

**SENATE**  
**STATE OF MINNESOTA**  
**NINETY-FIRST SESSION**

**S.F. No. 3673**

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OFFICIAL STATUS  
Introduction and first reading  
Referred to State Government Finance and Policy and Elections

- 1.1 A bill for an act
- 1.2 relating to retirement; volunteer firefighters relief associations; implementing the
- 1.3 recommendations of the state auditor's volunteer firefighter working group; revising
- 1.4 the time period for certifying service credit; requiring crediting investment earnings
- 1.5 on defined contribution accounts; changing the methodology for calculating benefit
- 1.6 liabilities; making other clarifying changes; amending Minnesota Statutes 2018,
- 1.7 sections 424A.003; 424A.03, as amended; 424A.092, subdivisions 1, 2; 424A.10,
- 1.8 subdivision 2; Minnesota Statutes 2019 Supplement, sections 424A.014, subdivision
- 1.9 1; 424A.016, subdivisions 4, 6.
- 1.10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.11 Section 1. Minnesota Statutes 2018, section 424A.003, is amended to read:
- 1.12 **424A.003 CERTIFICATION OF SERVICE CREDIT.**
- 1.13 (a) When a municipal fire department, a joint powers fire department, or an independent
- 1.14 nonprofit firefighting corporation is directly associated with the volunteer firefighters relief
- 1.15 association, the fire chief shall certify annually by March 31 the service credit for the
- 1.16 previous calendar year of each volunteer firefighter rendering active service with the fire
- 1.17 department.
- 1.18 (b) The certification shall be made to an officer of the relief association's board of trustees
- 1.19 and to the municipal clerk or clerk-treasurer of the largest municipality in population served
- 1.20 by the associated fire department.
- 1.21 (c) The fire chief shall notify each volunteer firefighter rendering active service with
- 1.22 the fire department of the amount of service credit rendered by the firefighter for the previous
- 1.23 calendar year. The service credit notification and a description of the process and deadlines
- 1.24 for the firefighter to challenge the fire chief's determination of service credit must be provided
- 1.25 to the firefighter ~~60~~ at least 21 days prior to its certification to the relief association and

2.1 municipality. If the service credit amount is challenged, the fire chief shall accept and  
2.2 consider any additional pertinent information and shall make a final determination of service  
2.3 credit.

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

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

2.18 **EFFECTIVE DATE.** This section is effective January 1, 2021.

2.19 Sec. 2. Minnesota Statutes 2019 Supplement, section 424A.014, subdivision 1, is amended  
2.20 to read:

2.21 Subdivision 1. **Financial report and audit.** (a) The board of the Bloomington Fire  
2.22 Department Relief Association and each volunteer firefighters relief association with assets  
2.23 of at least \$500,000 or liabilities of at least \$500,000 in the prior year or in any previous  
2.24 year, according to the applicable actuarial valuation or according to the financial report if  
2.25 no valuation is required, must prepare a financial report covering the special and general  
2.26 funds of the relief association for the preceding fiscal year, file the financial report, and  
2.27 submit financial statements.

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

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

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

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

3.11 (c) The financial report must be retained in the office of the Bloomington Fire Department  
 3.12 Relief Association or the volunteer firefighter relief association for public inspection and  
 3.13 must be filed with the governing body of the government subdivision in which the associated  
 3.14 fire department is located after the close of the fiscal year. One copy of the financial report  
 3.15 must be furnished to the state auditor after the close of the fiscal year.

3.16 (d) Audited financial statements must be attested to by a certified public accountant or  
 3.17 by the state auditor and must be filed with the state auditor on or before June 30 after the  
 3.18 close of the fiscal year. Audits must be conducted in compliance with generally accepted  
 3.19 ~~governmental~~ auditing standards and section 6.65 governing audit procedures. The state  
 3.20 auditor may accept this report in lieu of the report required in paragraph (c).

