

HF 2777 (Hudella): PERA Statewide Volunteer Firefighter Retirement Plan; Simplifying requirements for relief associations after joining the SVF Plan

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Introduction

- Affected Plan:** PERA Statewide Volunteer Firefighter Plan (SVF Plan)
- Law Amended:** Minnesota Statutes, Section 353G.06
- Brief Description:** The bill simplifies requirements imposed on volunteer firefighter relief associations after transferring retirement assets and liabilities to the SVF Plan.

Background

Volunteer firefighters in Minnesota receive retirement benefits in one of two ways:

- from the SVF Plan, which is a statewide plan managed by the Public Employees Retirement Association (PERA) with assets invested by the State Board of Investment, or
- from a local volunteer firefighter relief association governed by Chapter 424A with assets invested at the direction of the relief association board of trustees.

A relief association may wish to join the SVF Plan to reduce the administrative burden and fiduciary risk of running its own tax-qualified retirement plan. Chapter 353G provides the process whereby relief associations may transfer their pension obligations and special fund assets to the SVF Plan. After the transfer, the relief association is subject to requirements specified in Section 353G.06, such as maintaining a five-member board.

All relief associations are required to be non-profit corporations governed by Chapter 317A. Chapter 317A regulates all aspects of the governance of a non-profit, including its board of directors, officers, and authority. Once the relief association's obligation to provide retirement benefits has been transferred to the SVF Plan and the relief association is no longer governed by Chapter 424A because it no longer provides retirement benefits, the need to continue to impose requirements on the relief association under either Chapter 424A or Chapter 353G diminishes significantly, if not entirely. Accordingly, the bill removes some of these requirements and replaces some language in Section 353G.06 with more general language.

Section- by- Section Summary

Section 1

Section 1 amends Section 353G.06, subdivision 2, to simplify requirements governing a relief association after it has transferred its special fund to the SVF Plan. Section 1 also introduces more general language to describe the relief association. Under current language in 353G.06, subdivision 2:

- (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 immediately prior to the plan coverage election process.*

Section 1 removes clauses (1) and (2), the requirement regarding the composition of the board of trustees and the requirement for a general fund alone, respectively.

Section 1 also modifies language in clause (3), which is now renumbered as clause (1), removing the phrase "the proceeds of" in the prohibition against receiving state aid and removing "to receive" in front of "municipal funds". Clause (4) is renumbered as clause (2), but otherwise left unchanged.

The section also simplifies the language. "Volunteer firefighter retirement coverage" is shortened to "coverage," "fraternal" organization is replaced by "nonprofit" organization, "benefit coverage election" is shortened to "coverage election," and "applicable volunteer firefighter relief organization" is shortened to "relief organization." The result of these changes is to simplify and update language in the subdivision. "Fraternal" is not defined anywhere in the Chapter or the statutes, generally, and is an outdated term.

Section 2

Section 2 amends Section 353G.06, subdivision 3, to introduce more general language. Under current language, Section 353G.06, subdivision 3, provides for the SVF Plan to be the "successor in interest" of a local special fund that is transferred to the Plan, meaning that the SVF Plan would assume the role of defendant in certain types of civil suit. Section 3 keeps this basic structure but changes several phrases to use more general language and the shorter terms defined in Section 353G.01, so the meaning of subdivision 3 remains substantially the same.

Effective Date. Sections 1 and 2 are effective the day following final enactment.