



# Working Group

## Meeting Agenda: January 12, 2021

- I. Call to Order**  
*Chair Auditor Blaha.*
- II. Review and Approval of Working Group Meeting Minutes**  
Exhibit A. Draft December 15, 2020 Meeting Minutes
- III. Review of Draft Combined Service Pension Language**  
Exhibit B.
- IV. Discussion of DC Plan Deferred Interest Clarification**  
Exhibit C.
- V. Review of Previously Approved Draft Legislation**  
Exhibits D through J.
  - Supplemental Benefits (D)
  - Municipal Clerk Definition (E)
  - Defined Contribution Forfeitures (F)
  - Audit Threshold Clarification (G)
  - Filing and Application Fees Clarification (H)
  - Retaining Service Credit for Nonvested DB Plan Members (I)
  - Accountant Form Certification Requirement (J)
- VI. Next Year (2021-2022 Working Group)**
- VII. Other Business**
  - Working Group "Photo"
- VIII. 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 January 11, 2021.



# Exhibit A

## 12-15-20 Approved 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

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)

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

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

Andy Paszak, Proctor Fire Relief Association President (defined benefit lump sum 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

### 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 accepted with no changes.

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

The members reviewed the November 17, 2020, meeting minutes that had been provided in advance. The meeting minutes were accepted with no changes.

### III. Discussion on Combined Service Pensions

Hennessy Allen explained that during the last meeting, the Working Group members requested that language be drafted to change the combined service provision so that a service pension paid from the first relief association in which a firefighter accrues service credit is based solely on service with that affiliated fire department. Vesting then would accumulate if the firefighter joined a second or subsequent fire department.

A question was identified by OSA staff when attempting to draft the requested language that requires the Working Group's input. The question is what should happen if a firefighter is not vested when the firefighter separates from active service with the first fire department. After discussion, the Working Group members agreed that a firefighter must be vested at the time of separation to be eligible for a service pension. If a firefighter is not vested when he or she separates from active service with the first fire department, the firefighter would not be

eligible for a distribution from the affiliated relief association, but the years of service would accumulate for vesting purposes if the firefighter joins a second or subsequent fire department.

The Working Group members unanimously adopted the motion that language be drafted to change the combined service pension provision so that a firefighter must be vested upon separation from the first participating fire department, and that service credit for vesting purposes then would accumulate in the second and any subsequent fire departments.

#### **IV. Discussion on Supplemental State Aid Calculation**

During the last meeting, the Working Group members asked for information on how supplemental state aid amounts would change if they were based on the number of active firefighters in each fire department, rather than based on the proportionate share of fire state aid allocated to each fire department. Auditor Blaha shared *rough estimates* of supplemental state aid amounts calculated under the different method, and the amount of change for each aid recipient.

The Working Group members agreed that if such a change were to be pursued, the definition of “active firefighter” would be very important. The members also agreed it was not the place of the Working Group to decide on an aid calculation change that would impact entities not represented by the group. Bullen indicated that the Minnesota State Fire Chiefs Association would discuss the topic. No further action was taken.

#### **V. Discussion on Retaining Service Credit for Nonvested Members of Defined Benefit Plans**

The Working Group members reviewed draft language that would allow relief associations with a defined benefit plan to forfeit service credit if a nonvested member is absent from firefighting service for at least five years. Auditor Blaha shared that the change would be permissive, and that relief associations wanting to forfeit service credit of nonvested members would do so by amending their bylaws.

The Working Group members were supportive of the change, and stated it is consistent with how nonvested member accounts are handled in the defined contribution plans. The Working Group members adopted the language unanimously.

#### **VI. Discussion on Accountant Form Certification Requirement**

Hennessy Allen explained that this topic was brought to the OSA's attention by several CPAs who work with relief associations. Currently, a relief association's annual financial reporting form is certified by a CPA in accordance with agreed-upon procedures if the relief association has assets and liabilities that are both less than \$500,000. Some relief associations that are below this threshold choose to have an audit prepared, even though a full audit is not required. Because the form certification requirements are based on the relief association's asset and liability amount, rather than whether an audit was performed, the CPAs for relief associations that choose to have an audit prepared are still required to certify the form.

