



Working Group

Meeting Agenda: August 21, 2024

- I. Call to Order**
Chair Auditor Blaha.
- II. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft July 24, 2024, Meeting Minutes
- III. Review of Working Group Topic Rankings**
Exhibit B.
- IV. Discussion of Minimum Service Requirements**
Exhibit C.
- V. Discussion of Minimum Retirement Age**
Exhibit D.
- VI. Review of Technical Change**
Exhibit E.
- VII. Other Business**
- VIII. Next Meeting**
Thursday, September 5, 2024
2:00 p.m. to 3:30 p.m.
In-Person/Virtual Hybrid Format
- X. Adjournment**

Individuals who need a reasonable accommodation to participate in this event, please contact Rose Hennessy Allen at (651) 296-5985 or (800) 627-3529 (TTY) by August 20, 2024.



Exhibit A

7-24-24 Approved Minutes

Members Present

Julie Blaha, State Auditor

Tim Bush, Minnesota State Fire Chiefs Association Representative (defined contribution plans)

Roger Carlson, Minnesota State Fire Department Association Representative (defined benefit monthly/lump sum plans)

Jon Dahlke, Glencoe Fire Relief Association Treasurer (defined benefit monthly/lump sum plans)

Steve Donney, City of Harmony Mayor

Dan Johnson, Mendota Heights Fire Relief Association Trustee (defined contribution plans)

Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)

Mikal Knotek, St. Michael Fire Relief Association Secretary (defined benefit lump sum plans)

Karl Mork, Bemidji Fire Relief Association Treasurer (defined benefit lump sum plans)

Darrell Pettis, St. Peter Fire Relief Association Treasurer (defined benefit lump sum plans)

Kevin Wall, Lower Saint Croix Valley Fire Relief Association President (defined benefit lump sum plans)

Members Excused

Michael Walstien, Plymouth Fire Relief Association Member (defined contribution plans)

Thomas Wilson, Eden Prairie Fire Relief Association Secretary (defined benefit monthly/lump sum plans)

Office of the State Auditor Representatives Present

Ramona Advani, Deputy State Auditor and General Counsel

Rose Hennessy Allen, Office of the State Auditor Pension Director

Legislative Support Present

I. Call to Order

Auditor Blaha called the meeting to order. She explained that the meeting was being conducted in a hybrid format and being recorded and streamed to the Office of the State Auditor (OSA) YouTube channel. The meeting agenda was adopted unanimously.

II. Introductions

Working Group members and support staff in attendance introduced themselves. Auditor Blaha welcomed everyone.

III. Review and Approval of Working Group Meeting Minutes

Members reviewed the October 4, 2023, meeting minutes that had been provided in advance. The meeting minutes were adopted unanimously.

IV. Working Group Process Discussion

- Working Group Purpose Statement
The members reviewed the draft Purpose Statement. There were no changes to the Purpose Statement.
- Working Group Process Statement
Members reviewed the draft Process Statement. Auditor Blaha noted that unanimous consent is required for a proposal to move forward, although proposals that do not have unanimous agreement may be revisited and reconsidered. There was a motion by Johnson to adopt the Process Statement, and the motion was adopted unanimously.
- Working Group Membership List
Auditor Blaha shared that the membership list will be posted on the OSA website and asked that Hennessy Allen be notified of any changes.

V. Legislative Review

Hennessy Allen summarized Working Group proposals passed during the 2023 and 2024 Legislative Sessions, and shared non-Working Group proposals of interest to the group.

VI. Discussion of Working Group Topic Suggestions

Auditor Blaha shared the list of topic suggestions received from relief association trustees and members, and from other stakeholders. She said that a high topic ranking doesn't necessarily mean the Working Group supports the proposal or wants to make any change. Sometimes, Working Group members want to take a topic up so there can be a public discussion of the issue and support current law. Hennessy Allen briefly explained each topic. Working Group members discussed expanding the minimum retirement age topic, to consider whether it should apply to defined benefit plans, too. Hennessy Allen indicated that Working Group members would be asked to complete a survey to rank their topic priorities.

