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# Voluntary Statewide Volunteer Firefighter Retirement Plan Tool Kit

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September 2009 (updated June 2010)

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# Voluntary Statewide Volunteer Firefighter Retirement Plan Tool Kit

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This tool kit helps cities institute a process for joining the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan. It contains a number of provisions a city may want to adopt. A city wishing to adopt any part of this tool kit should review the materials with the city attorney to determine which provisions and what language are best suited to the city's circumstances. Because provisions within this tool kit implicate state statutes and involve state and federal constitutional rights, the city attorney should review any modifications to ensure they conform to current law.

## New Law on Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan: Frequently Asked Questions

### 1. Who makes the decision to join the Statewide Plan? The fire relief association or the city council?

The decision-making process for joining the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan (Statewide Plan), which was created in *2009 Minnesota Laws*, chapter 169, article 9, sections 1-25, has two major steps. **First**, the city council **and** fire relief association board (FRAB) must request a cost analysis of prospective retirement coverage from the Minnesota Public Employees Retirement Association (PERA). The cost analysis document details for the city and FRAB the estimated costs to the city for the benefit levels requested. While PERA prepares the cost analysis, the State Board of Investment (SBI) staff examines the investments of the FRAB to determine which may be transferred to the Statewide Plan outright and which must be sold. **Second**, after reviewing the cost analysis, the city council must pass and transmit to PERA a resolution within 90 days expressing intent to join the Statewide Plan.

The FRAB must consent to the request for the PERA cost analysis. Once the FRAB has consented, the FRAB secretary must sign the form submitted to PERA for the cost analysis. The city council must also consent and direct the city's chief administrative officer (the city clerk, manager, or administrator) to sign the form. *It is important to note, however, once the cost analysis is received, the only approval needed to join the Statewide Plan is a resolution of the city council.* As a result, the FRAB should seriously discuss and consider its willingness to join the Statewide Plan at the initial step of consenting to the cost analysis. After this step, the FRAB's consent is not required to join the Statewide Plan.

A form for requesting the cost analysis and a model resolution for joining the plan are found in the *LMC Voluntary Statewide Volunteer Firefighter Retirement Plan Toolkit*.

### 2. Can the fire relief association join the Statewide Plan without the city council's consent?

The FRAB cannot join the Statewide Plan without the participation and consent of the city council. The FRAB and the city council must jointly sign the request to PERA for a cost analysis. Once the cost analysis is reviewed by the city council and the FRAB, only the city council has the authority to pass a resolution joining the Statewide Plan.

**3. Can individual firefighters choose to join the Statewide Plan?**

Individual firefighters cannot join the Statewide Plan. Firefighters will only be covered by the Statewide Plan if their city council opts to have the Statewide Plan manage all FRAB pension assets following the process discussed in Question 1 above.

**4. If our fire department is a joint powers entity, who makes the decision to join the Statewide Plan?**

If the fire department is a joint powers entity (composed of two or more governing bodies operating as a joint power under *Minnesota Statutes*, section 471.59), the FRAB and *all* of the governing bodies of the cities/townships that form the joint powers entity must consent to the step-one cost analysis request from PERA and pass resolutions opting to join the Statewide Plan. A form for requesting the cost-analysis and a model resolution for joining the plan are found in the *LMC Voluntary Statewide Volunteer Firefighter Retirement Plan Tool Kit*.

**5. Once we join the Statewide Plan, can we change benefit levels?**

When the city first joins the Statewide Plan, it may select a lump-sum benefit amount equal to or greater than the lump-sum benefit currently in place with the FRAB, for example, \$700.00 per year of good service. Cities may not reduce agreed-to benefits when joining the Statewide Plan without the consent of the FRAB. After joining the plan, the city may opt to increase benefit levels on an annual basis in set amounts between \$500 and \$7,500. Increases are allowed as long as the funds invested with the Statewide Plan are adequate to cover the increases, or the city agrees to pay in an additional amount to fund the higher benefit level selected.

**6. If we join the Statewide Plan, will the city's contribution responsibility or costs increase?**

It depends on the benefit level selected when joining the Statewide Plan and on the level of funding of the existing FRAB-managed pension fund (as discussed in question 7). Simply joining the Statewide Plan does not necessarily create any *additional* costs to the city—again additional costs will be driven by the benefit level selected. However, it should be emphasized that returns on investments placed with the Statewide Plan are not guaranteed (the same as with a pension plan managed by the FRAB). Should investments not generate the average annual expected 6 percent return to pay out all promised benefits and liabilities, the city may have to contribute additional money to the Statewide Plan to make up the difference. This is not an *additional* risk created by joining the Statewide

Plan, as the city is currently required to make up similar deficits in funds managed by the FRAB (see question 7).

**7. If our fire relief association “special fund” is not currently solvent, can we still join the Statewide Plan?**

The FRAB must segregate all pension-related funds (received from the city or through state aid) into a “special fund” that is used only to pay out earned pensions (and costs associated with managing the special fund). FRABs that are currently experiencing a deficit in their special fund (i.e., funds are not adequate to pay out for all promised benefits and liabilities) may still join the Statewide Plan. As is currently required for funding a FRAB, cities will need to make annual payments into the Statewide Plan to fully fund the benefits. The additional funding identified in the PERA cost analysis to bring the city’s fund up to required levels will spread the payment out over 10 years and will be recalculated each year, just as is done under current law for funding a local FRAB. More information about current relief association fund deficits can be found in the Minnesota state auditor materials titled *Fire Relief Association Funds and Required Municipal Contributions to Volunteer Fire Relief Associations*, by State Auditor Rebecca Otto. They are available online at

[www.osa.state.mn.us/other/Statements/FireReliefAssociationFunds\\_0905\\_statement.pdf](http://www.osa.state.mn.us/other/Statements/FireReliefAssociationFunds_0905_statement.pdf) and [www.auditor.state.mn.us/other/columns/MunicipalContributionsToFireReliefsforLMC090311.pdf](http://www.auditor.state.mn.us/other/columns/MunicipalContributionsToFireReliefsforLMC090311.pdf).

**8. Will joining the Statewide Plan reduce the amount of paperwork the fire relief association must file each year?**

After joining the Statewide Plan, the FRAB will no longer be obligated to assemble and file many of the various financial reports and statements currently required under the law by FRABs that manage their own funds (or pay consultants to handle these financial reports). PERA will be working with the Office of the State Auditor to define a procedure to accommodate the first year transition from the locally administered FRAB to participating in the new plan. Once in the new plan, PERA will handle this paperwork instead. However, city paperwork on some items, such as good time certification and annual fire department reporting requirements with the Department of Revenue, will remain. More information on these mandated reporting requirements can be found in the Minnesota state auditor’s document *Key Reporting Requirements* at [www.auditor.state.mn.us/forms/pen/ReportingForms/pensionrf\\_requirements.pdf](http://www.auditor.state.mn.us/forms/pen/ReportingForms/pensionrf_requirements.pdf).

**9. Who manages the Statewide Plan?**

The policy-making, management, and administrative functions related to the Statewide Plan are vested in the Board of Trustees and the executive director of

PERA. The State Board of Investment invests the plan's funds according to the guidelines imposed upon it by state law. A Voluntary Statewide Lump-Sum Volunteer Advisory Board has also been created to provide PERA with advice about the needs of volunteer firefighters who are members of the plan. The Advisory Board consists of: (1) one representative of Minnesota townships, appointed by the Minnesota Association of Townships; (2) two representatives of Minnesota cities, appointed by the League of Minnesota Cities; (3) one representative of Minnesota fire chiefs, who is a fire chief, appointed by the Minnesota State Fire Chiefs Association; (4) two representatives of Minnesota volunteer firefighters, who are active volunteer firefighters, appointed by the Minnesota State Fire Departments Association; and (5) one representative of the Office of the State Auditor, designated by the Minnesota state auditor.

**10. Once we join the Statewide Plan, can we change our minds and return to managing our own investments?**

There is currently no process in state law for the Statewide Plan to return invested funds to the relief association that formerly managed the funds. In addition, once a city opts into the Statewide Plan, the special fund of the FRAB ceases to exist. Any city's decision to back out of the Statewide Plan would require a special legislative request unless the terms of the statewide plan are amended at some time in the future to allow opt outs.

**11. Once we join the Statewide Plan, is our relief association money mixed with other relief association's money or general pension accounts for PERA?**

Individual FRAB funds are maintained in separate accounts for each city that joins the Statewide Plan. They are not commingled with funds from other entities or plans to pay administrative expenses or benefits to any other participating groups. The funds are, however, commingled by the SBI for purposes of investing to assure the maximum return for the lowest investment fees possible. Cities will receive annual financial statements from PERA detailing the return on their individual funds.

**12. Will our lump sum plan structure remain the same when we join the Statewide Plan?**

If the city currently pays an annual lump-sum amount per year of service (a lump-sum defined benefit plan), the FRAB plan structure for paying benefits will not change when joining the Statewide Plan. The city selects the benefit amount from a list of 19 possible levels when joining the plan (see question 5 above). The city can raise, but not lower this amount without the consent of the FRAB. As a result, benefit levels and method of

payout do not change as a result of joining the Statewide Plan, unless the current benefit level is less than the minimum benefit level (\$500 per year of service) or falls between the 16 benefit levels offered by this new plan. For example, if a firefighter was entitled to a lump-sum payout of \$750 per year of service under the FRAB-managed fund, the same firefighter will receive a payout of \$750 per year of service under the Statewide Plan if the city has not elected to offer a higher benefit level available under the new plan structure.

**13. If our plan structure is currently a “defined contribution plan” or a “defined benefit plan that offers a monthly pension benefit,” can we join the Statewide Plan?**

Defined contribution plans or defined benefit plans that offer a monthly pension benefit are eligible to join, but will be converted into a lump sum plan when they do so. Special provisions to convert these plans to lump sum plans were passed by the State Legislature in 2010 and that should be discussed with PERA.

**14. Once we join the Statewide Plan, is it true that benefits are portable?**

Yes—provided that the firefighter moves to a new fire department that is also participating in the Statewide Plan. Currently many fire relief associations do not provide any type of benefit payout unless the firefighter accrues 10 to 20 years of service. If a firefighter relocates out of town, prior to fulfilling 10 to 20 years of service, often all benefits are lost. Under the Statewide Plan, firefighters may accrue two years from one department, five from another, and 13 years from still another (provided all the department relief associations belong to the Statewide Plan)—and qualify for a full 20-year retirement that is paid out in one lump sum by the Statewide Plan. Cities that view their pension offerings as their major fire department recruitment tool may view this aspect of joining the Statewide Plan as something to advertise to prospective firefighters.

**15. Does the Statewide Plan pay a survivor’s benefit if a firefighter dies in the line of duty?**

Yes, the Statewide Plan offers a survivor benefit that is payable to the fallen firefighter’s spouse or children (or estate, if no spouse or children). The amount paid out as a survivor benefit is the amount of the service pension that would have been payable to the member of the retirement plan on the date of death if the member had been age 50 or older on that date.

**16. What happens to the fire relief association after we join the Statewide Plan? Does it cease to exist?**

Once the city joins the Statewide Plan, the special fund (the fund devoted to managing pension assets) managed by the FRAB ceases to exist. This does not necessarily mean the demise of the fire relief association and the FRAB. Following the decision to join the Statewide Plan, the fire relief association membership as a whole (not just the FRAB) may elect to continue the relief association. However, the law requires the following changes to be made:

- The relief association board of trustees membership must be reduced to five, comprised of the fire chief of the fire department and four trustees elected by and from the relief association membership.
- The relief association may only maintain a general fund, which continues to be governed by *Minnesota Statutes*, section 424A.06.
- The relief association is not authorized to receive the proceeds of any state aid or to receive any municipal funds.
- The relief association may not pay any service pension or benefit that was not authorized as a general fund disbursement under the articles of incorporation or bylaws of the relief association in effect prior to the plan coverage election process.

There are many practical reasons why the fire relief association membership would choose to continue to exist after the demise of the special fund. For example, many fire relief associations use their nonprofit association status to conduct lawful gambling (such as pull tabs or bingo). Many fire relief associations also use their nonprofit status to obtain temporary liquor licenses (or 3.2 beer licenses) for annual dances and other fundraising events.

**17. Our fire department currently does not have a fire relief association and does not offer a pension. Can we join the Statewide Plan as a way to create a pension benefit for our firefighters?**

Yes—cities that currently do not have a fire relief association and do not offer a pension may join the Statewide Plan. These cities may have different steps to follow than outlined in the *LMC Voluntary Statewide Volunteer Firefighter Retirement Plan Tool Kit* for cities with *existing* pension funds. Please contact PERA, as discussed in question 19, for more information.

**18. An independent nonprofit firefighting corporation currently provides the city with fire protection services. Can they join the plan?**

Some cities do not have a fire department and instead contract with a separate nonprofit entity, known as an independent nonprofit firefighting corporation, to provide fire services. These entities are relatively rare—and operate as a separate private business from the city (they own their own fire halls and equipment and directly pay their own staff). These entities are eligible to join the Statewide Plan, however, they may have to follow different steps than those outlined in the *LMC Voluntary Statewide Volunteer Firefighter Retirement Plan Tool Kit*. Please contact PERA, as discussed in question 19, for more information.

