



Working Group

Meeting Agenda: November 10, 2022

- I. Call to Order**
Chair Auditor Blaha.
- II. Introductions**
- III. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft October 19, 2022 Meeting Minutes
- IV. Working Group Topic Rankings**
Exhibit B.
- V. Review of Draft Firefighter Definitions**
Exhibits C and D.
- VI. Discussion of Required Investment through the SBI**
Exhibit E.
- VII. Review of Draft Investment Report Certification Technical Change**
Exhibit F.
- VIII. Discussion of Audit Threshold**
Exhibit G.
- IX. Other Business**
- X. Next Meeting**
Wednesday, December 7, 2022
2:00 p.m. to 3:30 p.m.
In-Person/Virtual Hybrid Format
- XI. 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 8, 2022.



Exhibit A

10-19-22 Draft Minutes

Members Present

Julie Blaha, State Auditor

Sue Iverson, City of Red Wing Finance & Accounting Manager

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

Andy Paszak, Proctor Fire Relief Association President (defined benefit lump sum plans) (via Zoom)

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

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

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

Members Excused

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

Steve Donney, City of Harmony Mayor

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

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

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

Michael Walstien, Plymouth Fire Relief Association Member (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 (via Zoom)

Rose Hennessy Allen, Office of the State Auditor Pension Director

Susan Lenczewski, Legislative Commission on Pension and Retirement Executive Director (via Zoom)

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 changes.

II. Introductions

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

III. Review and Approval of Working Group Meeting Minutes

Members reviewed the December 14, 2021, meeting minutes that had been provided in advance. The meeting minutes were accepted with no changes.

IV. Working Group Process Discussion

- **Working Group Meeting Schedule**

Auditor Blaha shared the meeting schedule and asked that members notify Hennessy Allen of any scheduling conflicts. Meetings this year will be held in a hybrid format, in person or via Zoom, and be live-streamed to the OSA's YouTube channel. There were no objections to the meeting schedule or with providing flexibility to schedule additional meetings in January, if necessary.

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

V. Update on 2022 Relief Association Legislation

Hennessy Allen provided a summary of the relief association provisions in the 2022 Pension and Retirement Bill. All of the Working Group provisions passed into law, including the supplemental benefit reimbursement clarification that was sought for several years.

VI. Discussion of Working Group Topic Suggestions

Auditor Blaha shared the list of topic suggestions received from relief association trustees and members, and from other stakeholders. After the meeting, Working Group members will be asked to complete a survey to rank their topic priorities. Hennessy Allen briefly explained each topic.

Three additional topics were discussed and added to the list of topic suggestions. The first was a suggestion for the Working Group to consider a change that would allow more than one retiree to serve on the board of trustees if the relief association pays or offers monthly service pensions. The second was a suggestion to discuss last year's proposal that would have required relief associations to invest their special fund assets through the State Board of Investment. The third topic addition was a suggestion to clarify whether the age-50 requirement applies to surviving spouses who receive a distribution upon the dissolution of the relief association.

VII. Other Business

The Working Group members agreed to discuss the municipal contribution and financial requirements topic from the topic suggestion list. Hennessy Allen explained that the 2022 Pension and Retirement Bill made changes to the sections of statute that define how a relief association's financial requirements are determined and how the minimum municipal contribution amount is calculated. While reviewing these changes it was noted that the provisions contain an incorrect statutory reference and are difficult to understand. OSA Staff requested the Working Group's approval to draft technical corrections to the provisions in Sections 424A.092 (lump sum plans) and 424A.093 (monthly plans) to correct statutory references, make the provisions easier to understand and administer, and ensure the calculations continue to match current and longstanding practice.

OSA staff also asked for the Working Group's approval to draft technical corrections to clarify the language (known as the "90% rule") that permits a relief association to increase its benefit level without municipal ratification, if certain conditions are met.