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

3.22 Sec. 3. Minnesota Statutes 2019 Supplement, section 424A.016, subdivision 4, is amended  
 3.23 to read:

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

3.26 (b) To each individual active member account must be credited an equal share of:

3.27 (1) any amounts of fire state aid and police and firefighter retirement supplemental state  
 3.28 aid received by the relief association;

3.29 (2) any amounts of municipal contributions to the relief association raised from levies  
 3.30 on real estate or from other available municipal revenue sources exclusive of fire state aid;  
 3.31 and

3.32 (3) any amounts equal to the share of the assets of the special fund to the credit of:

4.1 (i) any former member who terminated active service with the fire department to which  
4.2 the relief association is associated before meeting the minimum service requirement provided  
4.3 for in subdivision 2, paragraph (b), and has not returned to active service with the fire  
4.4 department for a period no shorter than five years; or

4.5 (ii) any retired member who retired before obtaining a full nonforfeitable interest in the  
4.6 amounts credited to the individual member account under subdivision 2, paragraph (b), and  
4.7 any applicable provision of the bylaws of the relief association.

4.8 (c) In addition, any investment return on the assets of the special fund must be credited  
4.9 in proportion to the share of the assets of the special fund to the credit of each individual  
4.10 active member account and inactive member account, unless the inactive member is a  
4.11 deferred member as defined in subdivision 6.

4.12 (d) Administrative expenses of the relief association payable from the special fund may  
4.13 be deducted from individual accounts in a manner specified in the bylaws of the relief  
4.14 association.

4.15 ~~(e) If the bylaws so permit and as the bylaws define, the relief association may credit~~  
4.16 ~~any investment return on the assets of the special fund to the accounts of inactive members.~~

4.17 ~~(d)~~ (e) Amounts to be credited to individual accounts must be allocated uniformly for  
4.18 all years of active service and allocations must be made for all years of service, except for  
4.19 caps on service credit if so provided in the bylaws of the relief association. Amounts forfeited  
4.20 under paragraph (b), clause (3), before a resumption of active service and membership under  
4.21 section 424A.01, subdivision 6, remain forfeited and may not be reinstated upon the  
4.22 resumption of active service and membership. The allocation method may utilize monthly  
4.23 proration for fractional years of service, as the bylaws or articles of incorporation of the  
4.24 relief association so provide. The bylaws or articles of incorporation may define a "month,"  
4.25 but the definition must require a calendar month to have at least 16 days of active service.  
4.26 If the bylaws or articles of incorporation do not define a "month," a "month" is a completed  
4.27 calendar month of active service measured from the member's date of entry to the same date  
4.28 in the subsequent month.

4.29 ~~(e)~~ (f) At the time of retirement under subdivision 2 and any applicable provision of the  
4.30 bylaws of the relief association, a retiring member is entitled to that portion of the assets of  
4.31 the special fund to the credit of the member in the individual member account which is  
4.32 nonforfeitable under subdivision 3 and any applicable provision of the bylaws of the relief  
4.33 association based on the number of years of service to the credit of the retiring member.

5.1        ~~(f)~~ (g) Annually, the secretary of the relief association shall certify the individual account  
5.2 allocations to the state auditor at the same time that the annual financial statement or financial  
5.3 report and audit of the relief association, whichever applies, is due under section 424A.014.

5.4        Sec. 4. Minnesota Statutes 2019 Supplement, section 424A.016, subdivision 6, is amended  
5.5 to read:

5.6        Subd. 6. **Deferred service pensions.** (a) A "deferred member" means a member of a  
5.7 relief association ~~is entitled to a deferred service pension if the member separates~~ who has  
5.8 separated from active service and membership and has completed the minimum service and  
5.9 membership requirements in subdivision 2. The requirement that a member separate from  
5.10 active service and membership is waived for persons who have discontinued their volunteer  
5.11 firefighter duties and who are employed on a full-time basis under section 424A.015,  
5.12 subdivision 1.

5.13        (b) ~~The~~ A deferred member is entitled to receive a deferred service pension is payable  
5.14 when the ~~former~~ member reaches at least age 50, or at least the minimum age specified in  
5.15 the bylaws governing the relief association if that age is greater than age 50, and ~~when the~~  
5.16 ~~former member~~ makes a valid written application.

