunteer firefighter duties.

424A.02 DEFINED BENEFIT RELIEF ASSOCIATIONS; SERVICE PENSIONS.

Subd. 7. Deferred service pensions.

(a) A member of a defined benefit relief association is entitled to a deferred service pension if the member:

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

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

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

(b) The requirement under paragraph (a) that a member separate from active service and membership is waived for persons employed on a full-time basis under section 424A.015, subdivision 1. Full-time employment must be subsequent to the discontinuation of volunteer firefighter duties.