



Working Group

Meeting Agenda: November 30, 2021

- I. Call to Order**
Chair Auditor Blaha.
- II. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft November 16, 2021 Meeting Minutes
- III. Maximum Benefit Levels**
Exhibits B and C.
 - Maximum Benefit Levels (B)
 - Draft Change (C)
- IV. Fire Chief Service Credit Certification**
Exhibit D.
- V. Benefit Levels for EMS-Only Members**
Exhibit E.
- VI. Other Business**
- VII. Next Meeting**
Tuesday, December 14, 2021
11 a.m. to 12:30 p.m.
Virtually via Zoom
- 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 November 28, 2021.



Exhibit A

11-16-21 Approved Minutes

Members Present

Julie Blaha, State Auditor

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

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

Sue Iverson, City of Red Wing Finance & Accounting Manager

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

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

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

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

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

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

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

Members Excused

Steve Donney, City of Harmony Mayor

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

Office of the State Auditor and Legislative Support Present

Ramona Advani, Deputy State Auditor and General Counsel

Chad Burkitt, Legislative Commission on Pension and Retirement Analyst

Rose Hennessy Allen, Office of the State Auditor Pension Director

Susan Lenczewski, Legislative Commission on Pension and Retirement Executive Director

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. Auditor Blaha also shared that feedback has been requested from the Working Group on the timing of audits and reporting deadlines this year. There were no objections to adding this discussion item to the agenda, and no objections to accepting the agenda as amended.

II. Review and Approval of Working Group Meeting Minutes

The members reviewed the November 3, 2021, meeting minutes that had been provided in advance. The minutes were accepted with no objections.

III. Supplemental Benefits for Firefighters who Receive Multiple Distributions

The members reviewed language approved by the prior two Working Groups that would make it clear a supplemental benefit is payable with each authorized lump sum distribution, and the benefits are reimbursable by the State. Auditor Blaha shared that at this time, we are not hearing that the provision should move on its own, but we will be ready to put the provision in a stand-alone bill if requested by the Chair of the Legislative Commission on Pensions and Retirement (LCPR). The Working Group members unanimously adopted the language.

IV. Audit Threshold

The Working Group members considered the \$500,000 audit threshold for relief associations and whether the threshold level is still appropriate. Hennessy Allen said that the first general audit threshold for relief associations was \$200,000, set in 1986. The \$200,000 threshold remained in place until 2013, when it was increased to the current \$500,000 level. The Working Group members reviewed audit threshold information for cities and towns in Minnesota, and data on the number and percent of relief associations with the audit requirement before and after the 2013 change. Data was presented that showed relief associations without the audit requirement have been filing required reporting forms later, on average, each year, which can result in a delay in their receipt of fire state aid.

Members discussed the importance of an annual audit and the safety net it provides to relief association trustees. The members also wanted to avoid making reporting more complicated by having a threshold amount that changes from year to year, so seemed to prefer a set threshold level.

The Working Group members agreed that no change to the current \$500,000 should be made at this time, but agreed to revisit the topic every few years to make sure the threshold is still appropriate.

The Working Group members then discussed the timeliness of audits this year. Auditor Blaha explained that there is a lot of stress on the audit profession right now, and federal relief funds have resulted in the need for additional audits. The requirement that fire state aid be forfeited for relief associations that fail to file with the Office of the State Auditor (OSA) by November 30 was discussed, and various reasons for reporting delays.

V. Maximum Benefit Levels

Additional information that was requested by the Working Group members on this topic was shared. During the last meeting, it seemed that the Working Group was leaning toward a change that would permit relief associations to increase their benefit levels, so long as the funding ratio after the benefit level change remained at or above 110 percent. The Working Group wanted to provide an exception for relief associations with funding ratios below that threshold to increase their benefits, so long as the municipality ratified the benefit level change.

Hennessy Allen shared some questions that would need to be considered in order for language to be drafted to implement this change. She also shared that staff had questioned whether the funding ratio test was needed. If the Working Group wanted to allow any relief association, regardless of its funding ratio, to increase the benefit level if the municipality ratified the change, then why would the additional funding ratio test be needed? Authority already exists in statute for relief associations to increase their benefit levels without municipal ratification if certain conditions are met, so a mechanism exists for the few relief associations that are unable to obtain ratification to increase their benefit levels, within strict limitations. The statewide \$15,000 lump sum and \$100 monthly maximums would remain.

It was agreed that language implementing this change would be shared at the next meeting. Opposition to the ability that relief associations currently have to increase benefit levels without municipal ratification was noted.

