



DATE: September 26, 2019
TO: SVFRP Advisory Board
FROM: Doug Anderson, Executive Director
SUBJECT: Plan Termination Asset Distribution

The 2018 Omnibus Pension Bill included provisions related to a process through which a municipality, independent nonprofit firefighting corporation, or a joint powers entity may terminate participation in the PERA SVF plan. The process includes fully vesting firefighters in their pension benefits, allocating assets in excess of benefit liabilities, and making immediate distributions. A session law grandfathered specific provisions that had already been established for any termination in process.

PERA's staff did not oppose the bill as drafted, because we understood the sense of urgency for the parties currently in the termination process. However, we noted the desire to review the new legislation with the PERA SVF Advisory Board in 2019 and report back to LCPR staff if there were any concerns.

Attached is a copy of the new legislation (Article 3). PERA's staff did support the method defined in the bill to allocate excess assets. The method allocates excess assets to individual members based on each individual member's share of the total present value of accrued benefits after first fully vesting each member.

Staff Recommendation

Staff recommends that the Advisory Board accept the legislation as drafted.

19.1 Sec. 12. Minnesota Statutes 2018, section 353.665, is amended by adding a subdivision
19.2 to read:

19.3 Subd. 8a. **City of Minneapolis contribution for firefighters and police.** (a) Until July
19.4 15, 2018, the city of Minneapolis shall make a contribution annually to the public employees
19.5 police and fire retirement plan on July 15, set at the amount calculated as of December 30,
19.6 2011, as sufficient to amortize, on a level annual dollar basis by December 31, 2031, the
19.7 unfunded present value figure calculated as required by Minnesota Statutes 2012, sections
19.8 353.667, subdivision 6, paragraph (a), and 353.668, subdivision 6, paragraph (a).

19.9 (b) Beginning July 15, 2019, and every July 15 thereafter until and including July 15,
19.10 2031, the city of Minneapolis shall make a contribution annually to the public employees
19.11 police and fire retirement plan equal to \$3,188,735, attributable to the former Minneapolis
19.12 Firefighters Relief Association, and \$4,489,837, attributable to the former Minneapolis
19.13 Police Relief Association.

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

19.15 Sec. 13. **REPEALER.**

19.16 Minnesota Statutes 2018, section 353.371, subdivision 8, is repealed.

19.17 **EFFECTIVE DATE.** This section is effective July 1, 2019.

19.18 **ARTICLE 3**

19.19 **STATEWIDE VOLUNTEER FIREFIGHTER PLAN PROVISIONS**

19.20 Section 1. **[353G.18] TERMINATION OF PARTICIPATION AND DISTRIBUTION**
19.21 **OF BENEFITS.**

19.22 Subdivision 1. **Application.** This section provides the procedures that apply if an entity
19.23 wishes to terminate its participation in the retirement plan and authorize the distribution of
19.24 all assets credited to the entity's account in the retirement fund held for the benefit of the
19.25 entity's former firefighters. If this section conflicts with another section of this chapter, this
19.26 section controls.

19.27 Subd. 2. **Definitions.** (a) For purposes of this section, the terms defined in this subdivision
19.28 have the meanings given them unless the context clearly indicates otherwise.

19.29 (b) "Departing entity" means the entity seeking to terminate its participation in the
19.30 retirement plan and the coverage of its departing firefighters by the retirement plan.

19.31 (c) "Departing firefighter" means each former firefighter of the departing entity who:

20.1 (1) is credited with one or more years of service under the retirement plan or under the
20.2 relief association previously affiliated with the departing entity;

20.3 (2) has not yet received a distribution of the firefighter's pension benefit; and

20.4 (3) is entitled to a distribution of a pension benefit under this section.

20.5 (d) "Direct rollover" means a payment described under section 356.635, subdivisions 3
20.6 to 7. Consistent with the definition of "distributee" under section 356.635, subdivision 7, a
20.7 departing firefighter is a distributee for the purpose of a direct rollover election.

20.8 (e) "Distribution date" means the date as of which all assets in the entity's account are
20.9 to be distributed in the form of a payment to each departing firefighter or the survivor of
20.10 each deceased departing firefighter or as a direct rollover, if elected under section 356.635,
20.11 subdivisions 3 to 7.

20.12 (f) "Entity" means a municipality, an independent nonprofit firefighting corporation, or
20.13 a joint powers entity that operates or had operated a fire department with firefighters who
20.14 are covered by the retirement plan.

20.15 (g) "Entity's account" means the pension plan that is a component of the retirement plan
20.16 and under which the departing firefighters have accrued lump sum pension benefits and
20.17 with which the departing entity is affiliated.

20.18 (h) "Executive director" means the executive director of the Public Employees Retirement
20.19 Association.

20.20 (i) "Termination date" means the effective date of the termination of the pension plan
20.21 that is the entity's account. The termination date shall precede the distribution date.