5.17        (c) A defined contribution relief association ~~may, if its governing bylaws so provide,~~  
5.18 must credit interest or additional investment performance on the deferred lump-sum service  
5.19 pension during the period of deferral for all deferred members on or after January 1, 2021.  
5.20 ~~If provided for in the bylaws, the~~ Interest must be credited using one of the following  
5.21 methods, as provided for in the bylaws:

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

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

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

5.32        (d) Unless the bylaws of a relief association that has elected to pay interest or additional  
5.33 investment performance on deferred lump-sum service pensions under paragraph (c) specifies

6.1 a different interest or additional investment performance method, including the interest or  
 6.2 additional investment performance period starting date and ending date, the interest or  
 6.3 additional investment performance on a deferred service pension is creditable as follows:

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

6.8 (2) for a relief association that has elected to credit interest or additional investment  
 6.9 performance under paragraph (c), clause (2), beginning on the date that the member separates  
 6.10 from active service and membership and ending on the date that the separate investment  
 6.11 vehicle is valued immediately before the date on which the deferred member commences  
 6.12 receipt of the deferred service pension.

6.13 (e) If the bylaws do not define a method for crediting interest or additional investment  
 6.14 performance, the interest or additional investment performance must be credited using the  
 6.15 method defined in paragraph (c), clause (3).

6.16 (f) Until December 31, 2020, a defined contribution relief association is permitted, if its  
 6.17 governing bylaws so provide, to credit interest or additional investment performance on the  
 6.18 deferred lump-sum service pension during the period of deferral using the method set forth  
 6.19 in the bylaws applicable on the date on which each deferred member separated from active  
 6.20 service.

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

6.22 Sec. 5. Minnesota Statutes 2018, section 424A.03, as amended by Laws 2019, First Special  
 6.23 Session chapter 6, article 22, section 20, is amended to read:

6.24 **424A.03 UNIFORMITY OF VOLUNTEER FIREFIGHTER SERVICE PENSION**  
 6.25 **AND RETIREMENT BENEFITS BASED ON SERVICE.**

6.26 Subdivision 1. ~~Limitation on nonuniformity of Service pensions based on years of~~  
 6.27 ~~service.~~ Every partially salaried and partially volunteer firefighters A relief association must  
 6.28 provide service pensions or retirement benefits to volunteer firefighter its members based  
 6.29 on the years of service of the members, not on the compensation paid to the members for  
 6.30 firefighting services. Each relief association must provide service pensions to salaried  
 6.31 members as set forth in chapter 424 and applicable special laws their service.

6.32 Subd. 2. ~~Penalties Penalty for violations violation.~~ A municipality which has a fire  
 6.33 department associated with If a relief association which violates the provisions of subdivision

7.1 ~~1 is directly associated or which contracts with an independent nonprofit firefighting~~  
 7.2 ~~corporation associated with a relief association which violates the provisions of subdivision~~  
 7.3 ~~1 is a subsidiary may, the affiliated municipality or municipalities must not be included in~~  
 7.4 the apportionment of fire state aid and police and firefighter retirement supplemental state  
 7.5 aid payable under chapter 477B and section 423A.022 and ~~may not be included~~ in the  
 7.6 apportionment of fire state aid to the various municipalities under section 477B.03.

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

7.8 Sec. 6. Minnesota Statutes 2018, section 424A.092, subdivision 1, is amended to read:

7.9 Subdivision 1. **Application.** This section shall apply to any firefighters relief association  
 7.10 specified in section 424A.091, subdivision 1, which pays a lump-sum service pension, but  
 7.11 which does not pay a monthly service pension, to a retiring firefighter when at least the  
 7.12 minimum requirements for entitlement to a service pension specified in section 424A.02;  
 7.13 or any applicable special legislation and the articles of incorporation or bylaws of the relief  
 7.14 association have been met. Each firefighters relief association to which this section applies  
 7.15 shall determine the accrued liability of the special fund of the relief association in accordance  
 7.16 with ~~the accrued liability table set forth in subdivision~~ subdivisions 2 and 2a, if applicable,  
 7.17 and the financial requirements of the relief association and the minimum obligation of the  
 7.18 municipality in accordance with the procedure set forth in subdivision 3.