VII. Discussion of Reporting Deadlines

Auditor Blaha discussed the shortage of public finance staff. A change to reporting deadlines was discussed as a way to streamline the reporting process and make it more efficient while preserving transparency. Data was shared with the group showing the percentages of relief associations with the March 31 and June 30 reporting deadlines, and percentages of both that filed reports with the OSA on time or late. Working Group members discussed changing the March 31 reporting deadline to June 30, so all relief association reports are due to the OSA on the same date. Members considered possible downstream effects of this change and hoped that it would provide more flexibility in scheduling for accounting firms. Pettis made a motion to pursue changing the March 31 reporting deadline with the OSA to June 30. The motion was adopted unanimously.

Working Group members also discussed possible changes to the frequency of audits and the audit threshold. This topic will be revisited during an upcoming meeting.



VIII. Other Business

There was no other business.

IX. Next Meeting

Wednesday, August 21, 2024

1:00 p.m. to 2:30 p.m.

In-Person/Virtual Hybrid Format

IX. Adjournment

The meeting was adjourned at 11:44.



Exhibit B

Working Group Topic Rankings

2024/2025 Potential Topic Requests

Topic	Description	Source	Type	Rank*
Member Contributions (424A.06, subd. 2, 424A.092, subd. 3(d), and 424A.093, subd. 5(b))	1 Consider clarifying that any member dues or contributions must be deposited into a relief association's general fund and cannot be used to reduce a municipality's contribution requirement when determining minimum required contributions	LCPR	?	1
Service Credit (424A.015, subd. 6)	2 Consider requiring that minimum service requirements be approved by both the municipal governing board and the relief association's board of trustees.	VFRAs	Broad Policy Change	2
Defined Contribution Plans (424A.016, subd. 2)	3 Consider whether distributions should be permitted to members who have not yet reached age 50.	OSA	Broad Policy Change	3
Service Credit (424A.015, subd. 6)	4 Consider ways in which a relief association could allow for a bonus payment from the special fund for firefighters with at least 20 years of service, for example, as a way to retain firefighters. Ideas include authorizing a higher per-year-of-service benefit level for these years.	VFRAs	Broad Policy Change	4
Supplemental Benefits (424A.10)	5 Consider a change to make clear that supplemental benefit payments to alternate payees who receive a portion, or all, of the benefit pursuant to a QDRO are authorized and may be reimbursed by the State.	Last Year's Working Group	Limited Policy Change	5
Combined Service Pensions (424A.015, subd. 7)	6 Clarify how combined service is accrued if a firefighter is an active member on two different relief associations at the same time.	VFRAs	Limited Policy Change	6
Vesting (424A.016, subd. 3 and 424A.02, subd. 2)	7 Consider changing the maximum vested percentage of pension amounts from 40% at 5 years of service increasing by 12% per year, to 50% at 5 years of service increasing by 10% per year.	VFRAs	?	7
Reporting Deadlines (424A.014, subd. 2)	8 Consider changing the March 31 reporting deadline.	OSA	?	Adopted

* Ranking of 1 means most important to consider and 7 means least important.



Exhibit C

Minimum Service Requirements

Topic:

Minnesota law allows fire departments to define active service standards locally. Most fire departments require attendance to a minimum percentage of emergency calls, department meetings, trainings, and drills for firefighters to be in good standing.

The fire chief is required to annually certify service credit of each volunteer and paid on-call firefighter rendering active service with the fire department. The amount of service credit certified by the fire chief must be the number of completed months of the previous year during which an active firefighter rendered at least the minimum level of duties as specified and required by the fire department's rules, regulations, and policies. Relief associations award service credit for pension purposes based, in large part, on the fire chief's service credit certifications. Relief associations are allowed to establish additional requirements that firefighters must meet to receive pension service credit (provided such additional requirements do not violate other state or federal law), but any additional requirements should be compatible with the requirements established by the fire department.

The topic for the Working Group's consideration is whether relief associations should have a role in approving service credit requirements that are established by the municipality. Because meeting these requirements directly impacts a firefighter's earned benefit and the amount of assets available for a relief association to allocate in benefits to other members, some trustees have wanted a larger role in setting or approving the requirements.

