



# Working Group

Meeting Agenda: November 10, 2020

- I. Call to Order**  
*Chair Auditor Blaha.*
- II. Review and Approval of Working Group Meeting Minutes**  
Exhibit A. Draft October 20, 2020 Meeting Minutes
- III. Discussion on Ability to Work as a Full-Time and Paid-on-Call Firefighter with the Same Fire Department**  
Exhibit B.
- IV. Discussion on Whether Investment through the State Board of Investment Should be Required**  
Exhibit C.
- V. Discussion on Clarification to Audit Threshold**  
Exhibit D.
- VI. Discussion on Clarification to Filing and Application Fee Payment Authority**  
Exhibit E.
- VII. Other Business**
- VIII. Next Meeting**  
Tuesday, November 17, 2020  
11 a.m. to 12:30 p.m.  
Virtually via Zoom
- 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 November 9, 2020.



# Exhibit A

## 10-20-20 Draft Minutes

### Members Present

Julie Blaha, State Auditor

Eric Bullen, Minnesota State Fire Chiefs Association Representative (defined benefit lump sum plans)

Steve Donney, City of Harmony Mayor

Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)

Sue Iverson, City of Red Wing Finance & Accounting Manager

Brett Johnson, Elko New Market Fire Relief Association Treasurer (defined benefit lump sum plans)

Ron Johnson, Minnesota State Fire Department Association Representative (defined contribution plans)

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

Andy Paszak, Proctor Fire Relief Association President (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)

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

### Members Excused

Michael Kruse, Falcon Heights Fire Relief Association Treasurer (defined contribution plans)

### Office of the State Auditor and Legislative Support Present

Ramona Advani, Deputy State Auditor and General Counsel

Chad Burkitt, Legislative Commission on Pension and Retirement Analyst

Rose Hennessy Allen, Office of the State Auditor Pension Director

Susan Lenczewski, Legislative Commission on Pension and Retirement Executive Director

### Others Present

Maia Dabney-Miller, Office of the State Auditor Pension Analyst

Anne Finn, League of Minnesota Cities Representative

Dan Johnson, Mendota Heights Fire Relief Association Trustee

Molly Resch, Office of the State Auditor Pension Analyst

Mike Scott, City of Eagan Fire Chief

Mike Stroeing, Public

Kristie Strum, Department of Revenue Senior State Program Administrator

Megan Thrasher, Office of the State Auditor External Affairs Coordinator

Nyle Zikmund, City of Mounds View Administrator

## I. Call to Order

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

## II. Review and Approval of Working Group Meeting Minutes

The members reviewed the October 6, 2020, meeting minutes that had been provided in advance. Iverson made a motion to adopt the meeting minutes, and the motion was adopted unanimously.

### **III. Working Group Topic Rankings**

Auditor Blaha shared the results of the survey asking Working Group members to rank the topic suggestions.

### **IV. Supplemental Benefits for Firefighters who Receive Multiple Distributions**

Hennessy Allen explained that the Working Group approved this topic and the proposed statute change last year, and included the language in the 2020 Working Group bill. The provision was removed from the bill due to cost concerns by a few lawmakers. The proposal had the potential to increase the amount of supplemental benefits reimbursed by the State by just a few thousand dollars each year.

Clarity is still needed on this topic, as supplemental benefits have been paid to firefighters who have received more than one lump sum distribution, and the Department of Revenue has received applications for reimbursement of these supplemental benefit payments. Relief associations need to know whether firefighters who receive more than one lump sum distribution are eligible for a second supplemental benefit, and the Department of Revenue needs to know whether these benefits can be reimbursed.

Hemstad made a motion to adopt the proposed change. Johnson, R. seconded the motion that was then adopted unanimously.

### **V. Definition of “Municipal Clerk”**

Hennessy Allen explained that during the 2012 Legislative Session, the Working Group proposed changes to the definition of “municipal clerk.” The changes were passed into law, and provided municipalities with flexibility when signing a relief association’s annual financial and investment reporting form (known as the FIRE Form). The FIRE Form is required to be signed by the municipal clerk or clerk-treasurer. The 2012 law change provided flexibility so a municipal governing body could designate this signing function, so that the municipal official most familiar with the relief association’s operations could sign the FIRE Form. For example, some municipalities designate the finance director or administrator as the person to perform this function.

During the 2019 Legislative Session, the definition of “municipal clerk” was moved to a new chapter of law, Chapter 477B, that was created to house the fire state aid provisions. Because of this reorganization, the definition no longer applies to the FIRE Form or provides municipalities with the flexibility that the Working Group sought.

The Working Group members agreed that a definition of “municipal clerk” should be added to Chapter 424A, which houses the relief association-specific provisions. Iverson made a motion to adopt the draft definition. Bullen seconded the motion that was then adopted unanimously.