It was agreed that cleaning up the language would be helpful to relief associations and their affiliated municipalities. The Working Group unanimously adopted a motion to allow OSA staff to draft technical corrections, for the Working Group's review and consideration, to clarify the municipal contribution and financial requirements provisions.

VIII. Next Meeting

Thursday, November 10, 2022
2:00 p.m. to 3:30 p.m.
In-Person/Virtual Hybrid Format

IX. Adjournment

The meeting was adjourned at 3:18.

Volunteer Fire Relief Association Working Group

2022/2023 Potential Topic Requests

Topic	Description	Source	Type	Rank
Audit (424A.014, subd. 1)	1. Consider increasing the threshold at which an audit is required. The current threshold is \$500,000 in either special fund assets or liabilities.	VFRAs	Broad Policy Change	3
Board of Trustees (424A.04)	2. Consider allowing more than one trustee on the board of a relief association that pays monthly benefits to be a retired member.	Working Group	Limited Policy Change	15
Defined Contribution Plans (424A.016, subd. 4)	3. Consider how frequently account balances and investment return allocations must be determined in a DC plan. For example, must account balances be determined prior to a mid-year payout? Must investment returns be allocated on at least a monthly basis?	OSA	Broad Policy Change	4
Definitions (424A.001)	4. Update the definition of "volunteer firefighter" and add definitions of "paid-on-call," "part-time," and "full-time/career" firefighter and the definition of "combination fire department" that the Working Group agreed upon.	VFRAs	In Progress	1
Disability Insurance (424A.05, subd. 3)	5. Consider modifying the provision that allows relief associations to pay insurance premiums for disability coverage, to allow relief associations to purchase a supplemental health product or reimburse the municipality if the city or town purchased the coverage.	VFRAs	Broad Policy Change	11
Dissolutions (424B.22)	6. Clarify that the requirements of Section 424B.22 apply to relief associations that are involuntarily dissolved.	VFRAs	Limited Policy Change	9
	7. Considering adding language that defines how general fund assets may be disbursed for relief associations that dissolve.	OSA	Limited Policy Change	8
	8. Clarify whether relief associations that are dissolving can pay supplemental benefits to survivors of firefighters who were younger than 50.	DOR	Limited Policy Change	14
Investment Report Card (424A.095, subd. 2)	9. Consider changing the certification language so that the "relief association," rather than the "relief association's board of trustees," certifies to the OSA that the board has reviewed the investment report card.	OSA	Limited Policy Change	5
Investments (356A.06, subd. 7)	10. Review international securities language. Consider defining "developed," "emerging," and "horizon" markets.	OSA	Limited Policy Change	16
	11. Considering authorizing investment in below investment-grade domestic government bonds. (The investment would count toward the 5% portfolio limit on below investment-grade bonds.)	OSA	?	12

	12. Discuss whether relief associations should be required to invest their special fund assets with the Minnesota State Board of Investment	VFRAs	Broad Policy Change	2
Municipal Ratification and Contribution Requirements (424A.092 and 424A.093)	13. Clarify and correct the municipal ratification, financial requirements, and "90% Rule" language.	OSA	Broad Policy Change	
	14. Consider providing authority for a city council to pass a single resolution that allows the relief association to set a benefit level, and change the benefit level, as long as the funding ratio remains above a specific percentage (e.g., 105%). This would provide some flexibility for relief associations to make small benefit level changes to respond to market fluctuations, without needing to get municipal ratification for each change.	VFRAs	Broad Policy Change	7
Service Credit (424A.015, subd. 6)	15. Consider requiring that minimum service requirements be approved by both the municipal governing board and the relief association's board of trustees.	VFRAs	Broad Policy Change	13
	16. Consider ways in which a relief association could allow for a bonus payment from the special fund for firefighters with at least 20 years of service, for example, as a way to retain firefighters. Ideas include authorizing a higher per-year-of-service benefit level for these years.	VFRAs	Broad Policy Change	6
Supplemental Benefits (424A.10)	17. Consider a change to make clear that supplemental benefit payments to alternate payees who receive a portion, or all, of the benefit pursuant to a QDRO are authorized and may be reimbursed by the State.	Working Group	Limited Policy Change	10