The Working Group members reviewed draft changes that would exempt relief associations that choose to have an audit prepared from the form certification requirement. The Working Group members adopted the language unanimously.



## **VII. Review of Working Group Position Statements**

- Working as a Full-Time and Paid-on-Call Firefighter

The Working Group members reviewed the position statement regarding the ability of a full-time firefighter to also separately work as a paid-on-call firefighter with the same fire department, and agreed it reflected the group's position of supporting current law. There were no objections to the position statement.

- Requiring Investment through the State Board of Investment

The Working Group members reviewed the position statement regarding a requirement for relief associations to invest through the State Board of Investment. The Working Group agreed that the statement accurately reflects the group's position that current law should be supported, which allows for local control and permits, rather than requires, investment through the State Board of Investment. There were no objections to the position statement.

## **VIII. Discussion on Timing of Divorce Distributions**

Auditor Blaha explained that questions have arisen about when distributions can be made to former spouses following the divorce of a relief association member. Lenczewski shared her research on this topic and said it seems the Working Group could move forward with a change for both defined contribution and defined benefit plans that would authorize distributions to alternate payees at any age, provided the member is vested. It was agreed that language with this change would be drafted for review at the next meeting.

## **IX. Other Business**

There was no other business.

## **X. Next Meeting**

Tuesday, January 12, 2021  
11 a.m. to 12:30 p.m.  
Virtually via Zoom

## **XI. Adjournment**

The meeting was adjourned at 12:37.



# Exhibit B

## Combined Service Pensions

### Topic:

The Working Group is considering a change to the combined service provision so that a service pension paid from the first relief association is based solely on service credit earned with that affiliated fire department. The proposed change below requires that a member be vested in the first relief association to be eligible for a distribution from that relief association. Vesting then accumulates if the firefighter joins a subsequent fire department or multiple subsequent fire departments. The member must be vested in the subsequent relief association(s) when considering the combined years of accrued active service.

Several examples illustrating the possible change are provided below:

Sunfish Fire Relief Association = \$1,000 benefit level; vesting begins at 5 years  
Bass Lake Fire Relief Association = \$2,000 benefit level; vesting begins at 10 years  
Bluegill Fire Relief Association = \$3,000 benefit level; vesting begins at 5 years

#### Example #1

Firefighter retires at age 50, with 5 years on the Sunfish Fire Department and 15 years on the Bass Lake Fire Department. The firefighter's service pension is calculated as follows:

5 years x \$1,000 x 40% = \$2,000  
15 years x \$2,000 x 100% = \$30,000

Two service pensions are paid, one from the Sunfish Fire Relief Association equal to \$2,000 and one from the Bass Lake Fire Relief Association equal to \$30,000.

#### Example #2

If the firefighter retires at age 50, with 3 years on the Sunfish Fire Department and 7 years on the Bass Lake Fire Department, the firefighter's service pension is calculated as follows:

3 years x \$1,000 x 0% = \$0  
7 years x \$2,000 x 60% = \$8,400

Only one service pension is paid, from the Bass Lake Fire Relief Association equal to \$8,400. No service pension is paid from the Sunfish Fire Relief Association because the member was not vested in that relief association.

#### Example #3

Firefighter retires at age 50, with 5 years on the Sunfish Fire Department, 3 years on the Bass Lake Fire Department, and 12 years on the Bluegill Fire Department. The firefighter's service pension is calculated as follows:



5 years x \$1,000 x 40% = \$2,000  
3 years x \$2,000 x 0% = \$0  
12 years x \$3,000 x 100% = \$36,000

Two service pensions are paid, one from the Sunfish Fire Relief Association equal to \$2,000 and one from the Bluegill Fire Relief Association equal to \$36,000. No service pension is paid from the Bass Lake Fire Relief Association because the member was not vested in that relief association when considering the combined years of accrued active service.

## Proposed Change:

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

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

- (1) the articles of incorporation or bylaws of the relief associations provide;
- (2) the applicable requirements of paragraphs (b) and (c) are met; and
- (3) the volunteer firefighter otherwise qualifies.

b) A volunteer firefighter receiving a prorated service pension under this subdivision must be vested in the first participating relief association on the date on which active volunteer firefighting services covered by that relief association terminate. The prorated 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. To receive a prorated service pension from each subsequent relief association, the volunteer firefighter must be vested in the subsequent relief association taking into consideration the total service credit accrued in all participating relief associations as of the date the volunteer firefighter terminates active service with the subsequent relief association. The prorated 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 from all of the participating relief associations.