### **VI. Defined Contribution Plan Forfeiture Changes**

Hennessy Allen explained that defined contribution plans are required to keep the accounts of members who separate from active service before becoming vested intact for at least five years. If the member does not return to active service within five years following the member’s separation, the account is forfeited and the assets are allocated to the active relief association members. There currently are no exceptions to this five-year waiting requirement before nonvested accounts can be forfeited.

Recently, a member passed away during this five-year waiting period. The relief association is required to keep this former member’s account intact, even though there is no possibility of a return to active service and no benefit will be paid.

The Working Group members reviewed draft language that would permit nonvested member accounts to be forfeited prior to five years if the former member passes away and no survivor or death benefit is payable. Johnson, R. made a motion to adopt the draft language. Wall seconded the motion that was then adopted unanimously.

## **VII. Discussion on Ability to Work as a Full-Time and Paid-on-Call Firefighter with the Same Fire Department**

Auditor Blaha shared that this topic was suggested by Lenczewski, who indicated it would be helpful to have guidance from the Working Group in the event the topic were to come before the Legislative Commission on Pensions and Retirement. Auditor Blaha reminded the Working Group that “double dipping,” in contrast to the topic at issue, is when an individual receives credit in two pension plans for the exact same period of service, and that the receipt of concurrent service is specifically prohibited in statute.

The Working Group members and others in attendance shared how their fire departments operate and whether full-time employees are allowed to separately respond as paid-on-call firefighters. Different communities have different needs. There was discussion on how a relief association could limit membership in the association through its bylaws, and how municipalities have the ability to allow or not allow full-time employees to also work as a paid-on-call firefighter.

There was discussion on payroll implications when employees work overtime. Advani commented that the issue of payment for work performed is separate from the issue of pension credit earned for that work.

Auditor Blaha observed that the Working Group was not ready to make a final decision on this topic. It was agreed that the topic would be revisited at the next meeting.

## **VIII. Other Business**

Johnston shared that he has a topic for consideration by the Working Group, which arose after the topic survey was completed. The topic is related to divorce payments, and when distributions can be made from a defined contribution plan to former spouses. The Working Group members agreed to add this topic to the list, and that it would be discussed after the topics with the highest rankings are addressed.

## **IX. Next Meeting**

Tuesday, November 10, 2020  
11 a.m. to 12:30 p.m.  
Virtually via Zoom

## **X. Adjournment**

The meeting was adjourned at 12:13.



# Exhibit B

## Working as a Full-Time and Paid-on-Call Firefighter with the Same Department

### Topic:

The Working Group has been asked to consider whether a legislative change should be made to prevent an individual from working as both a full-time firefighter and a paid-on-call firefighter with the same fire department.

Statute prohibits firefighters from being credited with service credit in a relief association and in the Public Employees Retirement Association for the same hours of service. (See statute below.) Firefighters are allowed to hold full-time and paid-on-call positions with the same fire department, but must be sure there is no overlap in the accrual of pension credit.

The topic presented to the Working Group for consideration is a limitation specific to full-time employees who are firefighters, although there are full-time employees in non-firefighter positions who also work for the same municipality as paid-on-call firefighters. If the Working Group decides to move forward with a suggested statute change, members may want to consider whether limitations should be applied to full-time firefighters that are not imposed on other full-time municipal employees.

Options for the Working Group include:

1. Suggesting a statute change;
2. Taking no action;
3. Adopting a position statement;
4. Others?

### Statute:

#### **424A.01 MEMBERSHIP IN A VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION.**

Subd. 4a. **Prohibition on receipt of concurrent service credit.** No firefighter may be credited with service credit in a volunteer firefighters relief association for the same hours of service for which coverage is already provided in a fund operated pursuant to chapter 353.



# Exhibit C

## Requiring Investment through the State Board of Investment

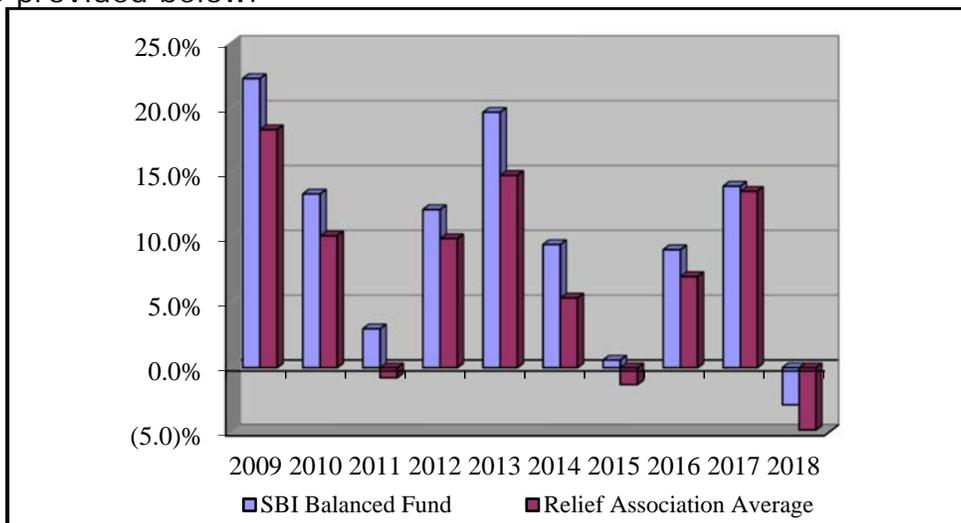
### Topic:

