



Working Group

Meeting Agenda: October 19, 2022

- I. Call to Order**
Chair Auditor Blaha.
- II. Introductions**
- III. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft December 14, 2021 Meeting Minutes
- IV. Working Group Process Discussion**
Exhibits B through E.
 - Working Group Meeting Schedule (B)
 - Working Group Purpose Statement (C)
 - Working Group Process (D)
 - Working Group Membership List (E)
- V. Update on 2022 Relief Association Legislation**
Exhibit F.
- VI. Discussion of Working Group Topic Suggestions**
Exhibit G.
- VII. Other Business**
Exhibits H and I.
 - Municipal Contribution and Financial Requirements (H)
 - Benefit Level Change Flow Chart (I)
- VIII. Next Meeting**
Thursday, November 10, 2022
2:00 p.m. to 3:30 p.m.
In-Person/Virtual Hybrid Format
- IX. Adjournment**

Individuals with disabilities who need a reasonable accommodation to participate in this event, please contact Rose Hennessy Allen at (651) 296-5985 or (800) 627-3529 (TTY) by October 17, 2022.



Exhibit A

12-14-21 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)

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

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

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

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

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

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

Sue Iverson, City of Red Wing Finance & Accounting Manager

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

Office of the State Auditor and Legislative Support Present

Ramona Advani, Deputy State Auditor and General Counsel

Chad Burkitt, Legislative Commission on Pension and Retirement Analyst

Rose Hennessy Allen, Office of the State Auditor Pension Director

Susan Lenczewski, Legislative Commission on Pension and Retirement Executive Director

I. Call to Order

Auditor Blaha called the meeting to order. She explained that the meeting was being recorded and streamed to the Office of the State Auditor (OSA) YouTube channel. The meeting agenda was accepted with no changes.

Auditor Blaha provided an update on the insurance topic that was raised by members of the Bemidji Fire Relief Association. She explained that Lenczewski has spent time researching the topic and has identified federal regulations that apply. There was not time to draft a memo describing the regulations for today's Working Group meeting, but it looks like allowing a relief association's special fund to pay for cancer or other health benefits would be problematic. There was a request that the topic be reconsidered by next year's Working Group, with the hope that a final determination could be made on whether the special fund could pay for insurance premiums.

II. Review and Approval of Working Group Meeting Minutes

Members reviewed the November 30, 2021, meeting minutes that had been provided in advance. The meeting minutes were accepted with no changes.

III. Review of Legislative Proposals

- Supplemental Benefits (B)

This proposal that permits a supplemental benefit to be paid with each distribution from a relief association, subject to a separate \$1,000 maximum, when a firefighter receives more than one distribution from the same relief association had been previously approved by the Working Group. There were no objections with including the proposal in the Working Group bill.

- Maximum Benefit Levels (C)

Hennessy Allen described changes made to this proposal since the last meeting. The proposal eliminates the requirement that each relief association with a defined benefit plan annually determine its maximum allowable benefit level. The proposal strikes the flexible service pension maximums, and leaves the single \$15,000 maximum for lump sum benefits and the \$100 maximum for monthly benefits. She explained that Exhibit C reflects changes intended to make it clear that benefit levels cannot be set above the maximum, even if the affiliated municipality were to ratify the benefit level.

Burkitt offered two suggested changes that were technical in nature. The Working Group members adopted unanimously the draft language, as amended, and gave approval for OSA and Legislative Commission on Pensions and Retirement (LCPR) staff to continue working on technical fixes that don't change the meaning of the proposal.

- Distributions to Alternate Payees (D)

Auditor Blaha thanked Lenczewski for researching this topic and putting together the analysis in Exhibit D. Lenczewski walked through the document and explained the changes that could be drafted to authorize a relief association to make distributions to alternate payees as early as immediately after the domestic relations order is accepted by the relief association. There was no objection to drafting language to implement the changes, as discussed, and to circulate the draft language to Working Group members by email for review.

