



Working Group

Meeting Agenda: September 16, 2025

- I. Call to Order**
Chair Auditor Blaha.
- II. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft August 12, 2025, Meeting Minutes
- III. Review of Draft Audit Threshold Changes**
Exhibit B.
- IV. Discussion of Annuities Purchased to Replace Monthly Benefits**
Exhibit C.
- V. Review of “Break in Service” Definition**
Exhibit D.
- VI. Discussion of Combined Service Pensions**
Exhibit E.
- VII. Other Business**
- VIII. Next Meeting**
Tuesday, September 30, 2025
2:00 p.m. to 3:30 p.m.
In-Person/Virtual Hybrid Format
- IX. Adjournment**

Individuals with disabilities 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 September 15, 2025.



Exhibit A

8-12-25 Approved Minutes

Members Present

Julie Blaha, State Auditor

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)

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)

Clinton Rogers, City of Janesville Administrator

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

Members Excused

Steve Donney, City of Harmony Mayor

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

Aleena Wilson, Legislative Commission on Pensions and Retirement Analyst

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. Review and Approval of Working Group Meeting Minutes

Members reviewed the July 21, 2025, meeting minutes that had been provided in advance. The meeting minutes were adopted unanimously.

III. Review of Topic Suggestion Rankings

Hennessy Allen shared the topic rankings. Auditor Blaha said the group would start with the topic receiving the highest ranking and discuss as many as time allows.

IV. Discussion of Audit Requirements and Process

Working Group members reviewed draft language that would permit a relief association with assets and liabilities that drop below the audit threshold to revert to an agreed-upon procedures submission requirement, instead of continuing to have a required annual audit. The draft language also provides a one-year grace period before an audit is required when a relief association exceeds the threshold in either assets or liabilities and allows a relief association to revert to the agreed-upon procedures requirement immediately in the year after dropping below the threshold. The draft language making these changes was adopted unanimously.

Working Group members discussed whether the audit threshold should be increased from the current \$750,000 in either special fund assets or liabilities, to \$1,000,000. The \$1,000,000 threshold would be consistent with the threshold set for some cities and special districts during the 2025 session. Working Group members voted unanimously to draft a change that would increase the audit threshold for relief associations to \$1,000,000, effective January 1, 2027, for 2026 reports filed with the OSA during 2027.

Working Group members discussed the required frequency of audits and whether there are ways, other than solely asset and liability amounts, to measure complexity and risk to determine whether an audit should be required. Auditor Blaha explained that audits provide an assurance to the public that pension money is still where it's supposed to be, so serve an important purpose even if there weren't many transactions during the year or the cost relative to the number of transactions in the fund seems high.

V. Discussion of Membership Start Date

Membership in a relief association “begins upon the date of hire by a municipality, a joint powers board, or an independent nonprofit firefighting corporation with which the relief association is directly associated, unless otherwise specified in the relief association bylaws.” Working Group members shared when membership in their respective relief associations and fire departments starts and discussed whether the statutory definition accurately describes how firefighting service or employment begins. It was agreed that no change to the current definition be pursued, as it provides flexibility to address local needs by allowing relief associations to specify a different definition in their bylaws.

VI. Review of Return to Service Clarifications

Hennessy Allen shared very preliminary draft language that clarifies service pension calculation requirements for firefighters who return to active fire department service and relief association membership following a break in service. She shared that the current statute is complex and requires some technical corrections identified by OSA staff. The draft language has not yet been fully vetted by the OSA's Legal team but is being shared so Working Group members can begin reviewing and considering the proposed changes. The topic will be discussed at the next meeting.

VII. Review of Deferred Member Allocations Technical Change

Working Group members reviewed draft language that removed the word “interest” from the defined contribution deferred member provision, so that the provision refers to “additional



investment performance” being allocated to deferred member accounts. The draft language was adopted unanimously.

VIII. Other Business

There was no other business.

IX. Next Meeting

Tuesday, September 16, 2025

2:00 p.m. to 3:30 p.m.

In-Person/Virtual Hybrid Format

X. Adjournment

The meeting was adjourned at 3:16 pm.



Exhibit B

Audit Threshold Changes

Topic:

Because of the shortage of public finance staff, we continue to receive requests from relief association trustees and from audit firms to consider changes so that audits are focused where they will be most effective. The goals of the draft changes below are to:

- Increase the threshold at which an annual audit is required to \$1,000,000;
- Allow relief associations that drop below the audit threshold to have an AUP performed instead of requiring a full financial audit; and
- Provide a one-year grace period before audits become required when a relief association exceeds the threshold.

424A.014 FINANCIAL REPORT; BOND; EXAMINATION.

Subdivision 1. Financial report and audit. (a) An annual financial report and audited financial statements in accordance with paragraphs (c) to (e) must be submitted by the board of trustees of the Bloomington Fire Department Relief Association and the board of trustees of each firefighters relief association with special fund assets of at least ~~\$750,000~~ \$1,000,000 or special fund liabilities of at least ~~\$750,000~~ \$1,000,000, according to ~~any~~ the previous year's financial report.