The Working Group has been asked to consider whether a legislative change should be made that would require relief association special fund assets to be invested through the State Board of Investment (SBI). Currently, relief associations can choose to invest some or all of their special funds through the SBI, but are not required to do so. When relief associations choose to invest with the SBI, the assets are invested through the Supplemental Investment Fund (SIF). The SIF has six investment options available to relief associations.

As of July 2020, there were 167 relief associations (or about 30 percent) that invested at least some of their special fund assets with the SBI.

In addition to investing with the SBI, relief association trustees have the option of working with a broker or investment advisor, or selecting funds for investment themselves. Some relief associations that invest with the SBI also choose to work with a local investment advisor for guidance on asset allocations and investment objectives. The SBI invests funds for relief associations but does not provide advice or guidance on how the funds should be invested.

The average annual rates of return for relief associations and for the SBI Balanced Fund are provided below.



Options for the Working Group include:

1. Suggesting a statute change;
2. Taking no action;
3. Adopting a position statement;
4. Others?



# Exhibit D

## Audit Threshold Clarification

### Topic:

Relief association trustees sometimes have questions about when an audit first becomes required after a relief association exceeds the \$500,000 threshold, and whether the threshold is applied to special fund assets only, or to the combined total of special and general fund assets.

Optional changes are provided below that attempt to address these two audit questions. The changes also clarify that the financial report and audited financial statements are two separate documents. Finally, changes are suggested so that terms are used consistently in the subdivision.

### Statute:

#### 424A.014 FINANCIAL REPORT; BOND; EXAMINATION.

Subdivision 1. **Financial report and audit.** (a) ~~An annual financial report and audited financial statements must be submitted by~~ The the board of the Bloomington Fire Department Relief Association and the board of each volunteer firefighters relief association with special fund assets of at least \$500,000 or special fund liabilities of at least \$500,000 ~~in the prior year or in any previous year~~, according to the ~~applicable actuarial valuation or according to the~~ prior year financial report if no valuation is required or any previous year's financial report, ~~must prepare a financial report covering the special and general funds of the relief association for the preceding fiscal year, file the financial report, and submit financial statements.~~

(b) ~~The financial report must contain financial statements and disclosures that present the true financial condition of the relief association and the results of relief association operations in conformity with generally accepted accounting principles and in compliance with the regulatory, financing, and funding provisions of this chapter and any other applicable laws 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 a firefighters' relief association that 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 volunteer firefighter 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 volunteer firefighter 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.

(c) The financial report must be retained in the office of the Bloomington Fire Department Relief Association or the volunteer firefighter 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.



(d) 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 this report in lieu of the financial report required in paragraph ~~(e)~~ (a).



# Exhibit E

## Filing and Application Fees Clarification

### Topic:

Relief association trustees sometimes have questions about the types of filing and application fees that can be paid from the relief association's special fund. An optional change is provided below that clarifies filing and application fees payable from the special fund must be necessary to administering the special fund, and be payable to federal or other government entities.

### Statute:

#### 424A.05 RELIEF ASSOCIATION SPECIAL FUND.

Subd. 3b. **Authorized administrative expenses from special fund.** (a) Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable, and direct expenses of maintaining, protecting, and administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, constitutes authorized administrative expenses of a volunteer firefighters relief association organized under any law of the state or the Bloomington Fire Department Relief Association:

- (1) office expenses, including but not limited to rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;
- (2) salaries of the officers of the association or their designees, and salaries of the members of the board of trustees of the association if the salary amounts are approved by the governing body of the entity that is responsible for meeting any minimum obligation under section 424A.092 or 424A.093 or Laws 2013, chapter 111, article 5, sections 31 to 42, and the itemized expenses of relief association officers and board members that are incurred as a result of fulfilling their responsibilities as administrators of the special fund;
- (3) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;
- (4) audit and audit-related services, accounting and accounting-related services, and actuarial, medical, legal, and investment and performance evaluation expenses;
- (5) filing and application fees necessary to administer the special fund payable by the relief association to federal or other government entities;
- (6) reimbursement to the officers and members of the board of trustees or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and
- (7) premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

(b) All other expenses of the relief association must be paid from the general fund of the association if one exists. If a relief association has only one fund, that fund is the special fund for purposes of this subdivision. If a relief association has a special fund and a general fund, the payment of any expense of the relief association that is directly related to the purposes for which both funds were established must be apportioned between the two funds on the basis of the benefits derived by each fund.