**19. Who do we contact to join the Statewide Plan or ask questions?**

Dave DeJonge at Minnesota PERA is available to assist cities and relief associations with their questions on the Statewide Plan. His contact information is (651) 201-2641 or [Dave.Dejonge@state.mn.us](mailto:Dave.Dejonge@state.mn.us).

# New Law on Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan:

## Checklist

- The fire relief association board (FRAB) and city council consider and discuss the benefits of joining the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan (Statewide Plan). If both the FRAB and city council approve, they should jointly request a cost analysis from the Minnesota Public Employees Retirement Association (PERA) using PERA's approved form. The form must be signed by the FRAB secretary and the chief administrative officer of the city (the city clerk, manager, or administrator).
- If the fire department is a joint powers entity, the governing bodies of all the cities/townships belonging to the joint powers entity must consent to the cost-analysis and sign the form.
- PERA prepares estimated costs for the benefit level(s) requested and provides a cost analysis to the city and FRAB.
- At the same time that PERA is conducting the cost analysis, the State Board of Investment (SBI) reviews the investment portfolio of the existing relief association and determines which assets could be transferred to SBI and which must be sold because Minnesota statute prohibits the SBI from owning them. ***This review is included in the PERA cost analysis.***
- Upon receipt of the cost analysis, the city council (and other governing bodies if the fire department is a joint powers entity) has 90 days to opt to join the Statewide Plan on the terms discussed in the PERA cost analysis (this may include a pay-in to the Statewide Plan if the FRAB currently has a deficit, or if a request for an increased benefit level requires additional funding). Approval must be by formal resolution and must be received by PERA within the 90-day framework.
- If the city council provides PERA with a resolution opting to join the Statewide Plan, PERA begins administering the relief funds for the city, effective the following Jan. 1, and issues all future benefit payments.
- Once PERA begins administering the relief funds, the relief association's special fund is dissolved. With some modifications, the relief association may continue as an organization and maintain its general fund—if the relief association membership (the whole membership—not just the relief association board) votes to continue its existence.

## New Law on Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan:

### Glossary of Terms

**Independent nonprofit firefighting corporation:** A relatively rare firefighting entity that is not a city fire department. An independent nonprofit firefighting corporation is a separate corporation (owning its own premises and equipment, and paying its own staff) that contracts with cities to provide fire services.

**Fire department:** A fire department is a department of the city created to manage and suppress fires and is subject to the direction and control of the city council. *The fire department is not the fire relief association.* The fire relief association is a separate entity from the fire department.

**Fire relief association:** The relief association is a separate entity from the affiliated fire department, and is governed by its own board of trustees. The relief association is created to manage pension benefits.

**Fire relief association board:** The relief association board directly manages and invests the pension benefits for the relief association as a whole. The relief association board is composed of relief association members (elected by their peers) and city officials (appointed by the city).

**Joint powers entity/fire department:** A fire department created or managed by and composed of two or more governing bodies operating as a joint power under *Minnesota Statutes*, section 471.59, sometimes with a joint powers board.

**Lump-sum benefit plan:** A pension plan where participants receive a guaranteed set amount per year of good service. After a required amount of years of service (usually 10 or 20) and the participant reaches a designated age (usually 50), the pension is paid out in one lump sum.

**Minnesota Public Employees Retirement Association (PERA):** Established in 1931 by the state of Minnesota, PERA administers three statewide retirement plans providing defined benefit plan coverage to employees of local governments and school districts, one statewide retirement plan providing defined contribution (DCP) coverage to elected officials and medical personnel, and the new Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan. More information can be found on the PERA website at [www.mnpera.org](http://www.mnpera.org).

**Special fund:** A fund managed by the fire relief association board that contains all pension-related funds. The fund may be used only to pay out earned pensions (and costs associated with managing the special fund).

**Voluntary Statewide Lump-Sum Volunteer Advisory Board:** A board created to advise PERA about the needs of volunteer firefighters who are members of the plan. The Advisory Board consists of: (1) one representative of Minnesota townships, appointed by the

Minnesota Association of Townships; (2) two representatives of Minnesota cities, appointed by the League of Minnesota Cities; (3) one representative of Minnesota fire chiefs, who is a fire chief, appointed by the Minnesota State Fire Chiefs Association; (4) two representatives of Minnesota volunteer firefighters, who are active volunteer firefighters, appointed by the Minnesota State Fire Departments Association; and (5) one representative of the Office of the State Auditor, designated by the Minnesota state auditor.

# New Law on Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan

## MODEL RESOLUTION

CITY OF \_\_\_\_\_

RESOLUTION No. \_\_\_\_\_

### A RESOLUTION OPTING TO JOIN THE VOLUNTARY STATEWIDE LUMP-SUM VOLUNTEER FIREFIGHTER RETIREMENT PLAN

The City Council of the City of \_\_\_\_\_, Minnesota, does ordain:

WHEREAS: The City is authorized to join the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan administered by the Public Employees Retirement Association (PERA); and

WHEREAS: The City and the City's Fire Department Relief Association have jointly consented to and obtained a cost analysis for joining the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan from PERA not less than 90 days ago; and

WHEREAS: The City highly values the contributions of City Fire Department members to the safety and well being of our community and wishes to safeguard their pension investments in a prudent manner.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF \_\_\_\_\_,  
MINNESOTA:**

- 1) The City hereby approves coverage by and requests participation in the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan administered by PERA under the terms provided in the PERA cost analysis at the \$\_\_\_\_\_ benefit level per year of service; and
- 2) The City Clerk/Administrator and Mayor are hereby authorized to execute all documents necessary to effectuate the intent of this resolution.

The motion for the adoption of the foregoing resolution was proposed by Councilmember \_\_\_\_\_ and was duly seconded by Councilmember \_\_\_\_\_ and upon vote being taken thereon, the following voted in favor:

And the following voted against the same:

Whereupon said resolution was declared duly passed and adopted by the City Council of the City of \_\_\_\_\_, on \_\_\_\_\_, 20\_\_.

BY:

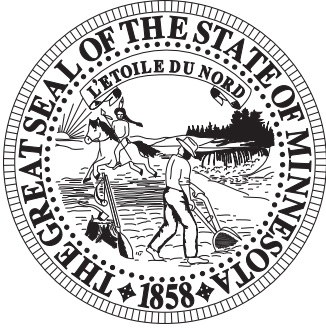
ATTEST:

\_\_\_\_\_

\_\_\_\_\_

Mayor

City Clerk or City Administrator



# Voluntary Statewide Volunteer Firefighter Plan

## Investment Information

Available Through the  
Minnesota Supplemental Investment Fund

August 1, 2009.

**Minnesota  
State Board  
of Investment**  
60 Empire Drive  
Suite 355  
St. Paul, MN 55103

Phone: 651-296-3328

Fax: 651-296-9572

E-mail: [minn.sbi@state.mn.us](mailto:minn.sbi@state.mn.us)

Website: [www.sbi.state.mn.us](http://www.sbi.state.mn.us)

The Minnesota Supplemental Investment Fund  
is managed by the Minnesota State Board of Investment

# State Board of Investment

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## Who Serves On The State Board of Investment?

The Board's membership is specified in the Minnesota Constitution and is composed of the Governor, the State Auditor, the Secretary of State and the Attorney General. The Board's duties, powers, and investment authority are contained in *Minnesota Statutes*, Chapter 11A.

## What Is The Board's Relationship To The Public Employee Retirement Association (PERA)?

In broad terms, the Board acts as an investment manager for PERA while PERA provides a variety of administrative functions with respect to your Plan.

## Who Advises The Board On Its Investment Decisions?

The Legislature has established a 17-member Investment Advisory Council to advise the Board and its staff on investment-related matters.

- The Board appoints ten members experienced in finance and investment. These members traditionally have come from the Minneapolis and St. Paul investment community.
- The Commissioner of Finance and the Executive Directors of the three statewide retirement organizations are permanent members of the Council.
- Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

## Members of the Board

Governor Tim Pawlenty  
State Auditor Rebecca Otto  
Secretary of State Mark Ritchie  
Attorney General Lori Swanson

## Investment Advisory Council

Jeffery Bailey, Chair  
Malcolm W. McDonald, Vice Chair  
Frank Ahrens, II  
David Bergstrom  
John E. Bohan  
Kerry Brick  
Dennis Duerst  
Douglas Gorence  
Laurie Fiori Hacking  
Tom Hanson  
Heather Johnston  
P. Jay Kiedrowski  
LeRoy Koppendrayner  
Judith W. Mares  
Gary Martin  
Gary Norstrem  
Mary Vanek

Director—Benefits Finance  
Director and Corporate Secretary, Retired  
Active Employee Representative  
Executive Director  
Vice Pres., Pension Investments, Retired  
Manager, Pension Investments  
Director, Benefit Funds Investment  
Chief Investment Officer  
Executive Director  
Commissioner  
Active Employee Representative  
Senior Fellow  
Retiree Representative  
Chief Investment Officer  
Vice Pres., Pension Investments  
Treasurer, Retired  
Executive Director

Target Corporation  
Space Center, Inc.  
State of Minnesota  
Minnesota State Retirement System  
Grand Metropolitan – Pillsbury  
Cargill, Inc.  
3M Company  
U of M Foundation Investment Advisors  
Teachers Retirement Association  
Minnesota Department of Finance  
City of Minneapolis  
Humphrey Institute University of MN  
Public Utilities Commission, Retired  
ATK  
Supervalu, Inc.  
City of St. Paul  
Public Employees Retirement Assoc.

## ***Letter to Volunteer Firefighter Organizations***

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August 1, 2009

This brochure provides information on the investment of assets of local firefighter entities that participate in the Voluntary Statewide Volunteer Firefighter Plan.

A new account, the Volunteer Firefighter Account, has been added to the Minnesota Supplemental Investment Fund. It is available **only** to local firefighter entities that participate in the Voluntary Statewide Volunteer Firefighter Plan. Information about the Plan can be found on the Public Employees Retirement Association (PERA) website, [www.mnpera.org](http://www.mnpera.org), by clicking on the "Employers" tab.

The Volunteer Firefighter Account uses a "balanced asset mix" investment approach to provide long-term returns by investing in a diversified mix of domestic stock, international stock, bonds and money market securities. **Remember that general economic and market conditions have a dominant influence on the returns available to any investor. There may be periods in which the returns for the Volunteer Firefighter Account may be low, or even negative.**

The Volunteer Firefighter Account will be established on January 1, 2010. From that date forward, performance will be available from the Minnesota State Board of Investment upon request and can be accessed on our website at [www.sbi.state.mn.us](http://www.sbi.state.mn.us). Listings of securities held in the Account are also available upon request and can be accessed on our website. If you have any questions regarding the Board's investment policies and procedures, please contact the office of the Minnesota State Board of Investment at 60 Empire Drive, Suite 355, St. Paul, MN 55103-3555, (651)296-3328, or via e-mail at [minn.sbi@state.mn.us](mailto:minn.sbi@state.mn.us). We welcome your inquiries.

Respectfully submitted,



Howard J. Bicker  
Executive Director  
State Board of Investment

## General Information

### What Is The Minnesota Supplemental Investment Fund?

The Minnesota Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and other public employee groups. The different participating groups use the Fund for a variety of retirement-related purposes. Approximately 69,000 individuals currently participate in the Fund. As of June 30, 2009, the market value of the Fund was approximately \$928 million.

### What Options Are Available To The Voluntary Statewide Volunteer Firefighter Plan?

The Volunteer Firefighter Account is the **only** investment option available to participating local firefighter entities in the Voluntary Statewide Volunteer Firefighter Plan. By state law, the Volunteer Firefighter Account is established for the sole purpose of investing the assets of local firefighter entities participating in the Voluntary Statewide Volunteer Firefighter Plan.

### What Securities Are Owned By The Fund?

Due to the large number of stocks, bonds and cash equivalents in the Account, the holdings are not listed in this brochure. If you would like a complete list of all securities in the Account, please contact the office of the State Board of Investment. A list will be sent to you, at your request, or you can access the list on our website at [www.sbi.state.mn.us](http://www.sbi.state.mn.us).

