

Legislative Commission on Pensions and Retirement

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TO:
FROM: Susan Lenczewski
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SUBJECT: Amendment S2620A-1

The Amendment includes two unrelated provisions that will impact relief associations and the municipalities that are affiliated with a relief association.

First Part of the Amendment:

This provision amends subdivision 4 of Minnesota Statutes section 424B.20. Section 424B.20 sets forth procedures and requirements applicable in two situations:

- When a fire department is dissolved or eliminated by the municipality affiliated with a relief association; and
- When a relief association is dissolved or eliminated, with municipal approval, but the fire department is not dissolved or eliminated.

In either case, the following must occur:

- All legal obligations of the relief association must be settled, as directed by subdivision 3;
- A benefit trust must be established, as directed by subdivision 4; and
- The affairs of the relief association must be concluded, as directed by subdivision 5.

Subdivision 4 requires the relief association to transfer the assets of the special fund to the financial officer of the municipality, along with a schedule of the firefighters entitled to a pension benefit, the amount of the benefit, the firefighters credited service, and the date on which the pension benefit is required to be paid. The municipality is required to deposit the assets in a separate account that is a trust and, thereafter, make payment of pension benefits as they become due. **After payment of all pension benefits, any remaining assets are required to be transferred to the general fund of the municipality.** If there were not enough assets to pay all benefits, the municipality must contribute the shortfall.

The amendment changes the distribution of the surplus:

1. The law is unchanged as applied to municipalities that made a required contribution during the preceding 10 years: the surplus will be transferred to the municipality.
2. For any municipality that (a) made no contribution, (b) only voluntary contributions, or (c) made required contributions more than 10 years ago: the surplus will be transferred to the state.

Second Part of the Amendment:

This session law increases the maximum lump sum amount from \$10,000 to \$12,500 only for qualifying volunteer firefighter relief associations. Under Minnesota Statutes section 424A.02, relief associations that pay lump sum pension benefits determine the amount of the benefit by multiplying the applicable lump sum amount, for which they are eligible based on average amount of available financing per firefighter, by years of service. Under current law, the maximum lump sum amount is \$10,000.

In order to qualify for the higher lump sum amount under the Amendment, **the relief association must offer a lump sum benefit amount of at least \$9,500 as of the effective date of the provision and have a funding ratio greater than 100% as of the most recent fiscal year end.** These parameters narrowly tailor the applicability of the language and only a handful of relief associations will qualify. The requirement that the \$9,500 benefit level must be offered as of the effective date of the provision prevents relief associations currently below that level from qualifying for the higher \$12,500 maximum level even if they raise the benefit level to \$9,500 in the future.

Currently, only four relief associations in the state definitively satisfy the qualifications: Eden Prairie, Maplewood, Plymouth, and Brainerd.

The provision does not impact the maximum monthly benefit amount in Minnesota Statutes section 424A.02, subdivision 3, paragraph (c), which applies to relief associations that pay month pension benefits rather than one-time lump sum benefits.