(b) The board of trustees of a firefighters relief association with special fund assets of less than ~~\$750,000~~ \$1,000,000 and special fund liabilities of less than ~~\$750,000~~ \$1,000,000, according to ~~each~~ the previous year's financial report, may submit an annual financial report and audited financial statements in accordance with paragraphs (c) to (e). If the special fund assets or special fund liabilities of a firefighters relief association to which this paragraph applies subsequently exceed \$1,000,000 as of the beginning of a calendar year, then an annual financial report and audited financial statements shall be required under paragraph (a) beginning with reports filed with the state auditor in the calendar year following the calendar year in which the \$1,000,000 threshold was exceeded.

(c) The financial report must cover the relief association's special fund and general fund and be in the style and form prescribed by the state auditor. The financial report must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality in which the relief association is located if the relief association is directly associated with a municipal fire department;

(2) the municipal clerk or clerk-treasurer of the largest municipality in population that contracts with the independent nonprofit firefighting corporation if the firefighters relief association is a subsidiary of an independent nonprofit firefighting corporation, and by the secretary of the independent nonprofit firefighting corporation; or

(3) the chief financial official of the county in which the firefighters relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(d) The financial report must be retained in the office of the Bloomington Fire Department Relief Association or the firefighters relief association for public inspection and must be filed with the governing body



of the government subdivision in which the associated fire department is located after the close of the fiscal year. One copy of the financial report must be furnished to the state auditor on or before June 30 after the close of the fiscal year.

(e) Audited financial statements that present the true financial condition of the relief association's special fund and general fund must be attested to by a certified public accountant or by the state auditor and must be filed with the state auditor on or before June 30 after the close of the fiscal year. Audits must be conducted in compliance with generally accepted auditing standards and section 6.65 governing audit procedures. The state auditor may accept audited financial statements in lieu of the financial report required in paragraph (a).

EFFECTIVE DATE; APPLICATION.

This act is effective on December 31, 2026, and applies to audited financial statements for calendar year 2026 and thereafter. A relief association with special fund assets of less than \$1,000,000 and special fund liabilities of less than \$1,000,000 on December 31, 2026, is not required to submit audited financial statements under Minnesota Statutes, section 424A.014, subdivision 1, unless and until the association's special fund assets or special fund liabilities exceed \$1,000,000, even if audited financial statements were required on the date immediately prior to the effective date.



Exhibit C

Annuities Purchased to Replace Monthly Benefits

Topic:

There are about 18 fire relief associations that pay or offer monthly service pensions. Most of these relief associations have discontinued the monthly benefit option for new firefighters. As the number of monthly benefit recipients decreases, some relief associations have inquired about discontinuing the monthly benefit service pensions and replacing them with either a lump sum benefit or annuity contract, as provided in the provision below.

In responding to these inquiries, OSA staff noted that a clarification may be needed to the list of authorized special fund disbursements, to specifically include annuities when purchased to replace a monthly benefit service pension. An optional change below adds this clarification.

Additionally, the OSA has heard a concern from firefighters in relief associations that have replaced, or are considering replacing, monthly benefits with annuities. The concern is that an annuity contract purchased from an insurance company carries the risk of the insurance company failing, which is viewed by those contacting the OSA as a higher risk than a governmental pension plan not being able to pay its benefit obligations.

Discussion:

1. Does the group support the draft clarification below?
2. Are there reactions to the concerns shared with the OSA from members whose monthly benefit service pensions are replaced by annuity contracts?
3. Are there recommended best practices or pitfalls to avoid for relief associations considering discontinuing their monthly benefits?
4. Anything else?

Statute:

424A.093 RELIEF ASSOCIATIONS PAYING MONTHLY SERVICE PENSIONS.

Subdivision 1. **Application.** (a) This section applies to any firefighters relief association specified in section 424A.091, subdivision 1, which pays or allows for an option of a monthly service pension to a retiring firefighter when at least the minimum requirements for entitlement to a service pension specified in section 424A.02, any applicable special legislation, and the articles of incorporation or bylaws of the relief association have been met. Each firefighters relief association to which this section applies shall

determine the actuarial condition and funding costs of the special fund of the relief association in accordance with subdivisions 2 and 3, the financial requirements of the special fund of the relief association in accordance with subdivision 4, and the minimum obligation of the municipality with respect to the special fund of the relief association in accordance with subdivision 5.

(b) If a firefighters relief association that previously provided a monthly benefit service pension discontinues that practice and either replaces the monthly benefit amount with a lump-sum benefit amount consistent with section 424A.02, subdivision 3, paragraph (a), clause (2), or purchases an annuity in the same amount as the monthly benefit from an insurance company licensed to do business in this state, the actuarial condition and funding costs, financial, and minimum municipal obligation requirements of section 424A.092 apply rather than this section.

Optional Change:

424A.05 RELIEF ASSOCIATION SPECIAL FUND.