## Investment Managers for the Account\*

### Domestic Stock Segment:

- Barclays Global Investors, San Francisco, CA

### International Stock Segment:

- AQR Capital Management, LLC, Greenwich, CT
- Acadian Asset Management, LLC, Boston, MA
- AllianceBernstein L. P., London, England
- Capital International, Inc., Los Angeles, CA
- INVESCO Global Asset Management, Atlanta, GA
- J.P. Morgan Investment Management, Inc., London, England
- Marathon Asset Management, London, England
- McKinley Capital Management, Inc., Anchorage, AK
- Morgan Stanley Investment Management, New York, NY
- Pyramis Global Advisors Trust Company, Boston, MA
- RiverSource Investments, LLC, Minneapolis, MN
- State Street Global Advisors, Boston, MA

### Fixed Income Segment:

- Aberdeen Asset Management, Inc., Philadelphia, PA
- BlackRock Financial Management, New York, NY
- Dodge & Cox, San Francisco, CA
- Goldman Sachs Asset Management, LP, New York, NY
- Neuberger Investment Management, Chicago, IL
- Pacific Investment Mgmt. Co., (PIMCO), Newport Beach, CA
- RiverSource Investments, LLC, Minneapolis, MN
- Western Asset Management, Pasadena, CA

### Cash Segment:

- State Street Bank, Boston, MA

\*The Minnesota State Board of Investment may add or delete managers from this list at its discretion.

## Investment Board Personnel

Howard J. Bicker  
Teresa J. Richardson

Executive Director  
Assistant Executive Director

### Investment Management Staff

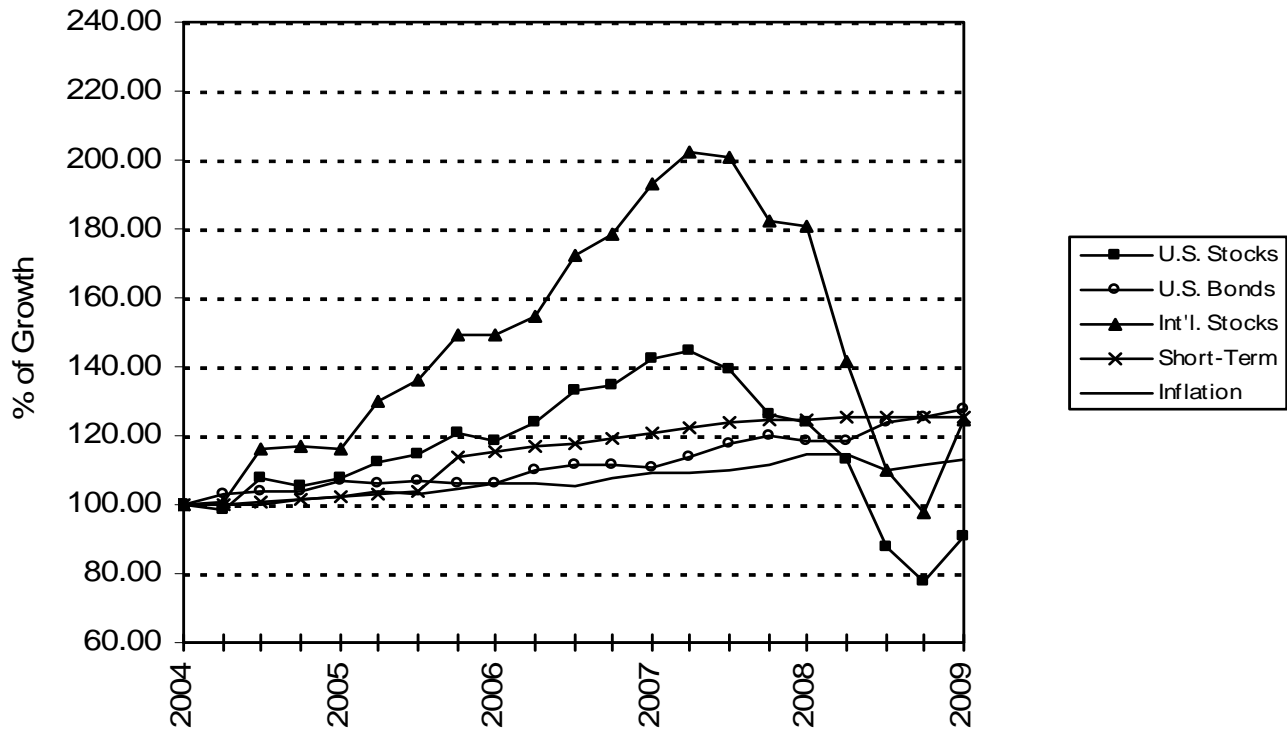
John N. Griebenow	Manager, Alternative Investments
James E. Heidelberg	Manager, Public Programs
Steven Kuettel	Manager, Short-Term Debt
Michael J. Menssen	Manager, Long-Term Debt
Stephanie Gleeson	Manager, International Equity
Tammy Brusehaver	Manager, Domestic Equity
Michael McGirr	Portfolio Mgr., Alternative Investments
Patricia Ammann	Portfolio Manager, Domestic Equity
John J. Kirby	Portfolio Manager, Long-Term Debt
Terrence Larsen	Investment Analyst, Short-Term Debt
Deborah Griebenow	Analyst, Shareholder Services

### Administrative Staff

Steve Schugel	Administrative Director
William J. Nicol	Accounting Director
Kathy Leisz	Information Technology Specialist
Nancy L. Wold	Accounting Officer, Senior
Wendy Murphy	Accounting Officer, Intermediate
Jason White	Accounting Officer, Intermediate
Charlene Olson	Admin. Ass't. to the Executive Director
Carol Nelson	Office Administrative Specialist, Senior
Melissa Merthan	Office Administrative Specialist

# The Year in Review

## Cumulative Growth of Capital Markets Fiscal Years 2005 - 2009



	2005	Year Ending June 30,		2008	2009	Annualized (1) 2005 - 2009
		2006	2007			
<b>U.S. Stocks</b> Russell 3000	8.1%	9.6%	20.1%	-12.7%	-26.6%	-1.8%
<b>U.S. Bonds</b> Barclays Capital Aggregate Bond Index (formerly named Lehman Bros. Aggregate Bond Index)	6.8%	-0.8%	6.1%	7.1%	6.0%	5.0%
<b>International Stocks</b> MSCI All Country World Index Ex. USA (ACWI ex USA)	16.5%	27.9%	29.6%	-6.4%	-30.9%	4.5%
<b>Short-Term Investments</b> 90 Day U.S. Treasury Bills	2.2%	4.1%	5.1%	3.1%	0.6%	3.0%
<b>Inflation Rate</b> Change in Consumer Price Index (CPI)	2.5%	3.5%	2.7%	5.0%	-1.4%	2.4%

(1) Annualized return is the annual compounded rate of return.

# The Year in Review

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## How Have Stocks, Bonds And Other Investments Performed?

The U.S. stock market, as measured by the Russell 3000 index, decreased 26.6% for the year ended June 30, 2009. The unraveling of the excesses caused by years of easy money, massive leverage, and financial tinkering severely affected almost every available investment category. As the credit crisis hit the “real” economy, a wave of panicked selling and extreme volatility soon followed. During September, October, and November, to raise cash, investors sold off their most liquid assets, U.S. equities. There was massive and unprecedented easing of monetary and fiscal policy during this period as house prices continued to fall, unemployment increased and consumer confidence hit an all-time low. All sectors and industries in the index had negative performance for the year.

The U.S. bond market returned 6.1% for the twelve months ending June 30, 2009. During the fall of 2008, the U.S. government nationalized the mortgage giants Freddie Mac and Fannie Mae, the investment banking industry was in crisis, and the largest bankruptcy in history (Lehman Brothers) all occurred within a two week period. These events caused unprecedented disruption in the financial markets, as investors moved out of riskier assets for the safety of U.S. Treasury bonds. By the beginning of 2009, financial markets had appeared to hit a bottom until the realization spread among investors that the U.S. had officially been in a recession since December 2007. This sentiment resulted in investors buying back into Treasuries. In March 2009 the Treasury announced two programs designed to restart lending markets and cleanse bank balance sheets of toxic assets. The second quarter of 2009 saw restored market confidence and record outperformance in all spread sectors as investors purchased quality assets at low prices.

The Morgan Stanley Capital International (MSCI) All Country World Index excluding the United States (ACWI Ex. USA), which represents the developed and emerging international markets outside the U.S., returned -30.9% for the year in U.S. dollar terms. The MSCI World Ex. U.S. Index, which represents developed international markets, returned -31.6% for the year. Japan, the United Kingdom, and France, which together make up 50% of the index, had returns of -23.1%, -34.2%, and -34.3%, respectively. The emerging markets, as measured by the MSCI Emerging Markets Free Index, returned -28.1% for the year in U.S. dollar terms. China, Brazil, and Korea are the largest countries in the index with a combined weight of 46% of the index. They had returns of -8.3%, -38.3%, and -30.6%, respectively.

# Volunteer Firefighter Account

The Volunteer Firefighter Account is established to provide a balanced investment program. The objectives of the Account are to provide high returns from capital appreciation and current yield while reducing the chance for large temporary decreases in value. To achieve these objectives, the Account will be invested in a mix of domestic equities, international equities, bonds and cash.

While holdings will vary day to day, the following is the targeted asset mix:

- 35% domestic stocks
- 15% international stocks
- 45% fixed income
- 5% cash

The domestic stock segment is passively managed and is indexed to the Russell 3000, a market index that reflects the broad U.S. stock market. The international stock segment is actively and passively managed and is invested primarily in large, developed international markets such as Japan, the United Kingdom, France, Canada and Germany, with a portion invested in developing countries, or emerging markets, in Asia, Latin America, Eastern Europe, the Middle East and Africa. The fixed income segment is actively managed and includes high-quality corporate bonds and mortgage securities as well as U.S. Government issues. The cash segment is invested in U.S. Treasury and Agency securities. The average maturity of the securities is less than 90 days.

### How Will This Account Perform Over Time?

The Volunteer Firefighter Account is a balanced or diversified investment program in one account. As with any investment program that includes stocks and bonds, the Account will provide returns that vary with changes in the market. Market value growth and dividend income from the domestic and international stock holdings can provide higher returns than bonds and cash investments. The international stock holdings add a measure of diversification to the domestic stock holdings as various international markets can perform differently. While returns on bonds are often lower than returns on stocks, the bond returns tend to be more stable and can provide some protection against wide swings in stock market returns.

### Who Manages The Account?

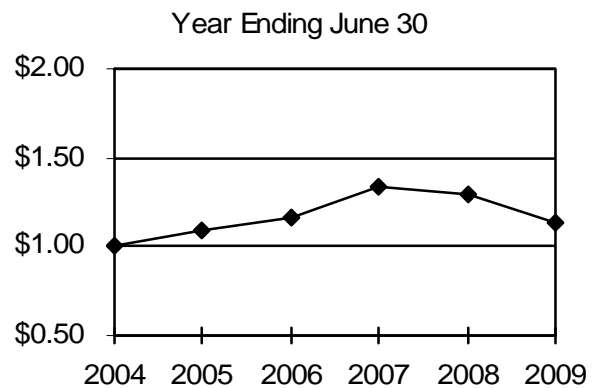
See page 4 for a listing of these managers.

### How Is The Value Of This Account Determined?

Participating entities own shares in the Account, much like you would in a mutual fund. The share value will be determined daily and will be based on the market value of the entire Account. Any dividend or interest income is reinvested in the Account at the time it is earned. Investment returns reflect all realized and unrealized gains and losses generated by the Account.

### What Is The Past Investment Performance Of This Account?

The graph below shows how \$1.00 would have grown over the past five years had it been invested in an account that used the targeted asset mix of the Volunteer Firefighter Account.



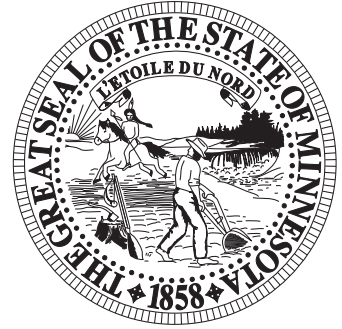
The table displays the hypothetical returns an account would have achieved over the past five years had it been invested using the targeted asset mix of the Volunteer Firefighter Account.

Year Ending June 30, Rate of Return	
2005	8.5%
2006	7.8
2007	14.7
2008	-3.1
2009	-12.7

Note: Investment management fees are deducted before share values and rates of return are calculated.

Investment management fees are estimated to be approximately \$0.10 per \$100 invested.

The Minnesota Supplemental Investment Fund  
is managed by the Minnesota State Board of Investment



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**Board Members:**

Governor Tim Pawlenty  
State Auditor Rebecca Otto  
Secretary of State Mark Ritchie  
Attorney General Lori Swanson

**Executive Director:**

Howard Bicker

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Minnesota Session Laws 2009, Regular Session

CHAPTER 169, ARTICLE 9  
VOLUNTARY STATEWIDE LUMP SUM  
VOLUNTEER FIREFIGHTER RETIREMENT PLAN

Section 1. Minnesota Statutes 2008, section 11A.17, subdivision 1, is amended to read:

Subdivision 1. **Purpose; accounts; continuation.** (a) The purpose of the supplemental investment fund is to provide an investment vehicle for the assets of various public retirement plans and funds.

(b) The fund consists of ~~seven~~ eight investment accounts: an income share account, a growth share account, an international share account, a money market account, a fixed interest account, a bond market account, ~~and~~ a common stock index account, and a volunteer firefighter account.

(c) The supplemental investment fund is a continuation of the supplemental retirement fund in existence on January 1, 1980.