~~have a total combined amount of service credit from the two or more relief associations of ten years or more, unless the bylaws of every affected relief association specify less than a ten-year service vesting requirement, in which case, the total amount of required service credit is the longest service vesting requirement of the relief associations.~~ The member must have one year or more of service credit in each relief association. The prorated 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 active volunteer 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 active volunteer firefighting services covered by that relief association terminate.

(c) To receive a prorated service pension under this subdivision, the firefighter must become a member of the second or succeeding relief association and must give notice of membership to the prior relief association within two years of the date of termination of active service with the prior relief association. The second or subsequent relief association secretary must certify the notice.

**EFFECTIVE DATE:** This section is effective on January 1, 2022.



# Exhibit C

## Defined Contribution Plan Deferred Interest Clarification

### Topic:

Last year, the Working Group approved changes, which were included in the 2020 Pension and Retirement Bill, that affect how investment returns are allocated to members in relief associations with a defined contribution plan. Beginning January 1, 2021, deferred members of defined contribution plans must be credited with investment returns. This new requirement applies to members who are currently deferred, and to future deferred members.

There are three options for crediting investment returns to deferred members. If a relief association's bylaws do not define a method for crediting investment returns, deferred members will be credited with their proportional share of the full investment gains and losses. Members who are currently deferred and separated from active service when a relief association's bylaws provided for an allocation method that no longer is authorized must start receiving investment return allocations under one of the three currently-authorized allocation methods.

In response to questions that Office of the State Auditor staff have received regarding the new requirements, changes are suggested below to clarify a relief association's ability to modify investment return allocations for members who are already deferred, and provide a one-year window during which the bylaws may be amended to modify the investment return allocation method for currently-deferred members.

### Optional Changes:

#### **424A.016 DEFINED CONTRIBUTION VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION SPECIFIC REGULATION.**

##### **Subd. 6. Deferred service pensions.**

(a) A "deferred member" means a member of a relief association who has separated from active service and membership and has completed the minimum service and membership requirements in subdivision 2. The requirement that a member separate from active service and membership is waived for persons who have discontinued their volunteer firefighter duties and who are employed on a full-time basis under section 424A.015, subdivision 1.

(b) A deferred member is entitled to receive a deferred service pension when the member reaches at least age 50, or at least the minimum age specified in the bylaws governing the relief association if that age is greater than age 50, and makes a valid written application.

(c) A defined contribution relief association must credit interest or additional investment performance on the deferred lump-sum service pension during the period of deferral for all deferred members on or after January 1, 2021. Notwithstanding the requirements of section 424A.015, subdivision 6, a defined contribution relief association may, until January 1, 2022, amend its bylaws to modify the interest or



additional investment performance method for deferred members to receive interest or additional investment performance as required by and as authorized by this subdivision. Interest or additional investment performance must be credited using one of the following methods, as provided for in the bylaws:

(1) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested by the relief association in a separate account established and maintained by the relief association;

(2) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested in a separate investment vehicle held by the relief association; or

(3) at the investment return on the assets of the special fund of the defined contribution volunteer firefighters relief association in proportion to the share of the assets of the special fund to the credit of each individual deferred member account through the accounting date on which the investment return is recognized by and credited to the special fund.

(d) Unless the bylaws of a relief association that has elected to pay interest or additional investment performance on deferred lump-sum service pensions under paragraph (c) specifies a different interest or additional investment performance method, including the interest or additional investment performance period starting date and ending date, the interest or additional investment performance on a deferred service pension is creditable as follows:

(1) for a relief association that has elected to credit interest or additional investment performance under paragraph (c), clause (1) or (3), beginning on the date that the member separates from active service and membership and ending on the accounting date immediately before the deferred member commences receipt of the deferred service pension; or

(2) for a relief association that has elected to credit interest or additional investment performance under paragraph (c), clause (2), beginning on the date that the member separates from active service and membership and ending on the date that the separate investment vehicle is valued immediately before the date on which the deferred member commences receipt of the deferred service pension.