Exhibit C

Firefighter Definitions

Topic:

The Working Group previously reviewed definitions of “volunteer firefighter” that exist in statute for different purposes, and considered whether definitions of “volunteer,” “paid on-call,” “part time,” and “full-time/career” firefighters should be added to the relief association statutes. In addition, the Working Group discussed adding a definition of “combination fire department” to the relief association statutes.

The Working Group created the chart below to illustrate compensation, availability, and pension characteristics, with the intent that the information be used when drafting new firefighter definitions.

Firefighter	Compensation		Availability		Pension	
	Paid per Call or Hour	Salaried	Firefighter's Choice	Scheduled Hours	Relief Association or SVF Plan	PERA P&F or Coordinated
Volunteer			X		X	
Paid on-Call	X		X		X	
Part Time	X			X		X
Full-Time/Career	X	X		X		X

*Volunteer firefighters not paid per call, but may receive reimbursement for expenses.

The Working Group agreed on the following definition:

“A **combination fire department** is a fire department with at least one full-time or career firefighter and at least one volunteer or paid on-call firefighter.”

Considerations:

1. Does the Working Group still agree with the characteristics identified in the chart above, for purposes of drafting definitions?
2. Does the Working Group still agree with the above definition of “combination fire department?”
3. Is the desire to add definitions to Chapter 424A, which contains the relief association provisions? Or should the relief association statutes instead refer to existing firefighter definitions that apply to firefighter training and education?
4. Any others?

Volunteer firefighter definitions

Currently, volunteer firefighter is defined in the following statutory chapters:

- 299N – Firefighter training and education
- 353 – PERA General
- 353G – Statewide volunteer firefighter retirement plan
- 424A – Local volunteer firefighter relief associations

These definitions do not vary by much, but those differences may be important to their usage in each chapter. Some statutes not in these chapters specifically reference the definition in either 299N or 424A.

Undefined usage

Below is a categorization of sections that use the term “volunteer firefighter” without referencing a specific definition or volunteer firefighter or referencing a specific plan (and therefore, the plan’s definition):

Employment law

- 43A.32 – Volunteer firefighter agreements with state government employers
- 181.10 – General employment law payment of wages
- 268.047 and 268.085 – Unemployment insurance
- 412.15 – Statutory city housing aid authorization
- 420.20 – Prohibition of minors acting as firefighters (headnote only)
- 471.61 – Municipal law group benefits

Membership on boards

- 144E.01 – Emergency medical services regulatory board
- 299K.03 – Emergency response commission

Miscellaneous

- 169.58 – Emergency vehicle lights
- 465.90 – “Fill the boot” authorization
- 604A.01 – Good Samaritan law

Chapter 69

Of the chapters without a definition of volunteer firefighter, chapter 69 uses the term the most and in a variety of ways. In section 69.022, it specifically cross-references the definition in 299N. In other places, including 69.021, the reference to volunteer firefighter is derived from membership under sections 353G or 424A.

299N.03 DEFINITIONS.

Subdivision 1. **Scope.** The terms used in sections 299N.04 and 299N.05 have the meanings given them in this section.

Subd. 2. **Board.** "Board" means the Board of Firefighter Training and Education established under section 299N.02.

Subd. 3. **Chief firefighting officer.** "Chief firefighting officer" means the highest ranking employee or appointed official of a fire department, or the highest ranking employee or appointed official's designee for the purposes of this chapter.

Subd. 4. **Fire department.** "Fire department" has the meaning given it in section 299F.092, subdivision 6. For purposes of sections 299N.04 and 299N.05, fire department also includes a division of a state agency, regularly charged with the responsibility of providing fire protection to the state or a local government, to include a private, nonprofit fire department directly serving a local government, but does not include an industrial fire brigade.