Sec. 2. Minnesota Statutes 2008, section 11A.17, subdivision 2, is amended to read:

Subd. 2. **Assets.** (a) The assets of the supplemental investment fund ~~shall~~ consist of the money certified and transmitted to the state board from the participating public retirement plans and funds ~~or from the board of the Minnesota State Colleges and Universities under section 136F.45~~ and from the voluntary statewide lump-sum volunteer firefighter retirement plan under section 353G.08.

(b) With the exception of the assets of the voluntary statewide lump-sum volunteer firefighter retirement fund, the assets must be used to purchase investment shares in the investment accounts as specified by the plan or fund. The assets of the voluntary statewide lump-sum volunteer firefighter retirement fund must be invested in the volunteer firefighter account.

(c) These accounts must be valued at least on a monthly basis but may be valued more frequently as determined by the State Board of Investment.

Sec. 3. Minnesota Statutes 2008, section 69.011, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms ~~shall~~, for the purposes of this chapter and chapters 423, 423A, 424 and 424A, have the meanings ascribed to them:

(a) "Commissioner" means the commissioner of revenue.

(b) "Municipality" means:

(1) a home rule charter or statutory city;

(2) an organized town;

(3) a park district subject to chapter 398;

(4) the University of Minnesota;

(5) for purposes of the fire state aid program only, an American Indian tribal government entity located within a federally recognized American Indian reservation;

(6) for purposes of the police state aid program only, an American Indian tribal government with a tribal police department which exercises state arrest powers under

section 626.90, 626.91, 626.92, or 626.93;

(7) for purposes of the police state aid program only, the Metropolitan Airports Commission with respect to peace officers covered under chapter 422A; and

(8) for purposes of the police state aid program only, the Department of Natural Resources and the Department of Public Safety with respect to peace officers covered under chapter 352B.

(c) "Minnesota Firetown Premium Report" means a form prescribed by the commissioner containing space for reporting by insurers of fire, lightning, sprinkler leakage and extended coverage premiums received upon risks located or to be performed in this state less return premiums and dividends.

(d) "Firetown" means the area serviced by any municipality having a qualified fire department or a qualified incorporated fire department having a subsidiary volunteer firefighters' relief association.

(e) "Market value" means latest available market value of all property in a taxing jurisdiction, whether the property is subject to taxation, or exempt from ad valorem taxation obtained from information which appears on abstracts filed with the commissioner of revenue or equalized by the State Board of Equalization.

(f) "Minnesota Aid to Police Premium Report" means a form prescribed by the commissioner for reporting by each fire and casualty insurer of all premiums received upon direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for insuring against the perils contained in auto insurance coverages as reported in the Minnesota business schedule of the annual financial statement which each insurer is required to file with the commissioner in accordance with the governing laws or rules less return premiums and dividends.

(g) "Peace officer" means any person:

(1) whose primary source of income derived from wages is from direct employment by a municipality or county as a law enforcement officer on a full-time basis of not less than 30 hours per week;

(2) who has been employed for a minimum of six months prior to December 31 preceding the date of the current year's certification under subdivision 2, clause (b);

(3) who is sworn to enforce the general criminal laws of the state and local ordinances;

(4) who is licensed by the Peace Officers Standards and Training Board and is authorized to arrest with a warrant; and

(5) who is a member of a local police relief association to which section 69.77 applies, the State Patrol retirement plan, the public employees police and fire fund, or the Minneapolis Employees Retirement Fund.

(h) "Full-time equivalent number of peace officers providing contract service" means the integral or fractional number of peace officers which would be necessary to provide the contract service if all peace officers providing service were employed on a full-time basis as defined by the employing unit and the municipality receiving the contract service.

(i) "Retirement benefits other than a service pension" means any disbursement authorized under section 424A.05, subdivision 3, clauses (2) and (3).

(j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means the person

who was elected or appointed to the specified position or, in the absence of the person, another person who is designated by the applicable governing body. In a park district, the clerk is the secretary of the board of park district commissioners. In the case of the University of Minnesota, the clerk is that official designated by the Board of Regents. For the Metropolitan Airports Commission, the clerk is the person designated by the commission. For the Department of Natural Resources or the Department of Public Safety, the clerk is the respective commissioner. For a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93, the clerk is the person designated by the applicable American Indian tribal government.

(k) "Voluntary statewide lump-sum volunteer firefighter retirement plan" means the retirement plan established by chapter 353G.

Sec. 4. Minnesota Statutes 2008, section 69.011, subdivision 2, is amended to read:

Subd. 2. **Qualification for fire or police state aid.** (a) Unless retirement coverage is provided by the voluntary statewide lump-sum volunteer firefighter retirement plan, in order to qualify to receive fire state aid, on or before March 15 annually, in conjunction with the financial report required pursuant to section 69.051, the clerk of each municipality having a duly organized fire department as provided in subdivision 4, or the secretary of each independent nonprofit firefighting corporation having a subsidiary incorporated firefighters' relief association whichever is applicable, and the fire chief, shall jointly certify the existence of the municipal fire department or of the independent nonprofit firefighting corporation, whichever is applicable, which meets the minimum qualification requirements set forth in this subdivision, and the fire personnel and equipment of the municipal fire department or the independent nonprofit firefighting corporation as of the preceding December 31.

(b) Where retirement coverage is provided by the voluntary statewide lump-sum volunteer firefighter retirement plan, the executive director of the Public Employees Retirement Association shall certify the existence of that coverage for each municipality and the municipal clerk or independent nonprofit firefighting corporation secretary, whichever applies, and the applicable fire chief shall certify the fire personnel and fire department equipment as of the preceding December 31.

(c) Certification shall must be made to the commissioner on a form prescribed by the commissioner and shall include any other facts the commissioner may require. The certification shall must be made to the commissioner in duplicate. Each copy of the certificate shall must be duly executed and is deemed to be an original. The commissioner shall forward one copy to the auditor of the county wherein the fire department is located and shall retain one copy.

~~(b)~~ (d) On or before March 15 annually the clerk of each municipality having a duly organized police department and having a duly incorporated relief association shall certify that fact to the county auditor of the county where the police department is located and to the commissioner on a form prescribed by the commissioner together with the other facts the commissioner or auditor may require.

(e) Except as provided in subdivision 2b, on or before March 15 annually, the clerk of each municipality and the auditor of each county employing one or more peace officers as defined in subdivision 1, clause (g), shall certify the number of such peace officers to

the commissioner on forms prescribed by the commissioner. Credit for officers employed less than a full year ~~shall~~ must be apportioned. Each full month of employment of a qualifying officer during the calendar year ~~shall entitle~~ entitles the employing municipality or county to credit for 1/12 of the payment for employment of a peace officer for the entire year. For purposes of sections 69.011 to 69.051, employment of a peace officer ~~shall commence~~ commences when the peace officer is entered on the payroll of the respective municipal police department or county sheriff's department. No peace officer ~~shall~~ may be included in the certification of the number of peace officers by more than one municipality or county for the same month.

Sec. 5. Minnesota Statutes 2008, section 69.011, subdivision 4, is amended to read:

Subd. 4. **Qualification for state aid.** Any municipality in this state having for more than one year an organized fire department and officially established by the governing body of the municipality or an independent nonprofit fire fighting corporation created under the nonprofit corporation act of this state and operating exclusively for fire fighting purposes and providing retirement and relief benefits to its members ~~or,~~ having a separate subsidiary incorporated firefighter's relief and pension association providing retirement and relief benefits, or participating in the voluntary statewide lump-sum volunteer firefighter retirement plan, may qualify to receive state aid if it meets the following minimum requirements or equivalent as determined by the state fire marshal by July 1, 1972:

- (a) ten paid or volunteer firefighters including a fire chief and assistant fire chief, and
- (b) regular scheduled meetings and frequent drills including instructions in fire fighting tactics and in the use, care, and operation of all fire apparatus and equipment, and
- (c) a motorized fire truck equipped with a motorized pump, 250 gallon or larger water tank, 300 feet of one inch or larger fire hose in two lines with combination spray and straight stream nozzles, five-gallon hand pumps--tank extinguisher or equivalent, dry chemical extinguisher or equivalent, ladders, extension ladders, pike poles, crow bars, axes, lanterns, fire coats, helmets, boots, and
- (d) apparatus suitably housed in a building of good construction with facilities for care of hose and equipment, and
- (e) a reliable and adequate method of receiving fire alarms by telephone or with electric siren and suitable means of sounding an alarm, and
- (f) if response is to be provided outside the corporate limits of the municipality wherein the fire department is located, the municipality has another piece of motorized apparatus to make the response, and
- (g) other requirements the commissioner establishes by rule.

Sec. 6. Minnesota Statutes 2008, section 69.021, subdivision 7, is amended to read:

Subd. 7. **Apportionment of fire state aid to municipalities and relief associations.**

- (a) The commissioner shall apportion the fire state aid relative to the premiums reported on the Minnesota Firetown Premium Reports filed under this chapter to each municipality and/or firefighters relief association.
- (b) The commissioner shall calculate an initial fire state aid allocation amount for each municipality or fire department under paragraph (c) and a minimum fire state aid allocation amount for each municipality or fire department under paragraph (d). The

municipality or fire department must receive the larger fire state aid amount.

(c) The initial fire state aid allocation amount is the amount available for apportionment as fire state aid under subdivision 5, without inclusion of any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, allocated one-half in proportion to the population as shown in the last official statewide federal census for each fire town and one-half in proportion to the market value of each fire town, including (1) the market value of tax exempt property and (2) the market value of natural resources lands receiving in lieu payments under sections 477A.11 to 477A.14, but excluding the market value of minerals. In the case of incorporated or municipal fire departments furnishing fire protection to other cities, towns, or townships as evidenced by valid fire service contracts filed with the commissioner, the distribution must be adjusted proportionately to take into consideration the crossover fire protection service. Necessary adjustments ~~shall~~ must be made to subsequent apportionments. In the case of municipalities or independent fire departments qualifying for the aid, the commissioner shall calculate the state aid for the municipality or relief association on the basis of the population and the market value of the area furnished fire protection service by the fire department as evidenced by duly executed and valid fire service agreements filed with the commissioner. If one or more fire departments are furnishing contracted fire service to a city, town, or township, only the population and market value of the area served by each fire department may be considered in calculating the state aid and the fire departments furnishing service shall enter into an agreement apportioning among themselves the percent of the population and the market value of each service area. The agreement must be in writing and must be filed with the commissioner.

(d) The minimum fire state aid allocation amount is the amount in addition to the initial fire state allocation amount that is derived from any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, and allocated to municipalities with volunteer firefighters relief associations or covered by the voluntary statewide lump-sum volunteer firefighter retirement plan based on the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for the calendar year 1993 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters, so that all municipalities or fire departments with volunteer firefighters relief associations receive in total at least a minimum fire state aid amount per 1993 active volunteer firefighter to a maximum of 30 firefighters. If a relief association is established after calendar year 1993 and before calendar year 2000, the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for calendar year 1998 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters, shall be used in this determination. If a relief association is established after calendar year 1999, the number of active volunteer firefighters who are members of the relief association as reported in the first annual financial reporting submitted to the Office of the State Auditor, but not to exceed 20 active volunteer firefighters, must be used in this determination. If a relief association is terminated as a result of providing retirement coverage for volunteer firefighters by the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, the number of active volunteer firefighters of the municipality covered by the statewide plan as certified by the executive director of

the Public Employees Retirement Association to the commissioner and the state auditor, but not to exceed 30 active firefighters, must be used in this determination.

(e) Unless the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must be paid to the treasurer of the municipality where the fire department is located and the treasurer of the municipality shall, within 30 days of receipt of the fire state aid, transmit the aid to the relief association if the relief association has filed a financial report with the treasurer of the municipality and has met all other statutory provisions pertaining to the aid apportionment. If the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must be paid to the executive director of the Public Employees Retirement Association and deposited in the voluntary statewide lump-sum volunteer firefighter retirement fund.

(f) The commissioner may make rules to permit the administration of the provisions of this section.

(g) Any adjustments needed to correct prior misallocations must be made to subsequent apportionments.

Sec. 7. Minnesota Statutes 2008, section 69.021, subdivision 9, is amended to read:

Subd. 9. **Appeal.** In the event that ~~any~~ a municipality, a county, a fire relief association, or a police relief association, or the voluntary statewide lump-sum volunteer firefighter retirement plan, feels itself to be aggrieved, it may request the commissioner to review and adjust the apportionment of funds within the county in the case of police state aid, or within the state in the case of fire state aid. The decision of the commissioner is subject to appeal, review, and adjustment by the district court in the county in which the applicable municipality, fire department, or police department is located.

Sec. 8. Minnesota Statutes 2008, section 69.031, subdivision 1, is amended to read:

Subdivision 1. **Commissioner of finance's warrant.** (a) The commissioner of finance shall issue to the Public Employees Retirement Association on behalf of a municipality or independent nonprofit firefighting corporation that is a member of the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G or to the county, municipality, or independent nonprofit firefighting corporation certified to the commissioner of finance by the commissioner a warrant for an amount equal to the amount of fire state aid or police state aid, whichever applies, certified for the applicable state aid recipient by the commissioner under section 69.021.