VI. Distributions to Former Spouses

The Working Group members briefly considered the topic of allowing distributions to former spouses following a divorce, even if the relief association member had not yet separated or been paid a service pension. Lenczewski shared that she is researching this topic and believes it is possible to make this change, and that it could be done for both defined contribution and defined benefit plans. She is looking into the tax treatment and rollover options for the member and former spouse. When Lenczewski is finished she will send over a memo on this topic for the Working Group to consider.

VII. Other Business

Auditor Blaha shared that the OSA will convene a Supplemental State Aid Work Group to discuss and consider changes to how supplemental state aid is allocated. The Work Group is a temporary group that was established by a provision in the 2021 Pension and Retirement Bill, and is required to submit a report to the LCPR by December 31, 2022. Auditor Blaha said that anyone who would like to be added to the email list to receive meeting notices and materials for the Work Group should let the OSA know.

VIII. Next Meeting

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

IX. Adjournment

The meeting was adjourned at 12:22 p.m.



Exhibit B

Maximum Benefit Levels

Topic:

The Working Group is considering a change that would allow relief associations with a defined benefit plan to increase their benefit levels so long as the lump sum level does not exceed \$15,000 and the monthly level does not exceed \$100.

Municipal ratification, or ratification by the independent nonprofit firefighting corporation, if applicable, is required for a benefit level increase unless the relief association meets the limited conditions provided in current law for a benefit change without ratification.

The proposed change allows relief associations and municipalities to evaluate whether to make a benefit level change by considering funded status, contribution requirements, recruitment and retention needs, and any other local factors, without being limited by the flexible service pension maximums that can change annually.

Current Statute:

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

Subd. 2a. **Average amount of available financing.** (a) Annually on or before August 1 as part of the certification of the financial requirements and minimum municipal obligation determined under section 424A.092, subdivision 4, or 424A.093, subdivision 5, as applicable, the secretary or some other official of the relief association designated in the bylaws of each defined benefit relief association shall calculate and certify to the governing body of the applicable municipality the average amount of available financing per active covered firefighter for the most recent three-year period.

The amount of available financing includes any amounts of fire state aid and police and firefighter retirement supplemental state aid received or receivable by the relief association, any amounts of municipal contributions to the relief association raised from levies on real estate or from other available revenue sources exclusive of fire state aid, and one-tenth of the amount of assets in excess of the accrued liabilities of the relief association calculated under section 424A.092, subdivision 2; 424A.093, subdivisions 2 and 4; or 424A.094, subdivision 2, if any.

(b) The maximum service pension which the defined benefit relief association has authority to provide for in its bylaws for payment to a member retiring after the calculation date when the minimum age and service requirements specified in subdivision 1 are met must be determined using the table in subdivision 2b or 2c, whichever applies.

Subd. 2b. **Maximum monthly amount.** For a defined benefit relief association where the governing bylaws provide for a monthly service pension to a retiring member, the maximum monthly service pension amount per month for each year of service credited that



may be provided for in the bylaws is the greater of the service pension amount provided for in the bylaws on the date of the calculation of the average amount of the available financing per active covered firefighter or the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter:

Minimum Average Amount of Available Financing per Firefighter	Maximum Service Pension Amount Payable per Month for Each Year of Service
\$...	\$.25
41	.50
81	1.00
122	1.50
162	2.00
203	2.50
243	3.00
284	3.50
324	4.00
365	4.50
405	5.00
486	6.00
567	7.00
648	8.00
729	9.00
810	10.00
891	11.00
972	12.00
1053	13.00
1134	14.00
1215	15.00
1296	16.00
1377	17.00
1458	18.00
1539	19.00
1620	20.00
1701	21.00
1782	22.00
1823	22.50
1863	23.00
1944	24.00
2025	25.00
2106	26.00
2187	27.00
2268	28.00
2349	29.00



2430	30.00
2511	31.00
2592	32.00
2673	33.00
2754	34.00
2834	35.00
2916	36.00
2997	37.00
3078	38.00
3159	39.00
3240	40.00
3321	41.00
3402	42.00
3483	43.00
3564	44.00
3645	45.00
3726	46.00
3807	47.00
3888	48.00
3969	49.00
4050	50.00
4131	51.00
4212	52.00
4293	53.00
4374	54.00
4455	55.00
4536	56.00
4617	57.00
4698	58.00
4779	59.00
4860	60.00
4941	61.00
5022	62.00
5103	63.00
5184	64.00
5265	65.00
5346	66.00
5427	67.00
5508	68.00
5589	69.00
5670	70.00
5751	71.00
5832	72.00