(e) If the bylaws do not define a method for crediting interest or additional investment performance, the interest or additional investment performance must be credited using the method defined in paragraph (c), clause (3).

(f) Until December 31, 2020, a defined contribution relief association is permitted, if its governing bylaws so provide, to credit interest or additional investment performance on the deferred lump-sum service pension during the period of deferral using the method set forth in the bylaws applicable on the date on which each deferred member separated from active service.

**EFFECTIVE DATE:** This section is effective retroactively to January 1, 2021.





# Exhibit D

## Supplemental Benefits

### Proposed Changes:

#### 424A.10 STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.

Subdivision 1. **Definitions.** For purposes of this section:

(1) "qualified recipient" means a volunteer firefighter who receives a lump-sum distribution of pension or retirement benefits from a volunteer firefighters relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan;

(2) "survivor of a deceased active or deferred volunteer firefighter" means the surviving spouse of a deceased active or deferred volunteer firefighter or, if none, the surviving child or children of a deceased active or deferred volunteer firefighter, or, if none, the designated beneficiary of the deceased active or deferred volunteer firefighter, or, if no beneficiary has been designated, the estate of the deceased active or deferred volunteer firefighter;

(3) "active volunteer firefighter" means a person who:

(i) regularly renders fire suppression service, the performance or supervision of authorized fire prevention duties, or the performance or supervision of authorized emergency medical response activities for a fire department;

(ii) has met the statutory and other requirements for relief association membership; and

(iii) is deemed by the relief association under law and its bylaws to be a fully qualified member of the relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for at least one month;

(4) "deferred volunteer firefighter" means a former active volunteer firefighter who:

(i) terminated active firefighting service, the performance or supervision of authorized fire prevention duties, or the performance or supervision of authorized emergency medical response activities; and

(ii) has sufficient service credit from the applicable relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan to be entitled to a service pension under the bylaws of the relief association, but has not applied for or has not received the service pension; and

(5) "volunteer firefighter" includes an individual whose services were utilized to perform or supervise fire prevention duties if authorized under section 424A.01, subdivision 5, and individuals whose services were used to perform emergency medical response duties or supervise emergency medical response activities if authorized under section 424A.01, subdivision 5a.

Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a volunteer firefighters relief association or by the voluntary statewide lump-sum volunteer firefighter retirement plan of a lump-sum distribution to a qualified recipient, the association must pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the contrary, the relief association must pay the supplemental benefit out of its special fund and the voluntary statewide lump-sum volunteer firefighter retirement plan must pay the supplemental benefit out of the voluntary statewide lump-sum volunteer firefighter retirement plan. This benefit is an amount equal to ten percent of the regular lump-sum distribution that is paid on the basis of the recipient's service as a volunteer firefighter. In no case may the amount of the supplemental benefit exceed \$1,000. A supplemental benefit under this paragraph may not be paid to a survivor of a deceased active or deferred volunteer firefighter in that capacity.

(b) Upon the payment by a relief association or the retirement plan of a lump-sum survivor benefit to a survivor of a deceased active volunteer firefighter or of a deceased deferred volunteer firefighter, the association must pay a supplemental survivor benefit to the survivor of the deceased active or deferred



volunteer firefighter from the special fund of the relief association and the retirement plan must pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the retirement fund if chapter 353G so provides. The amount of the supplemental survivor benefit is 20 percent of the survivor benefit, but not to exceed \$2,000.

(c) For purposes of this section, the term "regular lump-sum distribution" means the pretax lump-sum distribution excluding any interest that may have been credited during a volunteer firefighter's period of deferral.

(d) An individual may receive a supplemental benefit under paragraph (a) or under paragraph (b), but not under both paragraphs with respect to one lump-sum volunteer firefighter benefit.

(e) If a qualified recipient receives more than one lump-sum distribution, the qualified recipient is eligible to receive a supplemental benefit or supplemental survivor benefit, whichever is applicable, with each lump-sum distribution. Each supplemental benefit shall be calculated pursuant to paragraph (a) or paragraph (b), as applicable, and shall be subject to a separate limit.

(f) Qualified recipients who elect to receive their lump-sum distribution in installments under section 424A.016, subdivision 5, or 424A.02, subdivision 8, are eligible to receive one supplemental benefit calculated on the total lump-sum distribution amount under paragraph (a) or paragraph (b), as applicable.