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

7.20 Sec. 7. Minnesota Statutes 2018, section 424A.092, subdivision 2, is amended to read:

7.21 Subd. 2. **Determination of accrued liability.** (a) Beginning with the calculation  
 7.22 performed in 2021 for the 2022 calendar year each firefighters relief association which pays  
 7.23 a lump-sum service pension ~~when a retiring firefighter meets the minimum requirements~~  
 7.24 ~~for entitlement to a service pension specified in section 424A.02 and which in its articles~~  
 7.25 ~~of incorporation or bylaws requires service credit for a period of service of at least 20 years~~  
 7.26 ~~of active service for a totally nonforfeitable service pension~~ shall determine the accrued  
 7.27 liability of the special fund of the firefighters relief association relative to each active member  
 7.28 of the relief association, calculated using the applicable appendix to the standards for actuarial  
 7.29 work established by the Legislative Commission on Pensions and Retirement under section  
 7.30 3.85, subdivision 10.

7.31 (b) For calendar years before 2022, each firefighters relief association shall determine  
 7.32 the accrued liability of the special fund of the firefighters relief association relative to each  
 7.33 active member of the relief association, calculated individually using the following table:

	Cumulative Year	Accrued Liability
8.1		
8.2		
8.3	.....	.....
8.4	1	\$ 60
8.5	2	124
8.6	3	190
8.7	4	260
8.8	5	334
8.9	6	410
8.10	7	492
8.11	8	576
8.12	9	666
8.13	10	760
8.14	11	858
8.15	12	962
8.16	13	1070
8.17	14	1184
8.18	15	1304
8.19	16	1428
8.20	17	1560
8.21	18	1698
8.22	19	1844
8.23	20	2000
8.24	21 and thereafter	100 additional per year

8.25 ~~(b)~~ As set forth in the table the accrued liability for each member of the relief association  
8.26 corresponds to the cumulative years of active service to the credit of the member. The  
8.27 accrued liability of the special fund for each active member is determined by multiplying  
8.28 the accrued liability from the chart by the ratio of the lump-sum service pension amount  
8.29 currently provided for in the bylaws of the relief association to a service pension of \$100  
8.30 per year of service.

8.31 (c) If a member has fractional service as of December 31, the figure for service credit  
8.32 to be used for the determination of accrued liability pursuant to this section shall be rounded  
8.33 to the nearest full year of service credit. The total accrued liability of the special fund as of  
8.34 December 31 shall be the sum of the accrued liability attributable to each active member  
8.35 of the relief association.



9.1        ~~(e)~~ (d) To the extent that the state auditor considers it to be necessary or practical, the  
9.2 state auditor may specify and issue procedures, forms, or mathematical tables for use in  
9.3 performing the calculations of the accrued liability for deferred members pursuant to this  
9.4 subdivision.

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

9.6        Sec. 8. Minnesota Statutes 2018, section 424A.10, subdivision 2, is amended to read:

9.7        Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a volunteer  
9.8 firefighters relief association or by the voluntary statewide lump-sum volunteer firefighter  
9.9 retirement plan of a lump-sum distribution to a qualified recipient, the association must pay  
9.10 a supplemental benefit to the qualified recipient. Notwithstanding any law to the contrary,  
9.11 the relief association must pay the supplemental benefit out of its special fund and the  
9.12 voluntary statewide lump-sum volunteer firefighter retirement plan must pay the supplemental  
9.13 benefit out of the voluntary statewide lump-sum volunteer firefighter retirement plan. This  
9.14 benefit is an amount equal to ten percent of the regular lump-sum distribution that is paid  
9.15 on the basis of the recipient's service as a volunteer firefighter. In no case may the amount  
9.16 of the supplemental benefit exceed \$1,000. A supplemental benefit under this paragraph  
9.17 may not be paid to a survivor of a deceased active or deferred volunteer firefighter in that  
9.18 capacity.

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

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

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

10.1 (e) If a qualified recipient receives more than one lump-sum distribution, the qualified  
10.2 recipient is eligible to receive a supplemental benefit or supplemental survivor benefit,  
10.3 whichever is applicable, with each lump-sum distribution. Each supplemental benefit shall  
10.4 be calculated under paragraph (a) or (b), as applicable, and shall be subject to a separate  
10.5 limit.

10.6 (f) Qualified recipients who elect to receive the recipient's lump-sum distribution in  
10.7 installments under section 424A.016, subdivision 5, or 424A.02, subdivision 8, are eligible  
10.8 to receive one supplemental benefit calculated on the total lump-sum distribution amount  
10.9 under paragraph (a) or (b), as applicable.

10.10 **EFFECTIVE DATE.** This section is effective retroactively for supplemental benefits  
10.11 paid in 2018 and thereafter.