HF 3778 (Nelson, M.); SF 3673 (Rosen): VFRAs; Implementing the recommendations of the State Auditor's Volunteer Firefighter Working Group

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Introduction

Affected Plan: Volunteer firefighter relief associations

Laws Amended: Various sections of Minnesota Statutes, Chapter 424A

Brief Description: This bill contains the recommendations of the State Auditor's Volunteer Fire Relief Association Working Group and does the following:

- Permits a firefighter who receives a lump-sum distribution from more than one plan to receive a supplemental benefit from each plan;
- Requires defined contribution plans to credit their member accounts with interest using one of three methods;
- Makes other technical or administrative changes.

Attachment: A fiscal note was requested and will be attached when it becomes available.

Background

HF 3778 (Nelson, M.); SF 3673 (Rosen) is the result of the work of the State Auditor's Volunteer Fire Relief Association Working Group during 2019 and early 2020. This group is convened by the State Auditor and meets through the fall and early winter preceding each legislative session. The group's proposed legislation addresses a variety of issues identified by the State Auditor and members of the working group, all of which affect Minnesota's volunteer firefighter relief associations (VFRAs or "relief associations").

Section by Section Summary

Section 1: Certification of service credit reporting.

Each year each department's fire chief certifies for each firefighter the amount of service credit earned during the previous year. Section 1 changes the period of time in which a firefighter can dispute the chief's determination from 60 days to 21 days.

Section 2: Auditing standards.

Section 2 replaces "governmental auditing standards" with "auditing standards" in a section describing required audited financial statements.

Section 3: Defined contribution plans – inactive member investment returns.

Section 3 modifies the requirements for defined contribution plans to require that defined contribution plans credit inactive members with investment returns/losses.

Section 4: Defined contribution plans – deferred member investment returns.

Section 4 modifies the requirements for defined contribution plans to require that defined contribution plans credit deferred members with investment returns/losses. Current law defines three permitted methods of crediting investment return/losses. Section 4 sets one method as the default; under which, deferred members receive the same returns/losses as active plan members. Relief associations have until December 31, 2020, to update their bylaws, if necessary.

Section 5: Technical changes.

Section 5 makes technical changes to Minnesota Statutes, Section 424A.03.

Section 6: Technical changes.

Section 6 makes technical changes to Minnesota Statutes, Section 424A.092, Subdivision 1.

Section 7: Moving accrued liability to tables to the appendix.

Minnesota Statutes, Section 424A.092, Subdivision 2 includes a table, which relief associations use to determine the relief's accrued liability. Under Section 7 of the bill, and starting with calculations performed in 2021, accrued liability will be determined based on tables maintained in the appendix to the Standards for Actuarial Work established by the Legislative Commission on Pensions and Retirement (LCPR). In effect, under the bill, the LCPR will be able to revise the table without needing to pass legislation.

Section 8: Supplemental benefits paid from multiple plans.

When a relief association pays a lump-sum distribution, the relief association is required to pay a supplemental benefit. The supplemental benefit is intended to help offset taxes that must be paid on the service pension or benefit distribution. For service pensions and disability benefits the amount of the supplemental benefit is equal to 10 percent of the lump-sum distribution, up to a maximum of $1,000. For survivor benefits, the amount of the supplemental benefit is equal to 20 percent of the survivor benefit distribution, up to a maximum of $2,000. Relief associations are eligible to apply for reimbursement from the Department of Revenue (DOR) for supplemental benefits paid to qualifying

recipients. DOR reimburses reliefs for supplemental benefits through an appropriation from the State General Fund.

In some cases, firefighters may receive more than one supplemental benefit. These firefighters fall into two categories:

1. Firefighters who receive multiple distributions from the same entity; and
2. Firefighters who receive one distribution from multiple entities.

Current law does not clearly address multiple supplemental benefit payments made to the same individual. As a result, DOR has done the following:

1. For Firefighters who receive multiple distributions from the same entity, DOR does not reimburse for multiple supplemental plan payments; and
2. For firefighters who receive distributions from multiple entities, DOR reimburses each entity.

Section 7 clarifies that firefighters may receive multiple supplemental benefit payments and that if they receive multiple payments, the Dept. of Revenue will reimburse each relief each time. This change may result in a small increase in expenditures for reimbursing supplemental benefits. DOR has indicated that that the cost of the change is likely to be less than $5,000. A fiscal note was requested to determine what, if any, costs there might be. The fiscal note will be attached to this summary when it becomes available.

Legislative Commission on Pensions and Retirement

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