Subd. 3. **State reimbursement.** (a) Each year, to be eligible for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year, the volunteer firefighters relief association or the voluntary statewide lump-sum volunteer firefighter retirement plan shall apply to the commissioner of revenue by February 15. By March 15, the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid by the relief association to qualified recipients and to survivors of deceased active or deferred volunteer firefighters.

(b) The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The commissioner of revenue shall reimburse the relief association by paying the reimbursement amount to the treasurer of the municipality where the association is located and shall reimburse the retirement plan by paying the reimbursement amount to the executive director of the Public Employees Retirement Association. Within 30 days after receipt, the municipal treasurer shall transmit the state reimbursement to the treasurer of the association if the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the reimbursement payment to the association until the complete financial report is filed. If the association has dissolved or has been removed as a trustee of state aid, the treasurer shall deposit the money in a special account in the municipal treasury, and the money may be disbursed only for the purposes and in the manner provided in section 424A.08. When paid to the association, the reimbursement payment must be deposited in the special fund of the relief association and when paid to the retirement plan, the reimbursement payment must be deposited in the retirement fund of the plan.

(c) A sum sufficient to make the payments is appropriated from the general fund to the commissioner of revenue.

Subd. 4. **In lieu of income tax exclusion.** (a) The supplemental benefit provided by this section is in lieu of the state income tax exclusion for lump-sum distributions of retirement benefits paid to volunteer firefighters.

(b) If the law is modified to exclude or exempt volunteer firefighters' lump-sum distributions from state income taxation, the supplemental benefits under this section are no longer payable, beginning with the first calendar year in which the exclusion or exemption is effective. This subdivision does not apply to exemption of all or part of a lump-sum distribution under section 290.032 or 290.0802.

**EFFECTIVE DATE:** This section is effective retroactively for supplemental benefits paid in 2018 and thereafter.



# Exhibit E

## Municipal Clerk Definition

### Proposed Changes:

#### 424A.001 DEFINITIONS.

Subd. 2a. **Municipal.** "Municipal" means of a city or township.

Subd. 2b. **Municipal Clerk.** "Municipal clerk" means the person elected or appointed to the position of municipal clerk or, if the governing body of the governmental entity designates the position to perform the function, the chief financial official of the governmental entity or the chief administrative official of the governmental entity.

Subd. 3. **Municipality.** "Municipality" means a city or township which has established a fire department with which the relief association is directly associated, a city or township which has entered into a contract with the independent nonprofit firefighting corporation of which the relief association is directly associated, or a city or township that has entered into a contract with a joint powers entity established under section 471.59 of which the relief association is directly associated.

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



# Exhibit F

## Defined Contribution Forfeitures

### Proposed Changes:

#### 424A.016 DEFINED CONTRIBUTION VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION SPECIFIC REGULATION.

Subd. 4. **Individual accounts.** (a) An individual account must be established for each firefighter who is a member of the relief association.

(b) To each individual active member account must be credited an equal share of:

(1) any amounts of fire state aid and police and firefighter retirement supplemental state aid received by the relief association;

(2) any amounts of municipal contributions to the relief association raised from levies on real estate or from other available municipal revenue sources exclusive of fire state aid; and

(3) any amounts equal to the share of the assets of the special fund to the credit of:

(i) any former member who terminated active service with the fire department to which the relief association is associated before meeting the minimum service requirement provided for in subdivision 2, paragraph (b), and has not returned to active service with the fire department for a period no shorter than five years, **or has passed away and no survivor benefit or death benefit is payable;** or

(ii) any retired member who retired before obtaining a full nonforfeitable interest in the amounts credited to the individual member account under subdivision 2, paragraph (b), and any applicable provision of the bylaws of the relief association. In addition, any investment return on the assets of the special fund must be credited in proportion to the share of the assets of the special fund to the credit of each individual active member account. Administrative expenses of the relief association payable from the special fund may be deducted from individual accounts in a manner specified in the bylaws of the relief association.

(c) If the bylaws so permit and as the bylaws define, the relief association may credit any investment return on the assets of the special fund to the accounts of inactive members.