(b) The amount of state aid due and not paid by October 1 accrues interest at the rate of one percent for each month or part of a month the amount remains unpaid, beginning the preceding July 1.

Sec. 9. Minnesota Statutes 2008, section 69.031, subdivision 5, is amended to read:

Subd. 5. **Deposit of state aid.** (a) If the municipality or the independent nonprofit firefighting corporation is covered by the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, the executive director shall credit the fire state aid against future municipal contribution requirements under section 353G.08 and shall notify the municipality or independent nonprofit firefighting corporation of

the fire state aid so credited at least annually. If the municipality or the independent nonprofit firefighting corporation is not covered by the voluntary statewide lump-sum volunteer firefighter retirement plan, the municipal treasurer shall, within 30 days after receipt, transmit the fire state aid to the treasurer of the duly incorporated firefighters' relief association if there is one organized and the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the fire state aid to the relief association until the complete financial report is filed. If the municipality or independent nonprofit firefighting corporation is not covered by the voluntary statewide lump-sum volunteer firefighter retirement plan, if there is no relief association organized, or if the association has dissolved, or has been removed as trustees of state aid, then the treasurer of the municipality shall deposit the money in the municipal treasury as provided for in section 424A.08 and the money may be disbursed only for the purposes and in the manner set forth in that section.

(b) The municipal treasurer, upon receipt of the police state aid, shall disburse the police state aid in the following manner:

(1) For a municipality in which a local police relief association exists and all peace officers are members of the association, the total state aid must be transmitted to the treasurer of the relief association within 30 days of the date of receipt, and the treasurer of the relief association shall immediately deposit the total state aid in the special fund of the relief association;

(2) For a municipality in which police retirement coverage is provided by the public employees police and fire fund and all peace officers are members of the fund, including municipalities covered by section 353.665, the total state aid must be applied toward the municipality's employer contribution to the public employees police and fire fund under sections 353.65, subdivision 3, and 353.665, subdivision 8, paragraph (b), if applicable; or

(3) For a municipality other than a city of the first class with a population of more than 300,000 in which both a police relief association exists and police retirement coverage is provided in part by the public employees police and fire fund, the municipality may elect at its option to transmit the total state aid to the treasurer of the relief association as provided in clause (1), to use the total state aid to apply toward the municipality's employer contribution to the public employees police and fire fund subject to all the provisions set forth in clause (2), or to allot the total state aid proportionately to be transmitted to the police relief association as provided in this subdivision and to apply toward the municipality's employer contribution to the public employees police and fire fund subject to the provisions of clause (2) on the basis of the respective number of active full-time peace officers, as defined in section 69.011, subdivision 1, clause (g).

For a city of the first class with a population of more than 300,000, in addition, the city may elect to allot the appropriate portion of the total police state aid to apply toward the employer contribution of the city to the public employees police and fire fund based on the covered salary of police officers covered by the fund each payroll period and to transmit the balance to the police relief association; or

(4) For a municipality in which police retirement coverage is provided in part by the public employees police and fire fund and in part by a local police consolidation account governed by chapter 353A and established before March 2, 1999, for which the

municipality declined merger under section 353.665, subdivision 1, or established after March 1, 1999, the total police state aid must be applied towards the municipality's total employer contribution to the public employees police and fire fund and to the local police consolidation account under sections 353.65, subdivision 3, and 353A.09, subdivision 5.

(c) The county treasurer, upon receipt of the police state aid for the county, shall apply the total state aid toward the county's employer contribution to the public employees police and fire fund under section 353.65, subdivision 3.

(d) The designated Metropolitan Airports Commission official, upon receipt of the police state aid for the Metropolitan Airports Commission, shall apply the total police state aid first toward the commission's employer contribution for police officers to the Minneapolis Employees Retirement Fund under section 422A.101, subdivision 2a, and, if there is any amount of police state aid remaining, shall apply that remainder toward the commission's employer contribution for police officers to the public employees police and fire plan under section 353.65, subdivision 3.

(e) The police state aid apportioned to the Departments of Public Safety and Natural Resources under section 69.021, subdivision 7a, is appropriated to the commissioner of finance for transfer to the funds and accounts from which the salaries of peace officers certified under section 69.011, subdivision 2a, are paid. The commissioner of revenue shall certify to the commissioners of public safety, natural resources, and finance the amounts to be transferred from the appropriation for police state aid. The commissioners of public safety and natural resources shall certify to the commissioner of finance the amounts to be credited to each of the funds and accounts from which the peace officers employed by their respective departments are paid. Each commissioner ~~must~~ shall allocate the police state aid first for employer contributions for employees funded from the general fund and then for employer contributions for employees funded from other funds. For peace officers whose salaries are paid from the general fund, the amounts transferred from the appropriation for police state aid must be canceled to the general fund.

Sec. 10. **[353G.01] DEFINITIONS.**

Subdivision 1. **Scope.** For the purposes of this chapter, the words or terms defined in this section have the meanings given to them unless the context of the word or term clearly indicates otherwise.

Subd. 2. **Advisory board.** "Advisory board" means the board established by section 353G.03.

Subd. 3. **Board.** "Board" means the board of trustees of the Public Employees Retirement Association operating under section 353.03.

Subd. 4. **Commissioner of finance.** "Commissioner of finance" means the state official appointed and qualified under section 16A.01.

Subd. 5. **Executive director; director.** "Executive director" or "director" means the person appointed under section 353.03, subdivision 3a.

Subd. 6. **Fund.** "Fund" means the voluntary statewide lump-sum volunteer firefighter retirement fund established under section 353G.02, subdivision 3.

Subd. 7. **Good time service credit.** "Good time service credit" means the length of service credit for an active firefighter that is reported by the applicable fire chief based on the minimum firefighter activity standards of the fire department. The credit may be

recognized on an annual or monthly basis.

Subd. 8. **Member.** "Member" means a volunteer firefighter who provides active service to a municipal fire department or an independent nonprofit firefighting corporation where the applicable municipality or corporation has elected coverage by the retirement plan under section 353G.05, and which service is covered by the retirement plan.

Subd. 9. **Municipality.** "Municipality" means a governmental entity specified in section 69.011, subdivision 1, paragraph (b), clauses (1), (2), and (5).

Subd. 10. **Plan.** "Plan" means the retirement plan established by this chapter.

Subd. 11. **Retirement fund.** "Retirement fund" means the voluntary statewide lump-sum volunteer firefighter retirement fund established under section 353G.02, subdivision 3.

Subd. 12. **Retirement plan.** "Retirement plan" means the retirement plan established by this chapter.

Subd. 13. **Standards for actuarial work.** "Standards for actuarial work" means the standards adopted by the Legislative Commission on Pensions and Retirement under section 3.85, subdivision 10.

Subd. 14. **State Board of Investment.** "State Board of Investment" means the board created by article XI, section 8, of the Minnesota Constitution and governed by chapter 11A.

Subd. 15. **Volunteer firefighter.** "Volunteer firefighter" means a person who is an active member of a municipal fire department or independent nonprofit firefighting corporation and who, in that capacity, engages in fire suppression activities, provides emergency response services, or delivers fire education or prevention services on an on-call basis.

## Sec. 11. **[353G.02] PLAN AND FUND CREATION.**

Subdivision 1. **Retirement plan.** The voluntary statewide lump-sum volunteer firefighter retirement plan is created.

Subd. 2. **Administration.** The policy-making, management, and administrative functions related to the voluntary statewide lump-sum volunteer firefighter retirement plan and fund are vested in the board of trustees and the executive director of the Public Employees Retirement Association. Their duties, authority, and responsibilities are as provided in section 353.03. Fiduciary activities of the plan and fund must be undertaken in a manner consistent with chapter 356A.

Subd. 3. **Retirement fund.** (a) The voluntary statewide lump-sum volunteer firefighter retirement fund is created. The fund contains the assets attributable to the voluntary statewide lump-sum volunteer firefighter retirement plan.

(b) The State Board of Investment shall invest those portions of the retirement fund not required for immediate purposes in the voluntary statewide lump-sum volunteer firefighter retirement plan in the statewide lump-sum volunteer firefighter account of the Minnesota supplemental investment fund under section 11A.17.

(c) The commissioner of finance is the ex officio treasurer of the voluntary statewide lump-sum volunteer firefighter retirement fund. The commissioner of finance's general bond to the state covers all liability for actions taken as the treasurer of the retirement fund.

(d) The revenues of the retirement plan beyond investment returns are governed by

section 353G.08 and must be deposited in the retirement fund. The disbursements of the retirement plan are governed by section 353G.08. The commissioner of finance shall transmit a detailed statement showing all credits to and disbursements from the retirement fund to the executive director monthly.

Subd. 4. **Audit; actuarial valuation.** (a) The legislative auditor shall periodically audit the voluntary statewide lump-sum volunteer firefighter retirement fund.

(b) An actuarial valuation of the voluntary statewide lump-sum volunteer firefighter retirement plan may be performed periodically as determined to be appropriate or useful by the board. An actuarial valuation must be performed by the approved actuary retained under section 356.214 and must conform with section 356.215 and the standards for actuarial work. An actuarial valuation must contain sufficient detail for each participating employing entity to ascertain the actuarial condition of its account in the fund and the contribution requirement towards its account.

Subd. 5. **Legal advisor; attorney general.** (a) The legal advisor of the board and the executive director with respect to the voluntary statewide lump-sum volunteer firefighter retirement plan is the attorney general.

(b) The board may sue, petition, be sued, or be petitioned under this chapter with respect to the plan or the fund in the name of the board.

(c) The attorney general shall represent the board in all actions by the board or against the board with respect to the plan or the fund.

(d) Venue of all actions related to the plan or fund is in the court for the first judicial district unless the action is an appeal to the Court of Appeals under section 356.96.

## **Sec. 12. [353G.03] VOLUNTARY STATEWIDE LUMP-SUM VOLUNTEER FIREFIGHTER RETIREMENT PLAN ADVISORY BOARD.**

Subdivision 1. **Establishment.** A Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan Advisory Board is created.

Subd. 2. **Function; purpose.** The advisory board shall provide advice to the board of trustees of the Public Employees Retirement Association about the retirement coverage needs of volunteer firefighters who are members of the plan and about the legislative and administrative changes that would assist the retirement plan in accommodating volunteer firefighters who are not members of the plan.

Subd. 3. **Composition.** (a) The advisory board consists of seven members.

(b) The advisory board members are:

(1) one representative of Minnesota townships, appointed by the Minnesota Association of Townships;

(2) two representatives of Minnesota cities, appointed by the League of Minnesota Cities;

(3) one representative of Minnesota fire chiefs, who is a fire chief, appointed by the Minnesota State Fire Chiefs Association;

(4) two representatives of Minnesota volunteer firefighters, who are active volunteer firefighters, appointed by the Minnesota State Fire Departments Association; and

(5) one representative of the Office of the State Auditor, designated by the state auditor.

Subd. 4. **Term.** (a) The initial terms on the advisory board for the Minnesota

townships representative and the Minnesota fire chiefs representative are one year. The initial terms on the advisory board for one of the Minnesota cities representatives and one of the Minnesota active volunteer firefighter representatives are two years. The initial terms on the advisory board for the other Minnesota cities representative and the other Minnesota active volunteer firefighter representative are three years. The term for the Office of the State Auditor representative is determined by the state auditor.

(b) Subsequent terms on the advisory board other than the Office of the State Auditor representative are three years.

Subd. 5. **Compensation of advisory board.** The compensation of members of the advisory board other than the Office of the State Auditor representative is governed by section 15.0575, subdivision 3.

### Sec. 13. **[353G.04] INFORMATION FROM MUNICIPALITIES AND FIRE DEPARTMENTS.**

The chief executive officers of municipalities and fire departments with volunteer firefighters covered by the voluntary lump-sum volunteer firefighter retirement plan shall provide all relevant information and records requested by the board, the executive director, and the State Board of Investment as required to perform their duties.

### Sec. 14. **[353G.05] PLAN COVERAGE ELECTION.**

Subdivision 1. **Coverage.** Any municipality or independent nonprofit firefighting corporation may elect to have its volunteer firefighters covered by the retirement plan.

Subd. 2. **Election of coverage.** (a) The process for electing coverage of volunteer firefighters by the retirement plan is initiated by a request to the executive director for a cost analysis of the prospective retirement coverage.

(b) If the volunteer firefighters are currently covered by a volunteer firefighters' relief association governed by chapter 424A, the cost analysis of the prospective retirement coverage must be requested jointly by the secretary of the volunteer firefighters' relief association, following approval of the request by the board of the volunteer firefighters' relief association, and the chief administrative officer of the entity associated with the relief association, following approval of the request by the governing body of the entity associated with the relief association. If the relief association is associated with more than one entity, the chief administrative officer of each associated entity must execute the request. If the volunteer firefighters are not currently covered by a volunteer firefighters' relief association, the cost analysis of the prospective retirement coverage must be requested by the chief administrative officer of the entity operating the fire department. The request must be made in writing and must be made on a form prescribed by the executive director.

