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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2373

03/11/2019 Authored by Murphy by request The bill was read for the first time and referred to the Committee on Government Operations

1.1 A bill for an act
1.2 relating to volunteer firefighter relief associations; clarifying audit requirements;
1.3 increasing the threshold for investment reporting requirements; adding a definition
1.4 of break in service and making conforming changes; revising vesting requirements;
1.5 clarifying the service pension amount that applies in calculating the benefit payable
1.6 upon permanent disability, death, or other separation from active service; clarifying
1.7 the crediting of interest on deferred pensions; expanding the individuals eligible
1.8 to receive supplemental benefits upon the death of a firefighter; amending
1.9 Minnesota Statutes 2018, sections 69.051, subdivision 1; 356.219, subdivision 3;
1.10 424A.001, by adding a subdivision; 424A.01, subdivision 6; 424A.015, subdivision
1.11 6; 424A.016, subdivisions 3, 6; 424A.02, subdivisions 2, 7, 9, 10; 424A.10,
1.12 subdivision 1.

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

1.14 Section 1. Minnesota Statutes 2018, section 69.051, subdivision 1, is amended to read:

1.15 Subdivision 1. Financial report and audit. (a) The board of the Bloomington Fire
1.16 Department Relief Association and each volunteer firefighters relief association as defined
1.17 in section 424A.001, subdivision 4, with assets of at least \$500,000 or liabilities of at least
1.18 \$500,000 in the prior year or in any previous year, according to the applicable actuarial
1.19 valuation or according to the financial report if no valuation is required, shall prepare a
1.20 financial report covering the special and general funds of the relief association for the
1.21 preceding fiscal year, file the financial report, and submit financial statements.

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

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

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

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

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

2.15 (d) Audited financial statements must be attested to by a certified public accountant or
 2.16 by the state auditor and must be filed with the state auditor within 180 days after the close
 2.17 of the fiscal year. Audits must be conducted in compliance with generally accepted
 2.18 governmental auditing standards and section 6.65 governing audit procedures. The state
 2.19 auditor may accept this report in lieu of the report required in paragraph (c).

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

2.21 Sec. 2. Minnesota Statutes 2018, section 356.219, subdivision 3, is amended to read:

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

2.28 (b) If, after four years of reporting under this paragraph, the total portfolio time weighted
 2.29 rate of return, net of all investment related costs and fees, provided by the public pension
 2.30 plan differs by no more than 0.1 percent from the comparable return for the plan calculated
 2.31 by the Office of the State Auditor, and if a public pension plan has a total market value of
 2.32 ~~\$25,000,000~~ \$50,000,000 or more as of the beginning of the calendar year, and if the public
 2.33 pension plan's annual audit is performed by the state auditor or by the legislative auditor,

3.1 the report required by subdivision 1 must include the market value of the total portfolio and
3.2 the market value of each asset class included in the pension fund as of the beginning of the
3.3 calendar year and as of the end of the calendar year. At the discretion of the state auditor,
3.4 the public pension plan may be required to submit the market value of the total portfolio
3.5 and the market value of each investment account, investment portfolio, or asset class included
3.6 in the pension fund for each month, and the amount and date of each injection and withdrawal
3.7 to the total portfolio and to each investment account, investment portfolio, or asset class. If
3.8 the market value of a public pension plan's fund drops below ~~\$25,000,000~~ \$50,000,000 in
3.9 a subsequent year, it must continue reporting under this paragraph for any subsequent year
3.10 in which the public pension plan is not fully invested as specified in subdivision 1, paragraph
3.11 (b), except that if the public pension plan's annual audit is not performed by the state auditor
3.12 or legislative auditor, paragraph (c) applies.

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

3.19 (d) For public pension plans to which paragraph (b) or (c) applies, the report required
3.20 by subdivision 1 must also include a calculation of the total time-weighted rate of return
3.21 available from index-matching investments assuming the asset class performance targets
3.22 and target asset mix indicated in the written statement of investment policy. The provided
3.23 information must include a description of indices used in the analyses and an explanation
3.24 of why those indices are appropriate. This paragraph does not apply to any fully invested
3.25 plan, as defined by subdivision 1, paragraph (b). Reporting by the State Board of Investment
3.26 under this paragraph is limited to information on the Minnesota public pension plans required
3.27 to be invested by the State Board of Investment under section 11A.23.