5913	73.00
5994	74.00
6075	75.00
6156	76.00
6237	77.00
6318	78.00
6399	79.00
6480	80.00
6561	81.00
6642	82.00
6723	83.00
6804	84.00
6885	85.00
6966	86.00
7047	87.00
7128	88.00
7209	89.00
7290	90.00
7371	91.00
7452	92.00
7533	93.00
7614	94.00
7695	95.00
7776	96.00
7857	97.00
7938	98.00
8019	99.00
8100	100.00
any amount in excess of	
8100	100.00

Subd. 2c. **Maximum lump-sum amount.** For a defined benefit relief association in which the governing bylaws provide for a lump-sum service pension to a retiring member, the maximum lump-sum service pension amount for each year of service credited that may be provided for in the bylaws is the greater of the service pension amount provided for in the bylaws on the date of the calculation of the average amount of the available financing per active covered firefighter or the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter for the applicable specified period:

Minimum Average Amount of Available Financing per Firefighter	Maximum Lump-Sum Service Pension Amount Payable for Each Year of Service
\$...	\$ 10
11	20



16	30
23	40
27	50
32	60
43	80
54	100
65	120
77	140
86	160
97	180
108	200
131	240
151	280
173	320
194	360
216	400
239	440
259	480
281	520
302	560
324	600
347	640
367	680
389	720
410	760
432	800
486	900
540	1000
594	1100
648	1200
702	1300
756	1400
810	1500
864	1600
918	1700
972	1800
1026	1900
1080	2000
1134	2100
1188	2200
1242	2300
1296	2400
1350	2500



1404	2600
1458	2700
1512	2800
1566	2900
1620	3000
1672	3100
1726	3200
1753	3250
1780	3300
1820	3375
1834	3400
1888	3500
1942	3600
1996	3700
2023	3750
2050	3800
2104	3900
2158	4000
2212	4100
2265	4200
2319	4300
2373	4400
2427	4500
2481	4600
2535	4700
2589	4800
2643	4900
2697	5000
2751	5100
2805	5200
2859	5300
2913	5400
2967	5500
3021	5600
3075	5700
3129	5800
3183	5900
3237	6000
3291	6100
3345	6200
3399	6300
3453	6400
3507	6500



3561	6600
3615	6700
3669	6800
3723	6900
3777	7000
3831	7100
3885	7200
3939	7300
3993	7400
4047	7500
4101	7600
4155	7700
4209	7800
4263	7900
4317	8000
4371	8100
4425	8200
4479	8300
4533	8400
4587	8500
4641	8600
4695	8700
4749	8800
4803	8900
4857	9000
4911	9100
4965	9200
5019	9300
5073	9400
5127	9500
5181	9600
5235	9700
5289	9800
5343	9900
5397	10,000
5451	10,100
5505	10,200
5559	10,300
5613	10,400
5667	10,500
5721	10,600
5775	10,700
5829	10,800



5883	10,900
5937	11,000
5991	11,100
6045	11,200
6099	11,300
6153	11,400
6207	11,500
6261	11,600
6315	11,700
6369	11,800
6423	11,900
6477	12,000
6531	12,100
6585	12,200
6639	12,300
6693	12,400
6747	12,500
6801	12,600
6855	12,700
6909	12,800
6963	12,900
7017	13,000
7071	13,100
7125	13,200
7179	13,300
7233	13,400
7287	13,500
7341	13,600
7395	13,700
7449	13,800
7503	13,900
7557	14,000
7611	14,100
7665	14,200
7719	14,300
7773	14,400
7827	14,500
7881	14,600
7935	14,700
7989	14,800
8043	14,900
8097	15,000

any amount in excess of

Subd. 3. **Determining maximum pension benefit.** (a) For a defined benefit relief association in which the governing bylaws provide for a monthly benefit service pension as an alternative form of service pension payment to a lump-sum service pension, the maximum service pension amount for each pension payment type must be determined using the applicable table contained in subdivision 2b or 2c.

(b) If a defined benefit relief association establishes a service pension in compliance with the applicable maximum contained in subdivision 2b or 2c and the minimum average amount of available financing per active covered firefighter is subsequently reduced because of a reduction in fire state aid or because of an increase in the number of active firefighters, the relief association may continue to provide the prior service pension amount specified in its bylaws, but may not increase the service pension amount until the minimum average amount of available financing per firefighter under the table in subdivision 2b or 2c, whichever applies, permits.

(c) No defined benefit relief association is authorized to provide a service pension in an amount greater than the largest applicable flexible service pension maximum amount even if the amount of available financing per firefighter is greater than the financing amount associated with the largest applicable flexible service pension maximum.