Subd. 5. **Full-time firefighter.** A "full-time firefighter" means a person who is employed and charged with the prevention and suppression of fires within the boundaries of the state on a full-time, salaried basis and who is directly engaged in the hazards of firefighting or is in charge of a designated fire company or companies that are directly engaged in the hazards of firefighting. Full-time firefighter does not include a volunteer, part-time, or paid-on-call firefighter.

Subd. 6. **Licensed firefighter.** "Licensed firefighter" means a full-time firefighter, to include a fire department employee, member, supervisor, or appointed official, who is licensed by the board and charged with the prevention or suppression of fires within the boundaries of the state. Licensed firefighter may also include a volunteer firefighter.

Subd. 7. **Volunteer firefighter.** A "volunteer firefighter" means a person who is charged with the prevention or suppression of fires within the boundaries of the state on a volunteer, part-time, or paid-on-call basis. Volunteer firefighter does not include a full-time firefighter.

History: 2009 c 153 s 2; 2010 c 229 s 1; 2015 c 65 art 4 s 4-7

Insurance Act applicable to the member if the membership eligibility criteria are met under this chapter. A coordinated member also is a former basic member who has a complete and continuous separation for at least 30 days from employment as a public employee meeting the requirements specified in subdivision 28, paragraph (a), and who reenters public service as a public employee and meets the membership eligibility criteria under this chapter.

Subd. 33. **Basic member.** "Basic member" means a public employee, including a public hospital employee, who is not covered by any agreement or modification made between the state and the Secretary of Health and Human Services.

Subd. 34. [Repealed, 1982 c 404 s 10]

Subd. 35. **Volunteer ambulance service personnel.** "Volunteer ambulance service personnel," for purposes of this chapter, are basic and advanced life-support emergency medical service personnel employed by or providing services for any public ambulance service or privately operated ambulance service that receives an operating subsidy from a governmental entity.

Subd. 36. **Volunteer firefighter.** For purposes of this chapter, a person is considered a "volunteer firefighter" for all service for which the person receives credit in an association or fund operating under chapter 424A or credit in the retirement plan established under chapter 353G.

Subd. 37. **Normal retirement age.** (a) "Normal retirement age" means age 65 for a person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, clause (6), before July 1, 1989. For a person who first becomes a public employee after June 30, 1989, "normal retirement age" means the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as amended, but not to exceed age 66.

(b) "Normal retirement age" means age 55 for a person who is a member of a pension fund listed in section 356.30, subdivision 3, clauses (7) and (8).

Subd. 38. **Business year.** "Business year" means the first day of the first full pay period through the last day of the last full pay period of the 12-month fiscal year applicable to the respective governmental subdivision.

Subd. 39. [Repealed, 2002 c 392 art 3 s 9]

Subd. 40. [Repealed, 2010 c 359 art 5 s 28]

Subd. 41. **Duty disability.** "Duty disability," physical or psychological, means a condition that is expected to prevent a member, for a period of not less than 12 months, from performing the normal duties of the position held by a person who is a member of the public employees police and fire retirement plan, and that is the direct result of an injury incurred during, or a disease arising out of, the performance of inherently dangerous duties that are specific to the positions covered by the public employees police and fire retirement plan.

Subd. 42. **Less frequent duties.** "Less frequent duties" means tasks which are designated in the applicant's job description as either required from time to time or as assigned, but which are not carried out as part of the normal routine of the applicant's job.

Subd. 43. **Line of duty death.** "Line of duty death" means:

353G.01 DEFINITIONS.

Subdivision 1. **Scope.** For the purposes of this chapter, the words or terms defined in this section have the meanings given to them unless the context of the word or term clearly indicates otherwise.

Subd. 2. **Advisory board.** "Advisory board" means the board established by section 353G.03.