3.28 (e) If a public pension plan has a total market value of less than ~~\$25,000,000~~ \$50,000,000
3.29 as of the beginning of the calendar year and was never required to file under paragraph (b)
3.30 or (c), the report required by subdivision 1 must include the amount and date of each total
3.31 portfolio injection and withdrawal. In addition, the report must include the market value of
3.32 the total portfolio as of the beginning of the calendar year and for each quarter.

3.33 (f) Any public pension plan reporting under paragraph (b) or (c) must include computed
3.34 time-weighted rates of return with the report, in addition to all other required information,
3.35 as applicable. The chief administrative officer of the public pension plan submitting the

4.1 returns must certify, on a form prescribed by the state auditor, that the returns have been
 4.2 computed by the pension plan's investment performance consultant or custodial bank. The
 4.3 chief administrative officer of the public pension plan submitting the returns also must
 4.4 certify that the returns are net of all costs and fees, including investment management fees,
 4.5 and that the procedures used to compute the returns are consistent with Bank Administration
 4.6 Institute studies of investment performance measurement and presentation standards set by
 4.7 the CFA Institute. If the certifications required under this paragraph are not provided, the
 4.8 reporting requirements of paragraph (c) apply.

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

4.21 **EFFECTIVE DATE.** This section is effective January 1, 2020.

4.22 Sec. 3. Minnesota Statutes 2018, section 424A.001, is amended by adding a subdivision
 4.23 to read:

4.24 **Subd. 9a. Break in service.** "Break in service" means temporarily ceasing all of the
 4.25 following with a particular fire department:

4.26 (1) performing fire suppression duties;

4.27 (2) performing fire prevention duties;

4.28 (3) supervising fire suppression duties; and

4.29 (4) supervising fire prevention duties.

4.30 **EFFECTIVE DATE.** This section is effective January 1, 2020.

5.1 Sec. 4. Minnesota Statutes 2018, section 424A.01, subdivision 6, is amended to read:

5.2 Subd. 6. **Return to active firefighting after break in service.** (a) This subdivision
 5.3 governs the service pension calculation requirements of a firefighter who returns to active
 5.4 service after a break in service and applies to all breaks in service, except that the resumption
 5.5 service requirements of this subdivision do not apply to leaves of absence made available
 5.6 by federal statute, such as the Family Medical Leave Act, United States Code, title 29,
 5.7 section 2691, and the Uniformed Services Employment and Reemployment Rights Act,
 5.8 United States Code, title 38, section 4301, and do not apply to leaves of absence made
 5.9 available by state statute, such as the Parental Leave Act, section 181.941; the Leave for
 5.10 Organ Donation Act, section 181.9456; the Leave for Civil Air Patrol Service Act, section
 5.11 181.946; the Leave for Immediate Family Members of Military Personnel Injured or Killed
 5.12 in Active Service Act, section 181.947; or the Protection of Jurors' Employment Act, section
 5.13 593.50.

5.14 (b)(1) If a firefighter who has ~~ceased to perform or supervise fire suppression and fire~~
 5.15 ~~prevention duties for at least 60 days~~ a break in service of any duration resumes performing
 5.16 active firefighting with the fire department associated with the relief association, and if the
 5.17 bylaws of the relief association so permit, the firefighter may again become an active member
 5.18 of the relief association. ~~A firefighter who returns to active service and membership is~~
 5.19 ~~subject to,~~ subject to the requirements of this paragraph and the service pension calculation
 5.20 requirements under this section.

5.21 (2) A firefighter who has been paid a service pension or disability benefit must wait at
 5.22 least 60 days following receipt of the pension or benefit before resuming active firefighting
 5.23 with the fire department and active membership in the relief association.

5.24 ~~(2)~~ (3) A firefighter who has been granted an approved leave of absence not exceeding
 5.25 one year by the fire department or by the relief association is exempt from the minimum
 5.26 period of resumption service requirement of this section.

5.27 ~~(3)~~ (4) A person who has a break in service not exceeding one year but has not been
 5.28 granted an approved leave of absence ~~and who has not received a service pension or disability~~
 5.29 ~~benefit~~ may be made exempt from the minimum period of resumption service requirement
 5.30 of this section by the relief association bylaws.

5.31 ~~(4)~~ (5) If the bylaws so provide, a firefighter who returns to active relief association
 5.32 membership ~~under this paragraph~~ after a break in service of any duration may continue to
 5.33 collect a monthly service pension from the relief association, notwithstanding the service

6.1 ~~pension-eligibility requirements~~ requirement under chapter 424A section 424A.02,
6.2 subdivision 1, that the firefighter has separated from active service.