Subd. 3. **Authorized disbursements from special fund.** (a) Disbursements from the special fund may not be made for any purpose other than one of the following:

(1) for the payment of service pensions to retired members of the relief association if authorized and paid under law and the bylaws governing the relief association;

(2) for the purchase of an annuity for the applicable person under section 424A.015, subdivision 3, for the purchase of an annuity to replace a monthly benefit service pension under section 424A.093, subdivision 1, for the transfer of service pension or benefit amounts to the applicable person's individual retirement account under section 424A.015, subdivision 4, or to the applicable person's account in the Minnesota deferred compensation plan under section 424A.015, subdivision 5;

(3) for the payment of temporary or permanent disability benefits to disabled members of the relief association if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(4) for the payment of survivor benefits or for the payment of a death benefit to the estate of the deceased active or deferred firefighter, if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(5) for the payment of the fees, dues and assessments to the Minnesota State Fire Department Association and to the Minnesota State Fire Chiefs Association in order to entitle relief association members to membership in and the benefits of these associations or organizations;

(6) for the payment of insurance premiums to the state Volunteer Firefighters Benefit Association, or an insurance company licensed by the state of Minnesota offering casualty insurance, in order to entitle relief association members to membership in and the benefits of the association or organization;

(7) for the payment of administrative expenses of the relief association as authorized under subdivision 3b; and

(8) for the payment of a service pension to the former spouse of a member or former member of a relief association, if the former spouse is an alternate payee designated in a qualified domestic relations order under subdivision 5.

(b) Checks or authorizations for electronic fund transfers for disbursements authorized by this section must be signed by the relief association treasurer and at least one other elected trustee who has



been designated by the board of trustees to sign the checks or authorizations. A relief association may make disbursements authorized by this subdivision by electronic fund transfers only if the specific method of payment and internal control policies and procedures regarding the method are approved by the board of trustees.



Exhibit D

“Break in Service” Definition

Topic:

A suggestion was made during the July Working Group meeting to review and discuss the definition of “break in service” in the relief association statutes. The statutory definition is provided below, and many communities further define “active service” and what constitutes a break from active service in their relief association bylaws and fire department policies.

Statute:

424A.001 DEFINITIONS.

Subd. 9a. **Break in service.** "Break in service" means temporarily ceasing all of the following with a particular fire department:

- (1) performing fire suppression duties;
- (2) performing fire prevention duties;
- (3) supervising fire suppression duties; and
- (4) supervising fire prevention duties.

Discussion:

1. Does the definition seem accurate? Does it cover all of the scenarios that should be covered?
2. Are there suggested changes?
3. Anything else?



Exhibit E

Combined Service Pensions

Topic:

Relief associations have asked for clarification of how combined service is accrued if a firefighter is an active member of two different relief associations at the same time. The combined service pension statute below refers to “each subsequent relief association,” which implies that a firefighter’s service with relief associations is consecutive, rather than concurrent. Paragraph (e) further refers to the requirement that “the member must become a member of the subsequent relief association within two years of the date of termination of active service with the prior relief association.”

Discussion:

1. Does the Working Group want to suggest changes to the combined service pension statute to either clearly allow or not allow combined service when the service is concurrent?
2. It doesn’t seem that many relief associations provide for the payment of combined service pensions in their bylaws. Is it your impression that this is because relief associations don’t want to provide the benefits, don’t know about the benefits, or because there are obstacles to providing them?
3. If there are obstacles, are there process or language changes that would help to alleviate them?
4. Anything else?

Statute:

424A.015 GENERALLY APPLICABLE FIREFIGHTERS RELIEF ASSOCIATION PENSION PLAN REGULATION.

Subd. 7. **Combined service pensions.** (a) A member with credit for service as an active firefighter in more than one firefighters relief association is entitled to a service pension from each participating relief association if:

- (1) the articles of incorporation or bylaws of the relief associations provide for such combined service pensions;
- (2) the applicable requirements of paragraphs (b) to (e) are met; and
- (3) the member otherwise qualifies.

(b) A member receiving a service pension under this subdivision must be at least partially vested under the bylaws of the first participating relief association on the date on which the member terminates active service with that relief association. The service pension paid from the first participating relief association shall



be based on the years of active service accrued in the first relief association and the vesting percentage applicable to those years of active service.

(c) To receive a service pension from each subsequent relief association, the member must be at least partially vested under the bylaws of the subsequent relief association, taking into consideration the member's total service credit accrued in all participating relief associations to the date the member terminates active service with the subsequent relief association. The service pension paid from each subsequent relief association shall be based on the years of active service accrued solely in that relief association and the vesting percentage applicable to the combined amount of total service credit accrued in all of the participating relief associations.

(d) The member must have one or more years of service credit in each participating relief association. The service pension must be based on:

(1) for defined benefit relief associations, the service pension amount in effect for the relief association on the date on which the member's active firefighting services covered by that relief association terminate; and

(2) for defined contribution relief associations, the member's individual account balance on the date on which the member's active firefighting services covered by that relief association terminate.

(e) To receive a service pension under this subdivision, the member must become a member of the subsequent relief association within two years of the date of termination of active service with the prior relief association. If requested by the member or a subsequent relief association, the secretary of each prior relief association must provide written notice to the member and the subsequent relief association regarding the amount of active service accrued by the member in the prior relief association.