Subd. 3. **Board.** "Board" means the board of trustees of the Public Employees Retirement Association operating under section 353.03.

Subd. 4. **Commissioner of management and budget.** "Commissioner of management and budget" means the state official appointed and qualified under section 16A.01.

Subd. 5. **Executive director; director.** "Executive director" or "director" means the person appointed under section 353.03, subdivision 3a.

Subd. 6. **Fund.** "Fund" means the voluntary statewide volunteer firefighter retirement fund established under section 353G.02, subdivision 3.

Subd. 7. **Good time service credit.** "Good time service credit" means the length of service credit for an active firefighter that is reported by the applicable fire chief based on the minimum firefighter activity standards of the fire department. The credit may be reported on an annual or monthly basis.

Subd. 7a. **Lump-sum account.** "Lump-sum account" means that portion of the retirement fund that contains the assets applicable to the lump-sum retirement division.

Subd. 7b. **Lump-sum retirement division.** "Lump-sum retirement division" means the division of the plan governed by section 353G.11.

Subd. 8. **Member.** "Member" means a volunteer firefighter who provides active service to a municipal fire department or an independent nonprofit firefighting corporation where the applicable municipality or corporation has elected coverage by the retirement plan under section 353G.05, and which service is covered by the retirement plan.

Subd. 8a. **Monthly benefit account.** "Monthly benefit account" means that portion of the retirement fund that contains the assets applicable to the monthly benefit retirement division.

Subd. 8b. **Monthly benefit retirement division.** "Monthly benefit retirement division" means the division of the plan governed by section 353G.113.

Subd. 9. **Municipality.** "Municipality" means a governmental entity specified in section 69.011, subdivision 1, paragraph (b), clauses (1), (2), and (5), a city or township that has entered into a contract with an independent nonprofit firefighting corporation, or a city or township that has entered into a contract with a joint powers entity established under section 471.59.

Subd. 9a. **Relief association.** "Relief association" means a volunteer firefighter relief association established under chapter 424A to which records, assets, and liabilities related to lump-sum or monthly benefits for active and former firefighters will be transferred from the retirement fund upon satisfaction of the requirements of section 353G.17.

Subd. 10. **Plan.** "Plan" means the retirement plan established by this chapter.

Subd. 10a. **Retirement benefit plan document.** "Retirement benefit plan document," for an account in the monthly benefit retirement division, means the articles of incorporation and bylaws of the prior former

volunteer firefighter relief association in effect on the day before the date on which the retirement coverage transfer under section 353G.05 occurred or as provided in the most recent modification under section 353G.121.

Subd. 11. **Retirement fund.** "Retirement fund" means the voluntary statewide volunteer firefighter retirement fund established under section 353G.02, subdivision 3.

Subd. 12. **Retirement plan.** "Retirement plan" means the retirement plan, either the lump-sum retirement division or the monthly benefit retirement division, established by this chapter.

Subd. 13. **Standards for actuarial work.** "Standards for actuarial work" means the standards adopted by the Legislative Commission on Pensions and Retirement under section 3.85, subdivision 10.

Subd. 14. **State Board of Investment.** "State Board of Investment" means the board created by article XI, section 8, of the Minnesota Constitution and governed by chapter 11A.

Subd. 15. **Volunteer firefighter.** "Volunteer firefighter" means a person who is an active member of a municipal fire department or independent nonprofit firefighting corporation and who, in that capacity, engages in fire suppression activities, provides emergency response services, or delivers fire education or prevention services on an on-call basis.

History: 2009 c 101 art 2 s 109; 2009 c 169 art 9 s 10; 2015 c 68 art 8 s 2-10; 2018 c 211 art 16 s 4,5

424A.001 DEFINITIONS.

Subdivision 1. **Terms defined.** Unless the context clearly indicates otherwise, as used in this chapter, the terms defined in this section have the meanings given.