6.3 (c) If a former firefighter who has ~~received~~ been paid a service pension or disability
6.4 benefit returns to active relief association membership under paragraph (b), the firefighter
6.5 may qualify for the receipt of a service pension from the relief association for the resumption
6.6 service period if the firefighter meets the service requirements of section 424A.016,
6.7 subdivision 3, or 424A.02, subdivision 2, as applicable, or meets the resumption minimum
6.8 service requirements specified in the relief association's bylaws. No firefighter may be paid
6.9 a service pension more than once for the same period of service.

6.10 (d) If a former firefighter who has not ~~received~~ been paid a service pension or disability
6.11 benefit returns to active relief association membership under paragraph (b), the firefighter
6.12 may qualify for the receipt of a service pension from the relief association for the original
6.13 and resumption service periods if the firefighter meets the service requirements of section
6.14 424A.016, subdivision 3, or 424A.02, subdivision 2, based on the original and resumption
6.15 years of service credit.

6.16 (e) A firefighter who returns to active lump-sum relief association membership under
6.17 paragraph (b) and who qualifies for a service pension under paragraph (c) must have, upon
6.18 a subsequent cessation of duties, any service pension for the resumption service period
6.19 calculated as a separate benefit. If a lump-sum service pension had been paid to the firefighter
6.20 upon the firefighter's previous cessation of duties, a second lump-sum service pension for
6.21 the resumption service period must be calculated by applying the service pension amount
6.22 in effect on the date of the firefighter's termination of the resumption service for all years
6.23 of the resumption service.

6.24 (f) A firefighter who had not been paid a lump-sum service pension returns to active
6.25 relief association membership under paragraph (b), who did not meet the minimum period
6.26 of resumption service requirement specified in the relief association's bylaws, but who does
6.27 meet the minimum service requirement of section 424A.02, subdivision 2, based on the
6.28 firefighter's original and resumption years of active service, must have, upon a subsequent
6.29 cessation of duties, a service pension for the original and resumption service periods
6.30 calculated by applying the service pension amount in effect on the date of the firefighter's
6.31 termination of the resumption service, or, if the bylaws so provide, based on the service
6.32 pension amount in effect on the date of the firefighter's previous cessation of duties. The
6.33 service pension for a firefighter who returns to active lump-sum relief association membership
6.34 under this paragraph, but who had met the minimum period of resumption service requirement

7.1 specified in the relief association's bylaws, must be calculated by applying the service
7.2 pension amount in effect on the date of the firefighter's termination of the resumption service.

7.3 (g) If a firefighter receiving a monthly benefit service pension returns to active monthly
7.4 benefit relief association membership under paragraph (b), and if the relief association
7.5 bylaws do not allow for the firefighter to continue collecting a monthly service pension,
7.6 any monthly benefit service pension payable to the firefighter is suspended as of the first
7.7 day of the month next following the date on which the firefighter returns to active
7.8 membership. If the firefighter was receiving a monthly benefit service pension, and qualifies
7.9 for a service pension under paragraph (c), the firefighter is entitled to an additional monthly
7.10 benefit service pension upon a subsequent cessation of duties calculated based on the
7.11 resumption service credit and the service pension accrual amount in effect on the date of
7.12 the termination of the resumption service. A suspended initial service pension resumes as
7.13 of the first of the month next following the termination of the resumption service. If the
7.14 firefighter was not receiving a monthly benefit service pension and meets the minimum
7.15 service requirement of section 424A.02, subdivision 2, a service pension must be calculated
7.16 by applying the service pension amount in effect on the date of the firefighter's termination
7.17 of the resumption service for all years of service credit.

7.18 (h) A firefighter who was not receiving a monthly benefit service pension returns to
7.19 active relief association membership under paragraph (b), who did not meet the minimum
7.20 period of resumption service requirement specified in the relief association's bylaws, but
7.21 who does meet the minimum service requirement of section 424A.02, subdivision 2, based
7.22 on the firefighter's original and resumption years of active service, must have, upon a
7.23 subsequent cessation of duties, a service pension for the original and resumption service
7.24 periods calculated by applying the service pension amount in effect on the date of the
7.25 firefighter's termination of the resumption service, or, if the bylaws so provide, based on
7.26 the service pension amount in effect on the date of the firefighter's previous cessation of
7.27 duties. The service pension for a firefighter who returns to active relief association
7.28 membership under this paragraph, but who had met the minimum period of resumption
7.29 service requirement specified in the relief association's bylaws, must be calculated by
7.30 applying the service pension amount in effect on the date of the firefighter's termination of
7.31 the resumption service.