(c) The cost analysis of the prospective retirement coverage by the statewide retirement plan must be based on the service pension amount under section 353G.11 closest to the service pension amount provided by the volunteer firefighters' relief association, if there is one, or to the lowest service pension amount under section 353G.11 if there is no volunteer firefighters' relief association, rounded up, and any other service pension amount designated by the requester or requesters. The cost analysis must be prepared using a mathematical procedure certified as accurate by an approved actuary

retained by the Public Employees Retirement Association.

(d) If a cost analysis is requested and a volunteer firefighters' relief association exists that has filed the information required under section 69.051 in a timely fashion, upon request by the executive director, the state auditor shall provide the most recent data available on the financial condition of the volunteer firefighters' relief association, the most recent firefighter demographic data available, and a copy of the current relief association bylaws. If a cost analysis is requested, but no volunteer firefighters' relief association exists, the chief administrative officer of the entity operating the fire department shall provide the demographic information on the volunteer firefighters serving as members of the fire department requested by the executive director.

(e) If a cost analysis is requested, the executive director of the State Board of Investment shall review the investment portfolio of the relief association, if applicable, for compliance with the applicable provisions of chapter 11A and for appropriateness for retention under the established investment objectives and investment policies of the State Board of Investment. If the prospective retirement coverage change is approved under paragraph (f), the State Board of Investment may require that the relief association liquidate any investment security or other asset which the executive director of the State Board of Investment has determined to be an ineligible or inappropriate investment for retention by the State Board of Investment. The security or asset liquidation must occur before the effective date of the transfer of retirement plan coverage. If requested to do so by the chief administrative officer of the relief association, the executive director of the State Board of Investment shall provide advice about the best means to conduct the liquidation.

(f) Upon receipt of the cost analysis, the governing body of the municipality or independent nonprofit firefighting corporation associated with the fire department shall approve or disapprove the retirement coverage change within 90 days. If the retirement coverage change is not acted upon within 90 days, it is deemed to be disapproved. If the retirement coverage change is approved by the applicable governing body, coverage by the voluntary statewide lump-sum volunteer firefighter retirement plan is effective on the next following January 1.

**Sec. 15. [353G.06] DISESTABLISHMENT OF PRIOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION SPECIAL FUND UPON RETIREMENT COVERAGE CHANGE.**

Subdivision 1. Special fund disestablishment. (a) On the date immediately prior to the effective date of the coverage change, the special fund of the applicable volunteer firefighters' relief association, if one exists, ceases to exist as a pension fund of the association and legal title to the assets of the special fund transfers to the State Board of Investment, with the beneficial title to the assets of the special fund remaining in the applicable volunteer firefighters.

(b) If the market value of the special fund of the volunteer firefighters' relief association for which retirement coverage changed under this chapter declines in the interval between the date of the most recent financial report or statement, and the special fund disestablishment date, the applicable municipality shall transfer an additional amount to the State Board of Investment equal to that decline. If more than one municipality is

responsible for the direct management of the fire department, the municipalities shall allocate the additional transfer amount among the various applicable municipalities one-half in proportion to the population of each municipality and one-half in proportion to the market value of each municipality.

Subd. 2. **Other relief association changes.** In addition to the transfer and disestablishment of the special fund under subdivision 1, notwithstanding any provisions of chapter 424A or 424B to the contrary, upon the effective date of the change in volunteer firefighter retirement coverage, if the relief association membership elects to retain the relief association after the benefit coverage election, the following changes must be implemented with respect to the applicable volunteer firefighters' relief association:

- (1) the relief association board of trustees membership is reduced to five, comprised of the fire chief of the fire department and four trustees elected by and from the relief association membership;
- (2) the relief association may only maintain a general fund, which continues to be governed by section 424A.06;
- (3) the relief association is not authorized to receive the proceeds of any state aid or to receive any municipal funds; and
- (4) the relief association may not pay any service pension or benefit that was not authorized as a general fund disbursement under the articles of incorporation or bylaws of the relief association in effect prior to the plan coverage election process.

Subd. 3. **Successor in interest.** Upon the disestablishment of the special fund of the volunteer firefighters' relief association under this section, the voluntary statewide lump-sum volunteer firefighter retirement plan is the successor in interest of the special fund of the volunteer firefighters' relief association for all claims against the special fund other than a claim against the special fund, the volunteer firefighters' relief association, the municipality, the fire department, or any person connected with the volunteer firefighters' relief association in a fiduciary capacity under chapter 356A or common law that was based on any act or acts which were not performed in good faith and which constituted a breach of a fiduciary obligation. As the successor in interest of the special fund of the volunteer firefighters' relief association, the voluntary statewide lump-sum volunteer firefighter retirement plan may assert any applicable defense in any judicial proceeding which the board of trustees of the volunteer firefighters' relief association or the municipality would have been entitled to assert.

**Sec. 16. [353G.07] CERTIFICATION OF GOOD TIME SERVICE CREDIT.**

- (a) Annually, by March 31, the fire chief of the fire department with firefighters who are active members of the retirement plan shall certify to the executive director the good time service credit for the previous calendar year of each firefighter rendering active service with the fire department.
- (b) The fire chief shall provide to each firefighter rendering active service with the fire department notification of the amount of good time service credit rendered by the firefighter for the calendar year. The good time service credit notification must be provided to the firefighter 60 days before its certification to the executive director of the Public Employees Retirement Association, along with an indication of the process for the firefighter to challenge the fire chief's determination of good time service credit. If the

good time service credit amount is challenged in a timely fashion, the fire chief shall hold a hearing on the challenge, accept and consider any additional pertinent information, and make a final determination of good time service credit. The final determination of good time service credit by the fire chief is not reviewable by the executive director of the Public Employees Retirement Association or by the board of trustees of the Public Employees Retirement Association.

(c) The good time service credit certification is an official public document. If a false good time service credit certification is filed or if false information regarding good time service credits is provided, section 353.19 applies.

(d) The good time service credit certification must be expressed as a percentage of a full year of service during which an active firefighter rendered at least the minimum level and quantity of fire suppression, emergency response, fire prevention, or fire education duties required by the fire department under the rules and regulations applicable to the fire department. No more than one year of good time service credit may be certified for a calendar year.

(e) If a firefighter covered by the retirement plan leaves active firefighting service to render active military service that is required to be covered by the federal Uniformed Services Employment and Reemployment Rights Act, as amended, the person must be certified as providing a full year of good time service credit in each year of the military service, up to the applicable limit of the federal Uniformed Services Employment and Reemployment Rights Act. If the firefighter does not return from the military service in compliance with the federal Uniformed Services Employment and Reemployment Rights Act, the good time service credits applicable to that military service credit period are forfeited and cancel at the end of the calendar year in which the federal law time limit occurs.

Sec. 17. **[353G.08] RETIREMENT PLAN FUNDING; DISBURSEMENTS.**

(a) Annually, the executive director shall determine the funding requirements of each account in the voluntary statewide lump-sum volunteer firefighter retirement plan on or before August 1. The funding requirements as directed under this section, must be determined using a mathematical procedure developed and certified as accurate by an approved actuary retained by the Public Employees Retirement Association and based on present value factors using a six percent interest rate, without any decrement assumptions. The funding requirements must be certified to the entity or entities associated with the fire department whose active firefighters are covered by the retirement plan.

(b) The overall funding balance of each account for the current calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the current year must be calculated based on the good time service credit of active and deferred members as of that date.

(2) The total present assets of the account projected to December 31 of the current year, including receipts by and disbursements from the account anticipated to occur on or before December 31, must be calculated. To the extent possible, the market value of assets must be utilized in making this calculation.

(3) The amount of the total present assets calculated under clause (2) must be

subtracted from the amount of the total accrued liability calculated under clause (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the account is considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the account is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund is considered to be fully funded.

(c) The financial requirements of each account for the following calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the calendar year next following the current calendar year must be calculated based on the good time service used in the calculation under paragraph (b), clause (1), increased by one year.

(2) The increase in the total accrued liability of the account for the following calendar year over the total accrued liability of the account for the current year must be calculated.

(3) The amount of anticipated future administrative expenses of the account must be calculated by multiplying the dollar amount of the administrative expenses for the most recent prior calendar year by the factor of 1.035.

(4) If the account is fully funded, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3).

(5) If the account has a deficit from full funding, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3) plus an amount equal to one-tenth of the amount of the deficit from full funding of the account.

(6) If the account has a surplus over full funding, the financial requirement of the account for the following calendar year is the financial requirement of the account calculated as though the account was fully funded under clause (4) and, if the account has also had a surplus over full funding during the prior two years, additionally reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the account.

(d) The required contribution of the entity or entities associated with the fire department whose active firefighters are covered by the retirement plan is the annual financial requirements of the account of the retirement plan under paragraph (c) reduced by the amount of any fire state aid payable under sections 69.011 to 69.051 reasonably anticipated to be received by the retirement plan attributable to the entity or entities during the following calendar year, and an amount of interest on the assets projected to be received during the following calendar year calculated at the rate of six percent per annum. The required contribution must be allocated between the entities if more than one entity is involved. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(e) The required contribution calculated in paragraph (d) must be paid to the retirement plan on or before December 31 of the year for which it was calculated. If the contribution is not received by the retirement plan by December 31, it is payable with interest at an annual compound rate of six percent from the date due until the date payment is received by the retirement plan. If the entity does not pay the full amount of the required contribution, the executive director shall collect the unpaid amount under section 353.28, subdivision 6.

- (f) The assets of the retirement fund may only be disbursed for:
- (1) the administrative expenses of the retirement plan;
  - (2) the investment expenses of the retirement fund;
  - (3) the service pensions payable under section 353G.10, 353G.11, 353G.14, or 353G.15; and
  - (4) the survivor benefits payable under section 353G.12.

Sec. 18. **[353G.09] RETIREMENT BENEFIT ELIGIBILITY.**

Subdivision 1. **Entitlement.** Except as provided in subdivision 3, an active member of the retirement plan is entitled to a lump-sum service pension from the retirement plan if the person:

- (1) has separated from active service with the fire department for at least 30 days;
- (2) has attained the age of at least 50 years;
- (3) has completed at least five years of good time service credit as a member of the retirement plan; and
- (4) applies in a manner prescribed by the executive director for the service pension.

Subd. 2. **Vesting schedule; nonforfeitable portion of service pension.** If an active member has completed less than 20 years of good time service credit, the person's entitlement is to the nonforfeitable percentage of the applicable service pension amount, as follows:

<u>Completed years of good time service credit</u>	<u>Nonforfeitable percentage of the service pension</u>
<u>5</u>	<u>40 percent</u>
<u>6</u>	<u>44 percent</u>
<u>7</u>	<u>48 percent</u>
<u>8</u>	<u>52 percent</u>
<u>9</u>	<u>56 percent</u>
<u>10</u>	<u>60 percent</u>
<u>11</u>	<u>64 percent</u>
<u>12</u>	<u>68 percent</u>
<u>13</u>	<u>72 percent</u>
<u>14</u>	<u>76 percent</u>
<u>15</u>	<u>80 percent</u>
<u>16</u>	<u>84 percent</u>
<u>17</u>	<u>88 percent</u>
<u>18</u>	<u>92 percent</u>
<u>19</u>	<u>96 percent</u>
<u>20 and thereafter</u>	<u>100 percent</u>

Subd. 3. **Alternative pension eligibility and computation.** (a) An active member of the retirement plan is entitled to an alternative lump-sum service pension from the retirement plan if the person:

- (1) has separated from active service with the fire department for at least 30 days;
- (2) has attained the age of at least 50 years or the age for receipt of a service pension under the benefit plan of the applicable former volunteer firefighters' relief association

as of the date immediately prior to the election of the retirement coverage change, whichever is later;  
(3) has completed at least five years of active service with the fire department and at least five years in total as a member of the applicable former volunteer firefighters' relief association or of the retirement plan, but has not rendered at least five years of good time service credit as a member of the retirement plan; and  
(4) applies in a manner prescribed by the executive director for the service pension.  
(b) The alternative lump-sum service pension is the service pension amount specified in the bylaws of the applicable former volunteer firefighters' relief association either as of the date immediately prior to the election of the retirement coverage change or as of the date immediately before the termination of firefighting services, whichever is earlier, multiplied by the total number of years of service as a member of that volunteer firefighters' relief association and as a member of the retirement plan.

**Sec. 19. [353G.10] DEFERRED SERVICE PENSION AMOUNT.**

A person who was an active member of a fire department covered by the retirement plan who has separated from active firefighting service for at least 30 days and who has completed at least five years of good time service credit, but has not attained the age of 50 years, is entitled to a deferred service pension on or after attaining the age of 50 years and applying in a manner specified by the executive director for the service pension. The service pension payable is the nonforfeitable percentage of the service pension under section 353G.09, subdivision 2, and is payable without any interest over the period of deferral.