Subd. 1a. **Ancillary benefit.** "Ancillary benefit" means a benefit payable from the special fund of the relief association other than a service pension that is permitted by law and that is provided for in the relief association bylaws.

Subd. 1b. **Defined benefit relief association.** "Defined benefit relief association" means a volunteer firefighters relief association that provides a lump-sum service pension, provides a monthly benefit service pension, or provides a lump-sum service pension as an alternative to the monthly benefit service pension.

Subd. 1c. **Defined contribution relief association.** "Defined contribution relief association" means a volunteer firefighters relief association that provides a service pension based solely on an individual account balance rather than a specified annual lump-sum or monthly benefit service pension amount.

Subd. 2. **Fire department.** "Fire department" includes a municipal fire department, an independent nonprofit firefighting corporation, and a fire department established as or operated by a joint powers entity under section 471.59.

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

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.

Subd. 4. **Relief association.** (a) "Relief association" or "volunteer firefighters relief association" means a volunteer firefighters relief association or a volunteer firefighters division or account of a partially salaried and partially volunteer firefighters relief association that is:

(1) organized and incorporated as a nonprofit corporation to provide retirement benefits to volunteer firefighters under chapter 317A and any laws of the state;

(2) governed by this chapter and sections 424A.091 to 424A.095; and

(3) directly associated with:

(i) a fire department established by municipal ordinance;

(ii) an independent nonprofit firefighting corporation that is organized under the provisions of chapter 317A and that operates primarily for firefighting purposes; or

(iii) a fire department operated as or by a joint powers entity that operates primarily for firefighting purposes.

(b) "Relief association" or "volunteer firefighters relief association" does not mean:

(1) the Bloomington Fire Department Relief Association governed by Laws 2013, chapter 111, article 5, sections 31 to 42; Minnesota Statutes 2000, chapter 424; and Laws 1965, chapter 446, as amended; or

(2) the voluntary statewide lump-sum volunteer firefighter retirement plan governed by chapter 353G.

(c) A relief association or volunteer firefighters relief association is a governmental entity that receives and manages public money to provide retirement benefits for individuals providing the governmental services of firefighting and emergency first response.

Subd. 5. **Special fund.** "Special fund" means the special fund of a volunteer firefighters relief association or the account for volunteer firefighters within the special fund of a partially salaried and partially volunteer firefighters relief association.

Subd. 6. [Repealed, 2010 c 359 art 13 s 13]

Subd. 7. [Repealed, 2009 c 169 art 10 s 58]

Subd. 8. **Firefighting service.** "Firefighting service," if the applicable municipality approves for a fire department that is a municipal department, or if the applicable contracting municipality or municipalities approve for a fire department that is an independent nonprofit firefighting corporation, includes fire department service rendered by fire prevention personnel.

Subd. 9. **Separate from active service.** "Separate from active service" means that a firefighter permanently ceases to perform fire suppression duties with a particular volunteer fire department, permanently ceases to perform fire prevention duties, permanently ceases to supervise fire suppression duties, and permanently ceases to supervise fire prevention duties.

Subd. 10. **Volunteer firefighter.** "Volunteer firefighter" means a person who is a member of the applicable fire department or the independent nonprofit firefighting corporation and is eligible for membership in the applicable relief association and:

(i) is engaged in providing emergency response services or delivering fire education or prevention services as a member of a fire department;

(ii) is trained in or is qualified to provide fire suppression duties or to provide fire prevention duties under subdivision 8; and

(iii) meets any other minimum firefighter and service standards established by the fire department or specified in the articles of incorporation or bylaws of the relief association.

Subd. 11. **Fiscal year.** The fiscal year for a volunteer firefighter relief association begins on January 1 of each calendar year and ends on December 31 of the same calendar year.

Subd. 12. **Membership start date.** Membership in a volunteer firefighter 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.