7.32 (i) For defined contribution plans, a firefighter who returns to active relief association
7.33 membership under paragraph (b) and who qualifies for a service pension under paragraph
7.34 (c) or (d) must have, upon a subsequent cessation of duties, any service pension for the
7.35 resumption service period calculated as a separate benefit. If a service pension had been

8.1 paid to the firefighter upon the firefighter's previous cessation of duties, and if the firefighter
 8.2 meets the minimum service requirement of section 424A.016, subdivision 3, or meets the
 8.3 resumption minimum service requirements specified in the relief association's bylaws, as
 8.4 applicable, based on the resumption years of service, a second service pension for the
 8.5 resumption service period must be calculated to include allocations credited to the firefighter's
 8.6 individual account during the resumption period of service and deductions for administrative
 8.7 expenses, if applicable.

8.8 (j) For defined contribution plans, if a firefighter who had not been paid a service pension
 8.9 returns to active relief association membership under paragraph (b), and who meets the
 8.10 minimum service requirement of section 424A.016, subdivision 3, based on the firefighter's
 8.11 original and resumption years of service, must have, upon a subsequent cessation of duties,
 8.12 a service pension for the original and resumption service periods calculated to include
 8.13 allocations credited to the firefighter's individual account during the original and resumption
 8.14 periods of service and deductions for administrative expenses, if applicable, less any amounts
 8.15 previously forfeited under section 424A.016, subdivision 4.

8.16 **EFFECTIVE DATE.** This section is effective January 1, 2020.

8.17 Sec. 5. Minnesota Statutes 2018, section 424A.015, subdivision 6, is amended to read:

8.18 Subd. 6. **Governing benefit plan provisions.** A service pension or ancillary benefit
 8.19 payable under this chapter is governed by and must be calculated under the general statute,
 8.20 special law, relief association articles of incorporation, ~~and~~ or relief association bylaw
 8.21 provisions applicable on the earlier of the following dates:

8.22 (1) the date on which the member ~~separated~~ separates from active service with the fire
 8.23 department and active membership in the relief association; or

8.24 (2) the date on which the member begins a break in service with the fire department that
 8.25 continues until the member separates from active service with the fire department and active
 8.26 membership in the relief association.

8.27 **EFFECTIVE DATE.** This section is effective January 1, 2020.

8.28 Sec. 6. Minnesota Statutes 2018, section 424A.016, subdivision 3, is amended to read:

8.29 Subd. 3. **Reduced Vesting schedule.** If the articles of incorporation or bylaws of a
 8.30 defined contribution relief association ~~so provide,~~ a relief association may pay a reduced
 8.31 service pension not to exceed the nonforfeitable percentage of the account balance to a
 8.32 retiring member who has completed fewer than 20 years of service. The reduced service

9.1 ~~pension may be paid when the retiring member meets the minimum age and service~~
 9.2 ~~requirements of subdivision 2. The nonforfeitable percentage of pension amounts are as~~
 9.3 ~~follows: a vesting schedule that satisfies the requirements of this subdivision, the relief~~
 9.4 ~~association may pay a reduced service pension to a retiring member. For purposes of this~~
 9.5 ~~section, "vests," "vesting," or "vested" means a nonforfeitable, unconditional, or legally~~
 9.6 ~~enforceable right. A member vests in the member's account in accordance with the vesting~~
 9.7 ~~schedule set forth in the relief association's articles of incorporation or bylaws. Provided a~~
 9.8 ~~member meets the minimum age and service requirements of subdivision 2, the member is~~
 9.9 ~~entitled to a service pension equal to the member's account, but only to the extent vested as~~
 9.10 ~~provided in the vesting schedule set forth in the articles of incorporation or bylaws. In no~~
 9.11 ~~event may the articles of incorporation or bylaws:~~

9.12 (1) require that a member have more than 20 years of active service to become 100
 9.13 percent vested in the member's account; or

9.14 (2) provide for a larger vesting percentage than is provided in the following schedule
 9.15 with respect to the completed number of years of active service indicated in the schedule:

9.16	Completed Years of <u>Active</u> Service	Nonforfeitable <u>Vested</u> Percentage
9.17		of Pension Amount
9.18	5	40 percent
9.19	6	52 percent
9.20	7	64 percent
9.21	8	76 percent
9.22	9	88 percent
9.23	10 and thereafter <u>or more</u>	100 percent

9.24 **EFFECTIVE DATE.** This section is effective January 1, 2020.