Questions:

1. Should a relief association's board of trustees be required to approve minimum service requirements that are established by the affiliated municipal governing board?
 - a. If so, what happens if the relief association board and municipal governing board do not agree on minimum standards that should be required?
2. Should a relief association's board of trustees approve, or have a formal review process, of service credit amounts that are certified by the fire chief?
 - a. If so, what happens if a relief association's board doesn't have access to certain private personnel data that a fire chief may have when making the certification, such medical or other leave information?
3. Anything else?



Exhibit D

Minimum Retirement Age

Topic:

Currently, relief association members must be at least age 50 to be eligible for a retirement benefit distribution. Following legislation enacted earlier this year, members of the defined contribution plan being added to the Statewide Volunteer Firefighter Plan administered by the Public Employees Retirement Association will be able to receive their retirement benefit distributions as soon as practicable following their separation from service (i.e., members of that plan will be able to be paid prior to age 50).

Some firefighters have asked the Working Group to consider pursuing a change so that members of relief associations with defined contribution plans could be paid prior to age 50, too. This would help keep plan options similar between relief associations and the Statewide Volunteer Firefighter Plan and help ease the administrative burden of maintaining deferred member records.

Note that there may be tax considerations for members who elect to be paid retirement benefits prior to age 50 if relief associations were given authority to make these earlier payments. For example, members who are paid prior to age 50 may have to pay the 10% additional income tax on early distributions.

Questions:

1. Should relief associations with a defined contribution plan be allowed to pay retirement benefits to members who are younger than 50?
2. If so, should this change be permissive so that a relief association can define the minimum retirement age in its bylaws, or should the change apply to all defined contribution plans?
3. Should the Working Group consider permitting defined benefit plans to pay retirement benefits prior to age 50, too?
4. Anything else?



Exhibit E

Technical Change

Topic:

A table for use in calculating active member accrued liability amounts on Schedule Forms in years before 2022 is in statute but no longer needed. Forms for which the table was used have been completed and filed with the Office of the State Auditor.

For background, the accrued liability calculation changed beginning with the 2021 Schedule Form, to be more precise if a relief association elected to offer full vesting after fewer than 20 years of service. The change was made to address concerns that the previous methodology could understate plan liabilities for members who are hired at older ages in relief associations with shorter vesting requirements.

An optional change is provided below that would remove the calculation table used for forms filed prior to 2022.

Optional Change:

424A.092 RELIEF ASSOCIATIONS PAYING LUMP-SUM SERVICE PENSIONS.

Subd. 2. **Determination of accrued liability.** (a) ~~Beginning with the calculation performed in 2021 for the 2022 calendar year, each~~ Each firefighters relief association which pays a lump-sum service pension shall determine the accrued liability of the special fund of the firefighters relief association relative to each active member of the relief association, calculated using the applicable appendix to the standards for actuarial work established by the Legislative Commission on Pensions and Retirement under section 3.85, subdivision 10.

(b) ~~For calendar years before 2022, each firefighters relief association shall determine the accrued liability of the special fund of the firefighters relief association relative to each active member of the relief association, calculated individually using the following table:~~

Cumulative Year		Accrued Liability
.....	
1	\$	60
2		124
3		190
4		260
5		334



6		410	
7		492	
8		576	
9		666	
10		760	
11		858	
12		962	
13		1070	
14		1184	
15		1304	
16		1428	
17		1560	
18		1698	
19		1844	
20		2000	
21	and thereafter	100	additional per year

As set forth in the table the accrued liability for each member of the relief association corresponds to the cumulative years of active service to the credit of the member. The accrued liability of the special fund for each active member is determined by multiplying the accrued liability from the chart by the ratio of the lump-sum service pension amount currently provided for in the bylaws of the relief association to a service pension of \$100 per year of service.

(e) If a member has fractional service as of December 31, the figure for service credit to be used for the determination of accrued liability pursuant to this section shall be rounded to the nearest full year of service credit. The total accrued liability of the special fund as of December 31 shall be the sum of the accrued liability attributable to each active member of the relief association.

(d)-(c) To the extent that the state auditor considers it to be necessary or practical, the state auditor may specify and issue procedures, forms, or mathematical tables for use in performing the calculations of the accrued liability for deferred members pursuant to this subdivision.