History: 1983 c 219 s 4; 1986 c 359 s 18,19; 1Sp1986 c 3 art 2 s 40; 1989 c 304 s 137; 1989 c 319 art 8 s 26; 1996 c 438 art 8 s 1,2; 2000 c 461 art 15 s 4; 2006 c 271 art 13 s 2,7; 2008 c 349 art 14 s 6,7; 2009 c 169 art 10 s 8-19; 2012 c 286 art 12 s 9; 2013 c 111 art 5 s 77,80; art 6 s 4; 2015 c 68 art 9 s 3; art 13 s 63; 2018 c 211 art 14 s 2-5

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;

(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.

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.

Subd. 5. [Repealed, 2013 c 111 art 6 s 13]

History: 1988 c 719 art 19 s 22; 1989 c 319 art 10 s 7; 1993 c 307 art 9 s 1; 2006 c 271 art 13 s 5; 2007 c 134 art 10 s 1-3; 2008 c 154 art 15 s 9; 2009 c 169 art 9 s 29-31; art 10 s 46-50; 2013 c 111 art 6 s 10,11; 2014 c 296 art 12 s 17; 2018 c 211 art 14 s 23



Exhibit E

Requiring Investment Through the State Board of Investment

Topic:

During the fall of 2020, the Working Group was asked to consider whether it would support a change to require that relief association special fund assets be invested with the State Board of Investment. The 2020 Working Group did not support the proposal, and adopted the following position statement:

For the reason identified below, the Volunteer Fire Relief Association Working Group recommends that current law be supported, which allows relief associations the option of, but does not require, investing through the Minnesota State Board of Investment.

Local Control – The current statutes are permissive, and allow relief associations options on how and where to invest their pension funds. A relief association can choose to invest some or all of its pension assets through the State Board of Investment, but are not required to do so. There is strong support among relief association trustees to maintain these options. Currently, there is no evidence that having choice on how and where to invest relief association funds is problematic. Differences in investment performance among relief associations have not threatened the viability of the relief association pension funds, which overall are very well funded.

As of June 30, 2021, there were 165 relief associations, or about 31%, that invested some or all of their special fund assets with the State Board of Investment.

Does the Working Group still support this position?



Exhibit F

Investment Report Certification

Topic:

A provision in the 2022 Pension and Retirement Bill that was passed into law in May requires the Office of the State Auditor (OSA) to annually provide each relief association with an investment report. The "Investment Report Card" that the OSA provides annually to relief associations as an educational tool satisfies this new requirement.

The new law also requires that each relief association's board of trustees certify to the OSA as part of the relief association's annual financial reporting that the board has received and reviewed the Investment Report Card.

While working to incorporate the new certification into the 2022 financial reporting form (the FIRE Form), OSA staff noted that requiring the "relief association," rather than the "relief association's board of trustees," to certify would better accommodate the current signature process. The current FIRE Form signature process, which a relief association can complete online through our secure SAFES site or by submitting a paper signature page, requires the following individuals to sign a certification on the Form:

- 1) an officer of the board of trustees;
- 2) the municipal clerk or clerk-treasurer;
- 3) the CPA (if an attestation rather than audit is required); and
- 4) the secretary of the independent nonprofit firefighting corporation, if applicable.

The concern is that if the board of trustees must certify its receipt and review of the Investment Report Card, all nine trustees of the board may need to sign, rather than the four people identified above. An optional change is provided below that would allow the Investment Report Card certification to be incorporated into the current FIRE Form certification structure.

Optional Change:

424A.095 INVESTMENTS.