(d) 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, unless the bylaws of the relief association provide that service credit is not given for:

- (1) years of active service in excess of caps on service credit; or
- (2) years of active service earned by a former member who:

(i) has ceased duties as a volunteer firefighter with the fire department before becoming vested under subdivision 2; and

(ii) 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.

Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a) If a defined benefit relief association pays a service pension greater than the maximum service pension associated with the applicable average amount of available financing per active covered firefighter under the table in subdivision 2b or 2c, whichever applies, the maximum service pension under subdivision 3, paragraph (b), or the applicable maximum service pension amount specified in subdivision 3, paragraph (c), whichever is less, the state auditor shall:

(1) disqualify the municipality or the independent nonprofit firefighting corporation associated with the relief association from receiving fire state aid by making the appropriate notification to the municipality and the commissioner of revenue, with the disqualification applicable for the next apportionment and payment of fire state aid; and

(2) order the treasurer of the applicable relief association to recover the amount of the overpaid service pension or pensions from any retired firefighter who received an overpayment.

(b) Fire state aid amounts from disqualified municipalities for the period of disqualifications under paragraph (a), clause (1), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(c) The amount of any overpaid service pension recovered under paragraph (a), clause (2), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(d) The determination of the state auditor that a relief association has paid a service pension greater than the applicable maximum must be made on the basis of the information



filed by the relief association and the municipality with the state auditor under this chapter and any other relevant information that comes to the attention of the state auditor. The determination of the state auditor is final. An aggrieved municipality, relief association, or person may appeal the determination under section 480A.06.

(e) The state auditor may certify, upon learning that a relief association overpaid a service pension based on an error in the maximum service pension calculation, the municipality or independent nonprofit firefighting corporation associated with the relief association for fire state aid if (1) there is evidence that the error occurred in good faith, and (2) the relief association has initiated recovery of any overpayment amount. Notwithstanding paragraph (c), all overpayments recovered under this paragraph must be credited to the relief association's special fund.



Exhibit C

Maximum Benefit Levels – Draft Change

Subd. 3. **Determining maximum pension benefit.** (a) The maximum service pension which the defined benefit relief association has authority to provide for in its bylaws for payment to a member retiring after the calculation date when the minimum age and service requirements specified in subdivision 1 are met are as follows:

(i) For a defined benefit relief association where the governing bylaws provide for a monthly service pension to a retiring member, the maximum monthly service pension amount per month for each year of service credited that may be provided for in the bylaws is \$100; and

(ii) For a defined benefit relief association in which the governing bylaws provide for a lump-sum service pension to a retiring member, the maximum lump-sum service pension amount for each year of service credited that may be provided for in the bylaws is \$15,000.

(b) 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, unless the bylaws of the relief association provide that service credit is not given for:

(1) years of active service in excess of caps on service credit; or

(2) years of active service earned by a former member who:

(i) has ceased duties as a volunteer firefighter with the fire department before becoming vested under subdivision 2; and

(ii) 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.

Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a) If a defined benefit relief association pays a service pension greater than the maximum service pension, the state auditor shall:

(1) disqualify the municipality or the independent nonprofit firefighting corporation associated with the relief association from receiving fire state aid by making the appropriate notification to the municipality and the commissioner of revenue, with the disqualification applicable for the next apportionment and payment of fire state aid; and

(2) order the treasurer of the applicable relief association to recover the amount of the overpaid service pension or pensions from any retired firefighter who received an overpayment.

(b) Fire state aid amounts from disqualified municipalities for the period of disqualifications under paragraph (a), clause (1), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(c) The amount of any overpaid service pension recovered under paragraph (a), clause (2), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(d) The determination of the state auditor that a relief association has paid a service pension greater than the applicable maximum must be made on the basis of the information filed by the relief association and the municipality with the state auditor under this chapter and any other relevant information that comes to the attention of the state auditor. The determination of the state auditor is final. An aggrieved municipality, relief association, or person may appeal the determination under section 480A.06.

(e) The state auditor may certify, upon learning that a relief association overpaid a service pension based on an error in the maximum service pension calculation, the municipality or independent nonprofit firefighting corporation associated with the relief association for fire state aid if (1) there is evidence that the error occurred in good faith, and (2) the relief association has initiated recovery of any



overpayment amount. Notwithstanding paragraph (c), all overpayments recovered under this paragraph must be credited to the relief association's special fund.



Exhibit D

Fire Chief Service Credit Certification

Topic:

A provision in the 2018 Working Group bill that went into effect on January 1, 2019, requires the fire chief to annually, by March 31, certify service credit information for each active volunteer firefighter to an officer of the relief association and to the municipal clerk or clerk-treasurer of the largest municipality in population served by the associated fire department.