9.25 Sec. 7. Minnesota Statutes 2018, section 424A.016, subdivision 6, is amended to read:

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

9.32 (b) The deferred service pension is payable when the former member reaches at least
 9.33 age 50, or at least the minimum age specified in the bylaws governing the relief association

10.1 if that age is greater than age 50, and when the former member makes a valid written
10.2 application.

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

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

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

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

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

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

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

10.31 **EFFECTIVE DATE.** This section is effective January 1, 2020.

11.1 Sec. 8. Minnesota Statutes 2018, section 424A.02, subdivision 2, is amended to read:

11.2 Subd. 2. ~~Nonforfeitable portion of service pension~~ Vesting schedule. (a) If the articles
 11.3 of incorporation or bylaws of a defined benefit relief association ~~so provide, the relief~~
 11.4 ~~association may pay a reduced service pension to a retiring member who has completed~~
 11.5 ~~fewer than 20 years of service. The reduced service pension may be paid when the retiring~~
 11.6 ~~member meets the minimum age and service requirements of subdivision 1.~~ a vesting
 11.7 schedule that satisfies the requirements of this subdivision, the relief association may pay
 11.8 a reduced service pension to a retiring member. For purposes of this section, "vests,"
 11.9 "vesting," or "vested" means a nonforfeitable, unconditional, or legally enforceable right.
 11.10 A member vests in the member's accrued service pension in accordance with the vesting
 11.11 schedule set forth in the relief association's articles of incorporation or bylaws. Provided a
 11.12 member meets the minimum age and service requirements of subdivision 1, the member is
 11.13 entitled to the member's accrued service pension, but only to the extent vested as provided
 11.14 in the vesting schedule set forth in the articles of incorporation or bylaws. In no event may
 11.15 the articles of incorporation or bylaws:

11.16 (b) ~~The amount of the reduced service pension may not exceed the amount calculated~~
 11.17 ~~by multiplying the service pension appropriate for the completed years of service as specified~~
 11.18 ~~in the bylaws multiplied by the applicable nonforfeitable percentage of pension.~~

11.19 (c) ~~For a defined benefit volunteer firefighters relief association that pays a lump-sum~~
 11.20 ~~service pension, a monthly benefit service pension, or a lump-sum service pension or a~~
 11.21 ~~monthly benefit service pension as alternative benefit forms, the nonforfeitable percentage~~
 11.22 ~~of pension amounts are as follows:~~

11.23 (1) require that a member have more than 20 years of active service to become 100
 11.24 percent vested in the member's accrued service pension; or

11.25 (2) provide for a larger vesting percentage than is provided in the following schedule
 11.26 with respect to the completed number of years of active service indicated in the schedule:

	Completed Years of <u>Active</u> Service	<u>Nonforfeitable Vested</u> Percentage of Pension Amount
11.29	5	40 percent
11.30	6	44 <u>52</u> percent
11.31	7	48 <u>64</u> percent
11.32	8	52 <u>76</u> percent
11.33	9	56 <u>88</u> percent
11.34	10	60 percent
11.35	11	64 percent

12.1	12	68 percent
12.2	13	72 percent
12.3	14	76 percent
12.4	15	80 percent
12.5	16	84 percent
12.6	17	88 percent
12.7	18	92 percent
12.8	19	96 percent
12.9	20 <u>10 and thereafter or more</u>	100 percent

12.10 **EFFECTIVE DATE.** This section is effective January 1, 2020.

12.11 Sec. 9. Minnesota Statutes 2018, section 424A.02, subdivision 7, is amended to read:

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

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

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

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

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

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

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

13.5 (e) Interest under paragraph (c), clause (3), is ~~payable~~ credited beginning on the January
13.6 1 next following the date on which the deferred service pension interest rate as set by the
13.7 board of trustees was ratified by the governing body of the municipality or joint powers
13.8 entity served by the fire department to which the relief association is directly associated, or
13.9 by the independent nonprofit firefighting corporation, as applicable.