**Sec. 20. [353G.11] SERVICE PENSION LEVELS.**

Subdivision 1. **Levels.** The retirement plan provides the following levels of service pension amounts to be selected at the election of coverage, or, if fully funded, thereafter:

<u>Level A</u>	<u>\$500 per year of good time service credit</u>
<u>Level B</u>	<u>\$750 per year of good time service credit</u>
<u>Level C</u>	<u>\$1,000 per year of good time service credit</u>
<u>Level D</u>	<u>\$1,500 per year of good time service credit</u>
<u>Level E</u>	<u>\$2,000 per year of good time service credit</u>
<u>Level F</u>	<u>\$2,500 per year of good time service credit</u>
<u>Level G</u>	<u>\$3,000 per year of good time service credit</u>
<u>Level H</u>	<u>\$3,500 per year of good time service credit</u>
<u>Level I</u>	<u>\$4,000 per year of good time service credit</u>
<u>Level J</u>	<u>\$4,500 per year of good time service credit</u>
<u>Level K</u>	<u>\$5,000 per year of good time service credit</u>
<u>Level L</u>	<u>\$5,500 per year of good time service credit</u>
<u>Level M</u>	<u>\$6,000 per year of good time service credit</u>
<u>Level N</u>	<u>\$6,500 per year of good time service credit</u>
<u>Level O</u>	<u>\$7,000 per year of good time service credit</u>
<u>Level P</u>	<u>\$7,500 per year of good time service credit</u>

Subd. 2. **Level selection.** At the time of the election to transfer retirement coverage, or on April 30 thereafter, the governing body or bodies of the entity or entities operating the fire department whose firefighters are covered by the retirement plan may request a cost estimate from the executive director of an increase in the service pension level applicable to the active firefighters of the fire department. Within 90 days of the receipt of the cost estimate prepared by the executive director using a procedure certified as accurate by the approved actuary retained by the Public Employees Retirement Association, the governing body or bodies may approve the service pension level change, effective for the following calendar year. If not approved in a timely fashion, the service pension level change is considered to have been disapproved.

Subd. 3. **Supplemental benefit.** The retirement plan also shall pay a supplemental benefit as provided for in section 424A.10.

Subd. 4. **Ancillary benefits.** No disability, death, funeral, or other ancillary benefit beyond a service pension or a survivor benefit is payable from the retirement plan.

#### Sec. 21. **[353G.12] SURVIVOR BENEFIT.**

Subdivision 1. **Entitlement.** (a) A survivor of a deceased active member of the retirement plan or a deceased deferred member of the retirement plan, upon application as prescribed by the executive director, is entitled to receive a survivor benefit.

(b) A survivor is the spouse of the member, or if none, the minor child or children of the member, or if none, the estate of the member.

Subd. 2. **Survivor benefit amount.** The amount of the survivor benefit is the amount of the service pension that would have been payable to the member of the retirement plan on the date of death if the member had been age 50 or older on that date.

#### Sec. 22. **[353G.13] PORTABILITY.**

Subdivision 1. **Eligibility.** An active firefighter who is a member of the retirement plan who also renders firefighting service and has good time service credit in the retirement plan from another fire department, if the good time service credit in the plan from a combination of periods totals at least five years, is eligible, upon complying with the other requirements of section 353G.09, to receive a service pension upon filing an application in the manner prescribed by the executive director, computed as provided in subdivision 2.

Subd. 2. **Combined service pension computation.** The service pension payable to a firefighter who qualifies under subdivision 1 is the per year of good time service credit service pension amount in effect for each account in which the firefighter has good time service credit as of the date on which the firefighter terminated active service with the fire department associated with the applicable account, multiplied by the number of years of good time service credit that the firefighter has in the applicable account.

Subd. 3. **Payment.** A service pension under this section must be paid in a single payment, with the applicable portion of the total service pension payment amount deducted from each account.

#### Sec. 23. **[353G.14] PURCHASE OF ANNUITY CONTRACTS.**

The executive director may purchase an annuity contract on behalf of a retiring firefighter with a total premium payment in an amount equal to the lump-sum service pension payable under section 353G.09 if the purchase was requested by the retiring

firefighter in a manner prescribed by the executive director. The annuity contract must be purchased from an insurance carrier that is licensed to do business in this state. If purchased, the annuity contract is in lieu of any service pension or other benefit from the retirement plan. The annuity contract may be purchased at any time after the volunteer firefighter discontinues active service, but the annuity contract must stipulate that no annuity amounts are payable before the former volunteer firefighter attains the age of 50.

Sec. 24. **[353G.15] INDIVIDUAL RETIREMENT ACCOUNT TRANSFER.**  
Upon receipt of a determination that the retirement plan is a qualified pension plan under section 401(a) of the Internal Revenue Code, as amended, the executive director, upon request, shall transfer the service pension amount under sections 353G.08 and 353G.11 of a former volunteer firefighter who has terminated active firefighting services covered by the plan and who has attained the age of at least 50 years to the person's individual retirement account under section 408(a) of the federal Internal Revenue Code, as amended. The transfer request must be in a manner prescribed by the executive director and must be filed by the former volunteer firefighter who has sufficient service credit to be entitled to a service pension or, following the death of a participating active firefighter, must be filed by the deceased firefighter's surviving spouse.

Sec. 25. **[353G.16] EXEMPTION FROM PROCESS.**  
The provisions of section 356.401 apply to the retirement plan.

Sec. 26. Minnesota Statutes 2008, section 356.20, subdivision 2, is amended to read:  
Subd. 2. **Covered public pension plans and funds.** This section applies to the following public pension plans:

- (1) the general state employees retirement plan of the Minnesota State Retirement System;
- (2) the general employees retirement plan of the Public Employees Retirement Association;
- (3) the Teachers Retirement Association;
- (4) the State Patrol retirement plan;
- (5) the St. Paul Teachers Retirement Fund Association;
- (6) the Duluth Teachers Retirement Fund Association;
- (7) the Minneapolis Employees Retirement Fund;
- (8) the University of Minnesota faculty retirement plan;
- (9) the University of Minnesota faculty supplemental retirement plan;
- (10) the judges retirement fund;
- (11) a police or firefighter's relief association specified or described in section 69.77, subdivision 1a ;
- (12) a volunteer firefighter relief association governed by section 69.771, subdivision 1 ;
- (13) the public employees police and fire plan of the Public Employees Retirement Association;
- (14) the correctional state employees retirement plan of the Minnesota State Retirement System; ~~and~~
- (15) the local government correctional service retirement plan of the Public

Employees Retirement Association; and  
(16) the voluntary statewide lump-sum volunteer firefighter retirement plan.

Sec. 27. Minnesota Statutes 2008, section 356.401, subdivision 3, is amended to read:

Subd. 3. **Covered retirement plans.** The provisions of this section apply to the following retirement plans:

- (1) the legislators retirement plan, established by chapter 3A;
  - (2) the general state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;
  - (3) the correctional state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;
  - (4) the State Patrol retirement plan, established by chapter 352B;
  - (5) the elective state officers retirement plan, established by chapter 352C;
  - (6) the unclassified state employees retirement program, established by chapter 352D;
  - (7) the general employees retirement plan of the Public Employees Retirement Association, established by chapter 353;
  - (8) the public employees police and fire plan of the Public Employees Retirement Association, established by chapter 353;
  - (9) the public employees defined contribution plan, established by chapter 353D;
  - (10) the local government correctional service retirement plan of the Public Employees Retirement Association, established by chapter 353E;
  - (11) the voluntary statewide lump-sum volunteer firefighter retirement plan, established by chapter 353G;
  - ~~(12)~~ (13) the Teachers Retirement Association, established by chapter 354;
  - ~~(13)~~ ~~the Minneapolis Teachers Retirement Fund Association, established by chapter 354A;~~
  - (14) the St. Paul Teachers Retirement Fund Association, established by chapter 354A;
  - (15) the individual retirement account plan, established by chapter 354B;
  - (16) the higher education supplemental retirement plan, established by chapter 354C;
  - (17) the Minneapolis Employees Retirement Fund, established by chapter 422A;
  - (18) the Minneapolis Police Relief Association, established by chapter 423B;
  - (19) the Minneapolis Firefighters Relief Association, established by chapter 423C;
- and
- (20) the judges retirement fund, established by chapter 490.

Sec. 28. Minnesota Statutes 2008, section 356.96, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) Unless the language or context clearly indicates that a different meaning is intended, for the purpose of this section, the terms in paragraphs (b) to (e) have the meanings given them.

(b) "Chief administrative officer" means the executive director of a covered pension plan or the executive director's designee or representative.

(c) "Covered pension plan" means a plan enumerated in section 356.20,

subdivision 2, clauses (1) to (4), (10), and (13) to ~~(15)~~ (16), but does not mean the deferred compensation plan administered under sections 352.965 and 352.97 or to the postretirement health care savings plan administered under section 352.98.

(d) "Governing board" means the Board of Trustees of the Public Employees Retirement Association, the Board of Trustees of the Teachers Retirement Association, or the Board of Directors of the Minnesota State Retirement System.

(e) "Person" includes an active, retired, deferred, or nonvested inactive participant in a covered pension plan or a beneficiary of a participant, or an individual who has applied to be a participant or who is or may be a survivor of a participant, or a state agency or other governmental unit that employs active participants in a covered pension plan.

Sec. 29. Minnesota Statutes 2008, section 424A.10, subdivision 1, is amended to read:  
Subdivision 1. **Definitions.** For purposes of this section:

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

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

(3) "active volunteer firefighter" means a person who regularly renders fire suppression service for a municipal fire department or an independent nonprofit firefighting corporation, who has met the statutory and other requirements for relief association membership, and who has been a fully qualified member of the relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for at least one month; and

(4) "deferred volunteer firefighter" means a former active volunteer firefighter who terminated active firefighting service, has sufficient service credit from the applicable relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan to be entitled to a service pension, but has not applied for or has not received the service pension.

Sec. 30. Minnesota Statutes 2008, section 424A.10, subdivision 2, is amended to read:

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

(b) Upon the payment by a relief association or the retirement plan of a lump-sum

survivor benefit ~~or funeral benefit~~ to a survivor of a deceased active volunteer firefighter or of a deceased deferred volunteer firefighter, the association may pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the special fund of the relief association if its articles of incorporation or bylaws so provide and the retirement plan may pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the retirement fund if chapter 353G so provides. The amount of the supplemental survivor benefit is 20 percent of the survivor benefit ~~or funeral benefit~~, but not to exceed \$2,000.

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

Sec. 31. Minnesota Statutes 2008, section 424A.10, subdivision 3, is amended to read:

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

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

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

Sec. 32. **EFFECTIVE DATE.**  
Sections 1 to 31 are effective August 1, 2009.

Minnesota Session Laws 2010, Regular Session

CHAPTER 359, ARTICLE 6  
VOLUNTARY STATEWIDE LUMP-SUM VOLUNTEER FIREFIGHTER  
RETIREMENT PLAN

Section 1. Minnesota Statutes 2008, section 69.051, subdivision 3, is amended to read:

Subd. 3. **Report by certain municipalities.** (a) Each municipality which has an organized fire department but which does not have a firefighters' relief association governed by section 69.77 or sections 69.771 to 69.775 and which is not exempted under paragraph (b) shall annually prepare a detailed financial report of the receipts and disbursements by the municipality for fire protection service during the preceding calendar year, on a form prescribed by the state auditor. The financial report shall must contain any information which the state auditor deems necessary to disclose the sources of receipts and the purpose of disbursements for fire protection service. The financial report shall must be signed by the municipal clerk or clerk-treasurer of the municipality. The financial report shall must be filed by the municipal clerk or clerk-treasurer with the state auditor on or before July 1 annually. The state auditor shall forward one copy to the county auditor of the county wherein the municipality is located. The municipality shall not qualify initially to receive, or be entitled subsequently to retain, state aid pursuant to under this chapter if the financial reporting requirement or the applicable requirements of this chapter or any other statute or special law have not been complied with or are not fulfilled.

(b) Each municipality that has an organized fire department and provides retirement coverage to its firefighters through the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G qualifies to have fire state aid transmitted to and retained in the statewide lump-sum volunteer firefighter retirement fund without filing a detailed financial report if the executive director of the Public Employees Retirement Association certifies compliance by the municipality with the requirements of sections 353G.04 and 353G.08, paragraph (e), and by the applicable fire chief with the requirements of section 353G.07.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2010.

Sec. 2. Minnesota Statutes 2009 Supplement, section 353G.05, subdivision 2, is amended to read:

Subd. 2. **Election of coverage.** (a) The process for electing coverage of volunteer firefighters by the retirement plan is initiated by a request to the executive director for a cost analysis of the prospective retirement coverage.