Fire departments are responsible for establishing the minimum service requirements to earn service credit, calculating the service credit for each firefighter, and determining whether each firefighter is in good standing. Administratively, relief association trustees rely on this information when determining eligibility for pension credit and to correctly award service credit for pension purposes.

The fire chief must also provide to each active volunteer firefighter notification of the amount of service credit rendered by the firefighter for the previous calendar year. The service credit notification must be provided to the firefighter 21 days prior to its certification to the relief association and municipality, along with a description of the process and deadlines for the firefighter to challenge the fire chief's determination. The annual notification to each firefighter is intended to help resolve service credit disputes in a timely manner, rather than when the firefighter requests the service pension distribution.

Some relief associations have asked the Working Group to consider whether it is appropriate for members to lose the accrual of service credit if they fail to meet minimum requirements established by the fire chief. Specifically, the question is whether the fire chief should have the ability to both define the service credit requirements and to determine compliance with the requirements.

Statute:

424A.003 CERTIFICATION OF SERVICE CREDIT.

(a) When a municipal fire department, a joint powers fire department, or an independent nonprofit firefighting corporation is directly associated with the volunteer firefighters relief association, the fire chief shall certify annually by March 31 the service credit for the previous calendar year of each volunteer firefighter rendering active service with the fire department.

(b) The certification shall be made to an officer of the relief association's board of trustees and to the municipal clerk or clerk-treasurer of the largest municipality in population served by the associated fire department.

(c) The fire chief shall notify each volunteer firefighter rendering active service with the fire department of the amount of service credit rendered by the firefighter for the previous calendar year. The service credit notification and a description of the process and deadlines for the firefighter to challenge the fire chief's determination of service credit must be provided to the firefighter at least 21 days prior to its certification to the relief association and municipality. If the service credit amount is challenged, the fire chief shall accept and consider any additional pertinent information and shall make a final determination of service credit.

(d) The service credit certification must be expressed as the number of completed months of the previous year during which an active volunteer firefighter rendered at least the minimum level of duties as specified and required by the fire department under the rules, regulations, and policies applicable to the fire department. No more than one year of service credit may be certified for a calendar year.

(e) If a volunteer firefighter who is a member of the relief association leaves active firefighting service to render active military service that is required to be governed by the federal Uniformed Services Employment and Reemployment Rights Act, as amended, the firefighter must be certified as providing service credit for the period of the military service, up to the applicable limit of the federal Uniformed Services Employment and Reemployment Rights Act. If the volunteer firefighter does not return from the military service in compliance with the federal Uniformed Services Employment and Reemployment Rights Act, the service credits applicable to that military service credit period are forfeited and canceled at the end of the calendar year in which the time limit set by federal law occurs.

History: 2018 c 211 art 14 s 7; 2020 c 108 art 16 s 1



Exhibit E

Benefit Levels for EMS-Only Members

Topic:

A provision in the 2018 Working Group bill that went into effect on January 1, 2019, allows volunteer emergency medical personnel to become members of a relief association and to be eligible for service pensions from the relief association on the same basis as volunteer firefighters. In order for volunteer emergency medical personnel to be permitted as members, a relief association must amend its bylaws to authorize the membership eligibility, and the municipality must approve the change.

Some relief associations have asked the Working Group to consider a change that would allow relief associations to set in their bylaws a different benefit level for members who solely supervise or perform emergency medical response duties. The relief associations that requested the change have said the training and response requirements in their communities for individuals who solely perform emergency medical duties are less than the requirements for individuals who perform both firefighting and medical duties, so they feel a different benefit level is warranted. These relief associations have suggested that permitting different benefit levels may incentivize relief associations to add volunteer emergency medical personnel to their membership.

Statute:

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

Subd. 5a. Volunteer emergency medical personnel. Volunteer emergency medical personnel are eligible to be members of the applicable volunteer firefighters relief association and to qualify for service pension or other benefit coverage of the relief association on the same basis as fire department personnel who perform or supervise fire suppression or fire prevention duties if:

- (1) the fire department employs or otherwise uses the services of persons solely as volunteer emergency medical personnel to perform emergency medical response duties or supervise emergency medical response activities;
- (2) the bylaws of the relief association authorize the eligibility; and
- (3) the eligibility is approved by:
 - (i) the municipality, if the fire department is a municipal department;
 - (ii) the joint powers board, if the fire department is a joint powers entity; or
 - (iii) the contracting municipality or municipalities, if the fire department is an independent nonprofit firefighting corporation.