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

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

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

13.26 (g) For a deferred service pension that is transferred to a separate account established
13.27 and maintained by the relief association or separate investment vehicle held by the relief
13.28 association, the deferred member bears the full investment risk subsequent to transfer and
13.29 in calculating the accrued liability of the volunteer firefighters relief association that pays
13.30 a lump-sum service pension, the accrued liability for deferred service pensions is equal to
13.31 the separate relief association account balance or the fair market value of the separate
13.32 investment vehicle held by the relief association.

13.33 **EFFECTIVE DATE.** This section is effective January 1, 2020.

14.1 Sec. 10. Minnesota Statutes 2018, section 424A.02, subdivision 9, is amended to read:

14.2 Subd. 9. **Limitation on ancillary benefits.** A defined benefit relief association, including
14.3 any volunteer firefighters relief association governed by Laws 2013, chapter 111, article 5,
14.4 sections 31 to 42, or any volunteer firefighters division of a relief association governed by
14.5 chapter 424, may only pay ancillary benefits which would constitute an authorized
14.6 disbursement as specified in section 424A.05 subject to the following requirements or
14.7 limitations:

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

14.16 (2) with respect to any defined benefit relief association, no ancillary benefit paid or
14.17 payable to any member, to any former member, or to any person on behalf of any member
14.18 or former member, may exceed in amount the total earned service pension of the member
14.19 or former member. The total earned service pension must be calculated by multiplying the
14.20 service pension amount specified in the bylaws of the relief association at the time of death
14.21 or disability, whichever applies, by the years of service credited to the member or former
14.22 member. The years of service must be determined as of (i) the date the member or former
14.23 member became entitled to the ancillary benefit; or (ii) the date the member or former
14.24 member died entitling a survivor or the estate of the member or former member to an
14.25 ancillary benefit. The ancillary benefit must be calculated without regard to whether the
14.26 member had attained the minimum amount of service and membership credit specified in
14.27 the governing bylaws. For active members, the amount of a permanent disability benefit or
14.28 a survivor benefit must be equal to the member's total earned service pension except that
14.29 the bylaws of a defined benefit relief association may provide for the payment of a survivor
14.30 benefit in an amount not to exceed five times the yearly service pension amount specified
14.31 in the bylaws on behalf of any member who dies before having performed five years of
14.32 active service in the fire department with which the relief association is affiliated. For
14.33 deferred members, the amount of a permanent disability benefit or a survivor benefit must
14.34 be calculated using the service pension amount in effect on the date specified in section

15.1 424A.015, subdivision 6, unless the bylaws of the relief association specify a different
15.2 service pension amount to be used for the calculation.

15.3 (3)(i) If a lump sum survivor or death benefit is payable under the articles of incorporation
15.4 or bylaws, the benefit must be paid:

15.5 (A) as a survivor benefit to the surviving spouse of the deceased firefighter;

15.6 (B) as a survivor benefit to the surviving children of the deceased firefighter if no
15.7 surviving spouse;

15.8 (C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no
15.9 surviving spouse or surviving children; or

15.10 (D) as a death benefit to the estate of the deceased active or deferred firefighter if no
15.11 surviving children and no beneficiary designated.

15.12 (ii) If there are no surviving children, the surviving spouse may waive, in writing, wholly
15.13 or partially, the spouse's entitlement to a survivor benefit.

15.14 (4)(i) If a monthly benefit survivor or death benefit is payable under the articles of
15.15 incorporation or bylaws, the benefit must be paid:

15.16 (A) as a survivor benefit to the surviving spouse of the deceased firefighter;

15.17 (B) as a survivor benefit to the surviving children of the deceased firefighter if no
15.18 surviving spouse;

15.19 (C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no
15.20 surviving spouse or surviving children; or

15.21 (D) as a death benefit to the estate of the deceased active or deferred firefighter if no
15.22 surviving spouse, no surviving children, and no beneficiary designated.

15.23 (ii) If there are no surviving children, the surviving spouse may waive, in writing, wholly
15.24 or partially, the spouse's entitlement to a survivor benefit.

15.25 (iii) For purposes of this clause, if the relief association bylaws authorize a monthly
15.26 survivor benefit payable to a designated beneficiary, the relief association bylaws may limit
15.27 the total survivor benefit amount payable.