20.22 (j) "Year of service" means a year of good time service credit certified by the departing
20.23 entity's fire chief under section 353G.07. For purposes of determining the amount of a
20.24 departing firefighter's pension benefit under this section, year of service includes any service
20.25 credit earned by the departing firefighter under the relief association previously affiliated
20.26 with the departing entity, which must be certified under section 424A.003 beginning January
20.27 1, 2019. Good time service credit ends when the departing firefighter's active service ends,
20.28 notwithstanding a later termination date as defined in paragraph (i).

20.29 Subd. 3. **Eligibility.** An entity is eligible to terminate its participation in the retirement
20.30 plan under this section if the entity satisfies the following conditions:

21.1 (1) the entity has eliminated its fire department or, if its fire department is ongoing, the
21.2 fire department has ceased using the services of all departing firefighters and any other
21.3 noncareer or volunteer firefighters; and

21.4 (2) the entity's account has assets sufficient to cover all liabilities, after taking into
21.5 account the requirement to fully vest all departing firefighters and pay administrative
21.6 expenses determined under subdivision 4, paragraph (c), clause (3).

21.7 Subd. 4. **Termination procedures.** (a) The participation of a departing entity in the
21.8 retirement plan and the coverage of the departing firefighters by the retirement plan shall
21.9 cease as of the date the requirements in this subdivision are completed and all assets credited
21.10 to the entity's account are distributed.

21.11 (b) The governing board of the departing entity shall adopt the resolutions under
21.12 subdivision 5 and deliver the resolutions to the executive director.

21.13 (c) The executive director shall:

21.14 (1) fully vest all departing firefighters as of the termination date and consider each
21.15 departing firefighter 100 percent vested in the pension benefit accrued by the departing
21.16 firefighter under the entity's account as of the termination date;

21.17 (2) determine the present value of each departing firefighter's accrued benefit as of the
21.18 termination date, taking into account the benefit level under section 353G.11 or otherwise
21.19 in effect for the departing firefighter as determined by the executive director;

21.20 (3) determine, as of the termination date, the value of accrued liabilities, including
21.21 administrative expenses incurred or reasonably anticipated to be incurred through the
21.22 distribution date, and the value of assets attributable to the entity's account; and

21.23 (4) to the extent necessary to minimize the risk of investment losses between the
21.24 termination date and the distribution date, reinvest the assets credited to the entity's account
21.25 in low risk investments.

21.26 (d) If the entity's account has assets in excess of accrued liabilities, the executive director
21.27 shall allocate the excess among all departing firefighters in the same proportion that the
21.28 present value of the accrued benefit for each departing firefighter bears to the total present
21.29 value of the accrued benefits of all departing firefighters, and each departing firefighter's
21.30 benefit, as determined under paragraph (c), clause (2), shall be increased by the departing
21.31 firefighter's share of the excess.

21.32 (e) The executive director shall, as soon as practicable after the termination date, distribute
21.33 to each departing firefighter, regardless of whether the departing firefighter has attained

22.1 age 50, the firefighter's benefit as calculated by the executive director under paragraphs (c)
22.2 and (d). The distribution shall be made in a lump sum, either as a payment to the departing
22.3 firefighter or as a direct rollover, if elected by the firefighter. If the departing firefighter is
22.4 deceased, then the firefighter's benefit shall be paid to the firefighter's survivor under section
22.5 353G.12 or as a direct rollover, if elected by the survivor.

22.6 (f) The executive director shall pay supplemental benefits under section 424A.10, but
22.7 only to the extent that the executive director will be reimbursed under section 424A.10,
22.8 subdivision 3.

22.9 Subd. 5. **Entity board resolutions.** If an entity wishes to cease its participation in the
22.10 retirement plan and end the coverage of its former firefighters by the retirement plan, the
22.11 entity's governing board shall approve the following resolutions in a form satisfactory to
22.12 the executive director:

22.13 (1) a statement of intent to terminate participation in the retirement plan and cease the
22.14 coverage by the retirement plan of the entity's former firefighters; and

22.15 (2) the proposed termination date, which must be the last day of a month and at least 90
22.16 days after the date the resolutions are to be delivered to the executive director.

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

22.18 Sec. 2. **GRANDFATHERING PREVIOUSLY APPROVED TERMINATIONS.**

22.19 For any entity with a governing board that approved resolutions to terminate participation
22.20 in the statewide volunteer firefighter plan established by Minnesota Statutes, chapter 353G,
22.21 before the effective date of this act, the termination date is September 30, 2019, and the
22.22 termination process and disposition of assets set forth in the resolutions shall control,
22.23 notwithstanding the provisions of this act.

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

22.25 Sec. 3. **REPEALER.**

22.26 Minnesota Statutes 2018, section 353G.15, is repealed.

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