Subd. 2. **Investment report.** (a) Annually, the state auditor must provide an investment report to each relief association that has complied with the reporting



requirements under section 356.219, subdivisions 1 and 3. The investment report must contain the following information:

- (1) the relief association's average annual rates of return for at least the previous one-, three-, five-, ten-, 15-, and 20-year periods for which the state auditor has investment information;
 - (2) the relief association's asset allocation;
 - (3) the average annual one-year and ten-year benchmark rates of return;
 - (4) the average annual one-year and ten-year rates of return for the statewide volunteer firefighter plan;
 - (5) the one-year and ten-year average annual rates of return for the State Board of Investment supplemental investment fund; and
 - (6) a graphical comparison between:
 - (i) the relief association's average annual rates of return for the previous year and for the previous multiyear periods provided under clause (1); and
 - (ii) the average annual rates of return for the same periods for the supplemental investment fund's balanced fund or any successor fund.
- (b) The state auditor shall select the benchmark rates of return based on the best practice in the industry.
- (c) The relief association's ~~board of trustees~~ must certify to the state auditor that the board reviewed the investment report. The certification must accompany the audited financial statements or detailed financial statement under section 424A.014, subdivision 1 or 2, whichever applies. A copy of the report must be kept on file by the relief association and must be available for inspection by any member of the public.



Exhibit G

Audit Threshold

Topic:

In 1986, an audit threshold of \$200,000 for relief associations was set in statute. A relief association that exceeded \$200,000 in either special fund assets or liabilities was required to file with the Office of the State Auditor (OSA) audited financial statements. Relief associations with assets and liabilities both below the threshold were required to file a financial report with the OSA that had been certified by a CPA.

In 2013, the threshold was increased to \$500,000 in either special fund assets or liabilities.

The question the Working Group has been asked to consider is whether the \$500,000 threshold is still appropriate, or whether it should be changed. If the threshold was changed annually based on inflation, for example, it would be at \$605,843 for 2021.

Background:

Information is provided below that shows the number and percent of relief associations above and below the audit threshold for the current reporting year, and for the reporting years before and after the last threshold change. The percent of relief associations that filed their annual reporting forms with the OSA on time for both categories of relief associations is also provided.

The percentage of relief associations with the annual audit requirement decreased substantially after the threshold change. The percentage has been increasing each year, but is still 20 percent lower than the number with a required audit in 2012. Relief associations with the audit requirement are more likely to file their annual reporting forms on time, while those without the audit requirement have been filling later, on average, each year.

Reporting Year	Total Relief Associations	# With Audit	% With Audit	% Filed On Time	Average Days Late	# Without Audit	% Without Audit	% Filed On Time	Average Days Late
2012	684	487	71%	50%	50	197	29%	18%	99
2014	643	223	35%	53%	48	420	65%	27%	105
2021	527	301	57%	44%	55*	226	43%	27%	117*

*There are 17 relief associations with the audit requirement and 55 without the requirement that have not yet filed their 2021 reports.

Relief associations with the audit requirement have a reporting deadline of June 30, while those without the audit requirement have a reporting deadline of March 31.

For comparison purposes, audit requirements for Minnesota cities and towns is summarized below.

Cities - A city with a population over 2,500 must have an annual audit performed.

Cities with Combined Clerk/Treasurers - A city with a population of 2,500 or less and a combined clerk/treasurer must have an annual audit for 2021 if its annual revenue is more than \$245,000. A city with a combined clerk/treasurer and annual revenue of \$245,000 or less must have an Agreed-Upon Procedures engagement once every five years.

Towns - A town with a population over 2,500 and 2021 annual revenue of \$1,092,000 or more must have an annual audit.

Towns with Combined Clerk/Treasurers - A town with a combined clerk/treasurer must have an annual audit for 2021 if its annual revenue was more than \$245,000. A town with a combined clerk/treasurer and annual revenue of \$245,000 or less must have an Agreed-Upon Procedures engagement once every five years.

Options:

1. Make no change.
2. Increase the threshold on a going-forward basis so that the \$500,000 amount is adjusted each year, based on inflation.
3. Increase the threshold to the current inflation-adjusted value, with adjustments for inflation made each year going forward.
4. Make a change so that audits are required if certain risk factors exist (e.g., fundraising activities, non-SBI expanded list investments, etc.) rather than if an assets/liability threshold is met.
5. Others?