15.28 (5) For purposes of this section, for a monthly benefit volunteer fire relief association
15.29 or for a combination lump-sum and monthly benefit volunteer fire relief association where
15.30 a monthly benefit service pension has been elected by or a monthly benefit is payable with
15.31 respect to a firefighter, a designated beneficiary must be a natural person. For purposes of

16.1 this section, for a lump-sum volunteer fire relief association or for a combination lump-sum
16.2 and monthly benefit volunteer fire relief association where a lump-sum service pension has
16.3 been elected by or a lump-sum benefit is payable with respect to a firefighter, a trust created
16.4 under chapter 501C may be a designated beneficiary. If a trust is payable to the surviving
16.5 children organized under chapter 501C as authorized by this section and there is no surviving
16.6 spouse, the survivor benefit may be paid to the trust, notwithstanding a requirement of this
16.7 section to the contrary.

16.8 **EFFECTIVE DATE.** This section is effective January 1, 2020.

16.9 Sec. 11. Minnesota Statutes 2018, section 424A.02, subdivision 10, is amended to read:

16.10 Subd. 10. **Local approval of bylaw amendments; filing requirements.** (a) Each defined
16.11 benefit relief association to which this section applies must file a revised copy of its governing
16.12 bylaws with the state auditor upon the adoption of any amendment to its governing bylaws
16.13 by the relief association or upon the approval of any amendment to its governing bylaws
16.14 granted by the governing body of ~~each~~ the municipality served by the fire department to
16.15 which the relief association is directly associated or by the independent nonprofit firefighting
16.16 corporation, as applicable. Failure of the relief association to file a copy of the bylaws or
16.17 any bylaw amendments with the state auditor disqualifies the municipality from the
16.18 distribution of any future fire state aid until this filing requirement has been completed.

16.19 (b) If the special fund of the relief association does not have a surplus over full funding
16.20 under section 424A.092, subdivision 3, paragraph (c), clause (5), or 424A.093, subdivision
16.21 4, and if the municipality is required to provide financial support to the special fund of the
16.22 relief association under section 424A.092 or 424A.093, no bylaw amendment which would
16.23 affect the amount of, the manner of payment of, or the conditions for qualification for service
16.24 pensions or ancillary benefits or disbursements other than administrative expenses authorized
16.25 under section 69.80 payable from the special fund of the relief association is effective until
16.26 it has been ratified as required under section 424A.092, subdivision 6, or 424A.093,
16.27 subdivision 6. If the special fund of the relief association has a surplus over full funding
16.28 under section 424A.092, subdivision 3, or 424A.093, subdivision 4, and if the municipality
16.29 is not required to provide financial support to the special fund under this section, the relief
16.30 association may adopt or amend without municipal ratification its articles of incorporation
16.31 or bylaws which increase or otherwise affect the service pensions or ancillary benefits
16.32 payable from the special fund if authorized under section 424A.092, subdivision 6, or
16.33 424A.093, subdivision 6.

17.1 (c) If the relief association pays only a lump-sum pension, the financial requirements
 17.2 are to be determined by the board of trustees following the preparation of an estimate of
 17.3 the expected increase in the accrued liability and annual accruing liability of the relief
 17.4 association attributable to the change. If the relief association pays a monthly benefit service
 17.5 pension, the financial requirements are to be determined by the board of trustees following
 17.6 either an updated actuarial valuation including the proposed change or an estimate of the
 17.7 expected actuarial impact of the proposed change prepared by the actuary of the relief
 17.8 association. If a relief association adopts or amends its articles of incorporation or bylaws
 17.9 without municipal ratification under this subdivision, and, subsequent to the amendment or
 17.10 adoption, the financial requirements of the special fund under this section are such so as to
 17.11 require financial support from the municipality, the provision which was implemented
 17.12 without municipal ratification is no longer effective without municipal ratification, and any
 17.13 service pensions or ancillary benefits payable after that date must be paid only in accordance
 17.14 with the articles of incorporation or bylaws as amended or adopted with municipal
 17.15 ratification.

17.16 **EFFECTIVE DATE.** This section is effective January 1, 2020.

17.17 Sec. 12. Minnesota Statutes 2018, section 424A.10, subdivision 1, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

18.17 **EFFECTIVE DATE.** This section is effective January 1, 2020, and applies to
18.18 supplemental benefits paid by a relief association in 2019 and thereafter for the death of an
18.19 active or deferred volunteer firefighter that occurred on or after January 1, 2019.