



Working Group

Meeting Agenda: September 5, 2024

- I. Call to Order**
Chair Auditor Blaha.
- II. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft August 21, 2024, Meeting Minutes
- III. Public Input on Minimum Retirement Age Topic**
- IV. Position Statement on Minimum Service Requirements**
Exhibit B.
- V. Discussion of Length of Service Incentives**
Exhibit C.
- VI. Review of Technical Change**
Exhibit D.
- VII. Discussion of Supplemental Benefits for Alternate Payees**
Exhibit E.
- VIII. Other Business**
- IX. Next Meeting**
Wednesday, September 25, 2024
10:00 a.m. to 11:30 a.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 September 4, 2024.



Exhibit A

8-21-24 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

Sue Iverson, Municipal Finance Representative

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)

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

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

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

Members Excused

Darrell Pettis, St. Peter Fire Relief Association Treasurer (defined benefit 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

Susan Lenczewski, Legislative Commission on Pensions and Retirement Executive Director

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 accepted with no objections.

II. Review and Approval of Working Group Meeting Minutes

Members reviewed the July 24, 2024, meeting minutes that had been provided in advance. The meeting minutes were accepted with no objections.

III. Review of Working Group Topic 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. She reminded the group 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.

IV. Discussion of Minimum Service Requirements

Hennessy Allen explained that this topic was submitted by several relief association trustees who have asked the Working Group to consider whether relief associations should have a role with the municipality in establishing minimum service requirements and in determining whether individual firefighters have met the established requirements. Working Group members discussed the topic at length and agreed not to pursue any changes to the process at this time. The municipality is responsible for hiring firefighters and determining staffing levels and needs, while the relief association administers the pension fund. It was agreed that a statement would be drafted for review at the next meeting that memorializes the Working Group's position on this topic.

V. Discussion of Minimum Retirement Age

Hennessy Allen explained that during this year's legislative session a bill was passed that will add a defined contribution plan option to the Statewide Volunteer Firefighter (SVF) Plan administered by the Public Employees Retirement Association. The SVF defined contribution plan will permit distributions to firefighters as soon as practicable after their separation from active service. The topic for the Working Group to consider is whether relief associations with defined contribution plans (and perhaps defined benefit plans, too) should have similar authority to pay retirement benefits prior to a firefighter reaching age 50. Working Group members had concerns about relief association members taking early distributions and the funds not being used for retirement, as intended. Executive Director Lenczewski shared that relief associations cannot require retiring members to take a rollover distribution. She will share some additional information on federal law that may be helpful for this discussion with the group during an upcoming meeting. There was some interest in providing relief associations with the option of allowing early distributions, but the group wanted more information and time to think about the topic further. The topic will be revisited during an upcoming meeting.

VI. Review of Technical Change

This topic was held over for discussion at the next meeting.

VII. Other Business

There was no other business.

VIII. Next Meeting

Thursday, September 5, 2024
2:00 p.m. to 3:30 p.m.
In-Person/Virtual Hybrid Format

IX. Adjournment

The meeting was adjourned at 2:27 p.m.



Exhibit B

Position on Relief Association's Role in Minimum Service Requirements

For the reasons identified below, the Fire Relief Association Working Group recommends that no changes to current law be recommended at this time with respect to a relief association's role in establishing minimum service requirements or determining whether individual firefighters have met those requirements.

Municipality is the employer – In city and town fire departments, the municipality generally is responsible for hiring firefighters and making decisions on department staffing needs to serve the community, which includes establishing minimum service requirements to ensure that adequate staffing levels are maintained.

Relief associations are pension plans – Relief associations receive public money to provide retirement benefits to their members. Fiduciary activities of the board relate to the investment of plan assets and administration of the plan. Making decisions or determinations about service requirements for the fire department as a whole or for individual firefighters goes beyond the board's role and at times would require knowledge of private personnel information to which the board would not have access.



Exhibit C

Length of Service Incentives

Topic:

Some relief associations are interested in having flexibility to provide a monetary incentive to members who continue active service after becoming fully vested, as a way to retain experienced firefighters and reward and recognize them for their service.

Some suggestions include paying a higher per year of service benefit level to members with at least a specified length of service and permitting bonus payments to members.

Questions:

1. Should relief associations have authority to set a higher benefit level for members with at least a specified length of service?
 - a. Note it can be administratively difficult to calculate liabilities when members earn service at different benefit levels during their firefighting career.
2. Should relief associations have authority to pay a bonus (such as a “13th check”) to members who serve for at least a specified length of time?
3. Is there an incentive that would be practicable for members of defined contribution plans?



Exhibit D 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.



Exhibit E

Supplemental Benefit Reimbursement Clarification

Topic:

During the 2022 Legislative Session, a Working Group proposal was passed into law that defines “alternate payee” and “qualified domestic relations order” and requires relief associations to comply with qualified domestic relations orders that assign all or a portion of a service pension accrued under the retirement plan. Questions have arisen about whether an alternate payee who receives some or all of a former spouse’s retirement benefit is eligible to receive a supplemental benefit and, if so, whether the relief association could be reimbursed for the payment.

An optional change is provided below that modifies the definition of “qualified recipient” for purposes of supplemental benefits to include an alternate payee. A question for the Working Group to consider is whether clarification is needed regarding the maximum supplemental benefit amount payable. For example, if a portion of the supplemental benefit is paid to the firefighter and a portion is paid to the firefighter’s former spouse, should the total of the two payments be limited to the \$1,000 maximum? Or should each supplemental benefit payment be payable up to the \$1,000 maximum?

If the Working Group wishes to clarify the total amount payable if more than one qualified recipient receives a supplemental benefit, an additional optional change could include:

“If more than one qualified recipient is receiving a portion of a lump sum distribution, then each shall receive a corresponding portion of the supplemental benefit total amount calculated under paragraph (a) or (b), as applicable, proportionate to the share of the lump sum distribution to which the qualified recipient is entitled.”

Optional Change:

424A.10 STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.

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

(1) "qualified recipient" means a firefighter who receives a lump-sum distribution of pension or retirement benefits from a firefighters relief association or from the statewide volunteer firefighter plan, and means an alternate payee who is the former spouse of a firefighter and receives all or a portion of the firefighter’s lump-sum service pension pursuant to a qualified domestic relations order; and

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

Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a firefighters relief association or by the statewide volunteer firefighter plan of a lump-sum distribution to a qualified recipient, the association or retirement plan, as applicable, 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 statewide volunteer firefighter plan must pay the supplemental benefit out of the statewide volunteer firefighter 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 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 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 firefighter, the association or retirement plan, as applicable, must pay a supplemental survivor benefit to the survivor of the deceased 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 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 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 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 (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 (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 firefighters relief association or the statewide volunteer firefighter 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 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 firefighters.

(b) If the law is modified to exclude or exempt 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.