(b) If the volunteer firefighters are currently covered by a volunteer firefighters' relief association governed by chapter 424A, the cost analysis of the prospective retirement coverage must be requested jointly by the secretary of the volunteer firefighters' relief association, following approval of the request by the board of the volunteer firefighters' relief association, and the chief administrative officer of the entity associated with the relief association, following approval of the request by the governing body of the entity associated with the relief association. If the relief association is associated with more than one entity, the chief administrative officer of each associated entity must execute the request. If the volunteer firefighters are not currently covered by a volunteer firefighters'

relief association, the cost analysis of the prospective retirement coverage must be requested by the chief administrative officer of the entity operating the fire department. The request must be made in writing and must be made on a form prescribed by the executive director.

(c) The cost analysis of the prospective retirement coverage by the statewide retirement plan must be based on the service pension amount under section 353G.11 closest to the service pension amount provided by the volunteer firefighters' relief association; ~~if there is one~~ the relief association is a lump-sum defined benefit plan, or the amount equal to 95 percent of the most current average account balance per relief association member if the relief association is a defined contribution plan, or to the lowest service pension amount under section 353G.11 if there is no volunteer firefighters' relief association, rounded up, and any other service pension amount designated by the requester or requesters. The cost analysis must be prepared using a mathematical procedure certified as accurate by an approved actuary retained by the Public Employees Retirement Association.

(d) If a cost analysis is requested and a volunteer firefighters' relief association exists that has filed the information required under section 69.051 in a timely fashion, upon request by the executive director, the state auditor shall provide the most recent data available on the financial condition of the volunteer firefighters' relief association, the most recent firefighter demographic data available, and a copy of the current relief association bylaws. If a cost analysis is requested, but no volunteer firefighters' relief association exists, the chief administrative officer of the entity operating the fire department shall provide the demographic information on the volunteer firefighters serving as members of the fire department requested by the executive director.

(e) If a cost analysis is requested, the executive director of the State Board of Investment shall review the investment portfolio of the relief association, if applicable, for compliance with the applicable provisions of chapter 11A and for appropriateness for retention under the established investment objectives and investment policies of the State Board of Investment. If the prospective retirement coverage change is approved under paragraph (f), the State Board of Investment may require that the relief association liquidate any investment security or other asset which the executive director of the State Board of Investment has determined to be an ineligible or inappropriate investment for retention by the State Board of Investment. The security or asset liquidation must occur before the effective date of the transfer of retirement plan coverage. If requested to do so by the chief administrative officer of the relief association, the executive director of the State Board of Investment shall provide advice about the best means to conduct the liquidation.

(f) Upon receipt of the cost analysis, the governing body of the municipality or independent nonprofit firefighting corporation associated with the fire department shall either approve or disapprove the retirement coverage change within 90 days. If the retirement coverage change is not acted upon within 90 days, it is deemed to be disapproved. If the retirement coverage change is approved by the applicable governing body, coverage by the voluntary statewide lump-sum volunteer firefighter retirement plan is effective on the next following January 1.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2010.

Sec. 3. Minnesota Statutes 2009 Supplement, section 353G.06, subdivision 1, is amended to read:

Subdivision 1. **Special fund disestablishment.** ~~(a)~~ On the date immediately prior to the effective date of the coverage change, the special fund of the applicable volunteer firefighters' relief association, if one exists, ceases to exist as a pension fund of the association and legal title to the assets of the special fund transfers to the State Board of Investment, with the beneficial title to the assets of the special fund remaining in the applicable volunteer firefighters.

~~(b) If the market value of the special fund of the volunteer firefighters' relief association for which retirement coverage changed under this chapter declines in the interval between the date of the most recent financial report or statement, and the special fund disestablishment date, the applicable municipality shall transfer an additional amount to the State Board of Investment equal to that decline. If more than one municipality is responsible for the direct management of the fire department, the municipalities shall allocate the additional transfer amount among the various applicable municipalities one-half in proportion to the population of each municipality and one-half in proportion to the market value of each municipality.~~

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2010.

Sec. 4. Minnesota Statutes 2009 Supplement, section 353G.08, is amended to read:

### **353G.08 RETIREMENT PLAN FUNDING; DISBURSEMENTS.**

**Subdivision 1. Annual funding requirements.** (a) Annually, the executive director shall determine the funding requirements of each account in the voluntary statewide lump-sum volunteer firefighter retirement plan on or before August 1. The funding requirements as directed under this section, must be determined using a mathematical procedure developed and certified as accurate by an approved actuary retained by the Public Employees Retirement Association and based on present value factors using a six percent interest rate, without any decrement assumptions. The funding requirements must be certified to the entity or entities associated with the fire department whose active firefighters are covered by the retirement plan.

(b) The overall funding balance of each account for the current calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the current year must be calculated based on the good time service credit of active and deferred members as of that date.

(2) The total present assets of the account projected to December 31 of the current year, including receipts by and disbursements from the account anticipated to occur on or before December 31, must be calculated. To the extent possible, the market value of assets must be utilized in making this calculation.

(3) The amount of the total present assets calculated under clause (2) must be subtracted from the amount of the total accrued liability calculated under clause (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the account is considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the account is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund is considered to be fully funded.

(c) The financial requirements of each account for the following calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the calendar year next following the current calendar year must be calculated based on the good time service used in the calculation under paragraph (b), clause (1), increased by one year.

(2) The increase in the total accrued liability of the account for the following calendar year over the total accrued liability of the account for the current year must be calculated.

(3) The amount of anticipated future administrative expenses of the account must be calculated by multiplying the dollar amount of the administrative expenses for the most recent prior calendar year by the factor of 1.035.

(4) If the account is fully funded, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3).

(5) If the account has a deficit from full funding, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3) plus an amount equal to one-tenth of the amount of the deficit from full funding of the account.

(6) If the account has a surplus over full funding, the financial requirement of the account for the following calendar year is the financial requirement of the account calculated as though the account was fully funded under clause (4) and, if the account has also had a surplus over full funding during the prior two years, additionally reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the account.

(d) The required contribution of the entity or entities associated with the fire department whose active firefighters are covered by the retirement plan is the annual financial requirements of the account of the retirement plan under paragraph (c) reduced by the amount of any fire state aid payable under sections 69.011 to 69.051 reasonably anticipated to be received by the retirement plan attributable to the entity or entities during the following calendar year, and an amount of interest on the assets projected to be received during the following calendar year calculated at the rate of six percent per annum. The required contribution must be allocated between the entities if more than one entity is involved. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(e) The required contribution calculated in paragraph (d) must be paid to the retirement plan on or before December 31 of the year for which it was calculated. If the contribution is not received by the retirement plan by December 31, it is payable with interest at an annual compound rate of six percent from the date due until the date payment is received by the retirement plan. If the entity does not pay the full amount of the required contribution, the executive director shall collect the unpaid amount under section 353.28, subdivision 6.

**Subd. 2. Cash flow funding requirement.** If the executive director determines that an account in the voluntary statewide lump-sum volunteer firefighter retirement plan has insufficient assets to meet the service pensions determined payable from the account, the executive director shall certify the amount of the potential service pension shortfall to the municipality or municipalities and the municipality or municipalities shall make an additional employer contribution to the account within ten days of the certification. If more than one municipality is associated with the account, unless the municipalities

agree to a different allocation, the municipalities shall allocate the additional employer contribution one-half in proportion to the population of each municipality and one-half in proportion to the market value of the property of each municipality.

Subd. 3. **Authorized account disbursements.** ~~(f)~~ The assets of the retirement fund may only be disbursed for:

- (1) the administrative expenses of the retirement plan;
- (2) the investment expenses of the retirement fund;
- (3) the service pensions payable under section 353G.10, 353G.11, 353G.14, or 353G.15; ~~and~~
- (4) the survivor benefits payable under section 353G.12; ~~and~~
- (5) the disability benefit coverage insurance premiums under section 353G.115.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2010.

Sec. 5. Minnesota Statutes 2009 Supplement, section 353G.09, subdivision 3, is amended to read:

**Subd. 3. Alternative pension eligibility and computation.** (a) An active member of the retirement plan is entitled to an alternative lump-sum service pension from the retirement plan if the person:

- (1) has separated from active service with the fire department for at least 30 days;
- (2) has attained the age of at least 50 years or the age for receipt of a service pension under the benefit plan of the applicable former volunteer firefighters' relief association as of the date immediately prior to the election of the retirement coverage change, whichever is later;
- (3) has completed at least five years of active service with the fire department and at least five years in total as a member of the applicable former volunteer firefighters' relief association or of the retirement plan, but has not rendered at least five years of good time service credit as a member of the retirement plan; and
- (4) applies in a manner prescribed by the executive director for the service pension.

(b) If retirement coverage prior to statewide retirement plan coverage was provided by a defined benefit plan volunteer firefighters relief association, the alternative lump-sum service pension is the service pension amount specified in the bylaws of the applicable former volunteer firefighters' relief association either as of the date immediately prior to the election of the retirement coverage change or as of the date immediately before the termination of firefighting services, whichever is earlier, multiplied by the total number of years of service as a member of that volunteer firefighters' relief association and as a member of the retirement plan. If retirement coverage prior to statewide retirement plan coverage was provided by a defined contribution plan volunteer firefighters relief association, the alternative lump-sum service pension is an amount equal to the person's account balance as of the date immediately prior to the date on which statewide retirement plan coverage was first provided to the person plus six percent annual compound interest from that date until the date immediately prior to the date of retirement.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2010.

Sec. 6. Minnesota Statutes 2009 Supplement, section 353G.11, subdivision 1, is amended to read:

Subdivision 1. **Levels.** The retirement plan provides the following levels of service pension amounts to be selected at the election of coverage, or, if fully funded, thereafter:

Level A	\$500 per year of good time service credit		
		Level B	\$750 <del>\$600</del> per year of good time service credit
		Level C	\$700 per year of good time service credit
		Level D	\$800 per year of good time service credit
		Level E	\$900 per year of good time service credit
		Level F	\$1,000 per year of good time service credit
		Level G	\$1,250 per year of good time service credit
		Level H	\$1,500 per year of good time service credit
		Level I	\$2,000 per year of good time service credit
		Level J	\$2,500 per year of good time service credit
		Level K	\$3,000 per year of good time service credit
Level L	\$3,500 per year of good time service credit		
		Level M	\$4,000 per year of good time service credit
		Level N	\$4,500 per year of good time service credit
		Level O	\$5,000 per year of good time service credit
		Level P	\$5,500 per year of good time service credit
		Level Q	\$6,000 per year of good time service credit
		Level R	\$6,500 per year of good time service credit
		Level S	\$7,000 per year of good time service credit
		Level T	\$7,500 per year of good time service credit

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 7. Minnesota Statutes 2009 Supplement, section 353G.11, is amended by adding a subdivision to read:

**Subd. 1a. Continuation of prior service pension levels.** If a municipality or independent nonprofit firefighting corporation elects to be covered by the retirement plan prior to January 1, 2010, and selects the \$750 per year of good time service credit service pension amount effective for January 1, 2010, that level continues for the volunteer firefighters of that municipality or independent nonprofit firefighting corporation until a different service pension amount is selected under subdivision 2 after January 1, 2010.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

**Sec. 8. [353G.115] DISABILITY BENEFIT COVERAGE; AUTHORITY FOR CASUALTY INSURANCE.**

(a) Except as provided in paragraph (b), no disability benefit is payable from the statewide retirement plan.

(b) If the board approves the arrangement, disability coverage for statewide retirement plan members may be provided through a group disability insurance policy obtained from an insurance company licensed to do business in this state. The voluntary statewide lump-sum volunteer retirement plan is authorized to pay the premium for the disability insurance authorized by this paragraph. The proportional amount of the total annual disability insurance premium must be added to the required contribution amount

determined under section 353G.08.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2010.

Sec. 9. Minnesota Statutes 2009 Supplement, section 424A.08, is amended to read:

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

(a) Any qualified municipality which is entitled to receive fire state aid but which has no volunteer firefighters' relief association directly associated with its fire department and which has no full-time firefighters with retirement coverage by the public employees police and fire retirement plan shall deposit the fire state aid in a special account established for that purpose in the municipal treasury. Disbursement from the special account may not be made for any purpose except:

(1) payment of the fees, dues and assessments to the Minnesota State Fire Department Association and to the state Volunteer Firefighters' Benefit Association in order to entitle its firefighters to membership in and the benefits of these state associations;

(2) payment of the cost of purchasing and maintaining needed equipment for the fire department; and

(3) payment of the cost of construction, acquisition, repair, or maintenance of buildings or other premises to house the equipment of the fire department.

(b) A qualified municipality which is entitled to receive fire state aid, which has no volunteer firefighters' relief association directly associated with its fire department, which does not participate in the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, and which has full-time firefighters with retirement coverage by the public employees police and fire retirement plan may disburse the fire state aid as provided in paragraph (a), for the payment of the employer contribution requirement with respect to firefighters covered by the public employees police and fire retirement plan under section 353.65, subdivision 3, or for a combination of the two types of disbursements.

(c) A municipality that has no volunteer firefighters' relief association directly associated with it and that participates in the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G shall transmit any fire state aid that it receives to the voluntary statewide lump-sum volunteer firefighter retirement fund.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2010.