(d) Amounts to be credited to individual accounts must be allocated uniformly for all years of active service and allocations must be made for all years of service, except for caps on service credit if so provided in the bylaws of the relief association. Amounts forfeited under paragraph (b), clause (3), before a resumption of active service and membership under section 424A.01, subdivision 6, remain forfeited and may not be reinstated upon the resumption of active service and membership. The allocation method may utilize monthly proration for fractional years of service, as the bylaws or articles of incorporation of the relief association so provide. The bylaws or articles of incorporation may define a "month," but the definition must require a calendar month to have at least 16 days of active service. If the bylaws or articles of incorporation do not define a "month," a "month" is a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent month.

(e) At the time of retirement under subdivision 2 and any applicable provision of the bylaws of the relief association, a retiring member is entitled to that portion of the assets of the special fund to the credit of the member in the individual member account which is nonforfeitable under subdivision 3 and any applicable provision of the bylaws of the relief association based on the number of years of service to the credit of the retiring member.

(f) Annually, the secretary of the relief association shall certify the individual account allocations to the state auditor at the same time that the annual financial statement or financial report and audit of the relief association, whichever applies, is due under section 424A.014.

**EFFECTIVE DATE:** This section is effective on January 1, 2022.



# Exhibit G

## Audit Threshold Clarification

### Proposed Changes:

#### 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).

**EFFECTIVE DATE:** This section is effective on January 1, 2022.



# Exhibit H

## Filing and Application Fees Clarification

### Proposed Change:

#### 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.

**EFFECTIVE DATE:** This section is effective on January 1, 2022.



# Exhibit I

## Retaining Service Credit for Nonvested Members

### Proposed Change:

#### 424A.02 DEFINED BENEFIT RELIEF ASSOCIATIONS; SERVICE PENSIONS.

##### Subd. 3. Flexible service pension maximums.

...

(h) The method of calculating service pensions must be applied uniformly for all years of active service. Credit must be given for all years of active service except for:

(i) caps on service credit if so provided in the bylaws of the relief association;  
and

(ii) if so provided in the bylaws of the relief association, active service earned by a former member who has ceased duties as a volunteer firefighter with the fire department before becoming vested under subdivision 2 and who has not resumed active service with the fire department and active membership in the relief association for a period as defined in the relief association's bylaws, of not less than five years.

**EFFECTIVE DATE:** This section is effective on January 1, 2022.



# Exhibit J

## Accountant Form Certification Requirement

### Proposed Change:

#### 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) through (e) of this subdivision 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 board of a volunteer firefighters relief association with special fund assets less than \$500,000 and special fund liabilities less than \$500,000 according to the prior year financial report and all previous years' financial reports may choose to submit an annual financial report and audited financial statements in accordance with paragraphs (c) through (e) of this subdivision.

(c) ~~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.

(d) 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.

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

Subd. 2. **Financial statement.** (a) The board of each volunteer firefighter relief association that is not required to and does not choose to file a financial report and audit under subdivision 1 must prepare





a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show:

- (1) the sources and amounts of all money received;
  - (2) all disbursements, accounts payable, and accounts receivable;
  - (3) the amount of money remaining in the treasury;
  - (4) total assets, including a listing of all investments;
  - (5) the accrued liabilities; and
  - (6) all other items necessary to show accurately the revenues and expenditures and financial position of the relief association.
- (b) The detailed financial statement of the special and general funds required under paragraph (a) must be certified by a certified public accountant or by the state auditor in accordance with agreed-upon procedures and forms prescribed by the state auditor. The accountant must have at least five years of public accounting, auditing, or similar experience and must not be an active, inactive, or retired member of the relief association or the fire department.
- (c) The detailed financial statement required under paragraph (a) must be countersigned by:
- (1) the municipal clerk or clerk-treasurer of the municipality;
  - (2) where applicable, the municipal clerk or clerk-treasurer of the largest municipality in population that contracts with the independent nonprofit firefighting corporation if the 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.
- (d) The volunteer firefighters relief association board must submit a copy of the detailed financial statement required under paragraph (a) that has been certified by the governing body of the municipality to the state auditor on or before March 31 after the close of the fiscal year.
- (e) A certified public accountant or auditor who performs the agreed-upon procedures under paragraph (b) is subject to the reporting requirement of section 6.67.

**EFFECTIVE DATE:** This section is effective on January 1, 2022.