IV. Fire Chief Service Credit Certification

Auditor Blaha said there was excellent discussion on this topic during the last meeting. During the meeting, it seemed that Working Group members were possibly interested in changing the service credit certification appeal process so that the relief association would be included in the process. OSA staff spent time considering changes to the appeal process and identified a few concerns. Advani shared the OSA's reasoning for the approach presented in Exhibit E, which would require a fire chief to provide, at a firefighter's request, a written explanation and documentation to support the assessment of active service credit. Working Group members liked the additional transparency provided through the proposal, and adopted the draft language unanimously.

V. Benefit Levels for EMS-Only Members

Auditor Blaha shared that OSA staff did not hear back from anyone who wanted to speak to the Working Group on this topic. It was agreed to discontinue discussion on the topic, but to revisit it if there is interest in doing so in the future.

VI. Other Business

The group discussed the topic suggestion of allowing a relief association's special fund to pay bonus payments to firefighters, as a way to reduce a relief association's surplus. Concerns were raised about allowing retirement plan money to be used for something other than a



firefighter's retirement, and possible conflicts with federal law. No action was taken on the topic.

Auditor Blaha thanked the OSA and LCPR staff, and thanked the Working Group members. She said Working Group members would be kept updated on the progress of the proposals and notified when the Working Group bill is scheduled to be heard by the LCPR.

VII. Adjournment

The meeting was adjourned at 12:28.



Exhibit B

Working Group Meeting Schedule

Wednesday, October 19, 2022
from 2:00 pm to 3:30 pm

Thursday, November 10, 2022
from 2:00 pm to 3:30 pm

Wednesday, December 7, 2022
from 2:00 pm to 3:30 pm

Wednesday, December 14, 2022
from 11:00 am to 12:30 pm

Additional meetings in early 2023 may be scheduled

State Auditor Julie Blaha, Chair
In-Person/Virtual Hybrid Format



Exhibit C

Working Group Purpose Statement

To identify and work through current and pressing relief association issues while maintaining effective and efficient Office of the State Auditor oversight.

We will do this by bringing together the major volunteer fire relief association stakeholders to develop relationships, facilitate communication, discuss relief association issues and make the Pension Process easier and more effective.

The ultimate goal is to help volunteer fire relief association plans be successful.



Exhibit D

Working Group Process

- Identify and discuss topics and make recommendations to clarify state laws,*
- Forward suggested statutory changes to the Legislative Commission on Pensions and Retirement, and
- Identify ways to simplify reporting forms, identify training needs and other issues.

* Unanimous consent is required for all proposals to move forward, although proposals may be revisited and reconsidered.



Exhibit E

Working Group Membership List

- 1. Municipal Official**
Steve Donney, Mayor
City of Harmony
PO Box 488
Harmony, MN 55939
(507) 951-4320
stdonney2002@yahoo.com
- 2. Municipal Official**
Sue Iverson, Finance & Accounting
Manager
City of Red Wing
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Red Wing, MN 55066
(651) 385-3613
sue.iverson@ci.red-wing.mn.us
- 3. Defined Benefit Monthly/Lump Sum
Combination Plans**
Thomas Wilson, Secretary
Eden Prairie Fire Relief Association
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Eden Prairie, MN 55344
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tomwilson52@hotmail.com
- 4. Defined Benefit Lump Sum Plans**
Karl Mork, Treasurer
Bemidji Fire Relief Association
318 5th Street NW
Bemidji, MN 56601
(218) 556-0574
karl.mork@bgcbemidji.org
- 5. Defined Benefit Lump Sum Plans**
Darrell Pettis, Treasurer
St. Peter Fire Relief Association
227 W. Mulberry Street
St. Peter, MN 56082
(507) 934-5077
dbpettis@hickorytech.net
- 6. Minnesota State Fire Department
Association**
Ron Johnson, Member
Maple Grove Fire Relief Association
P.O. Box 1174
Maple Grove, MN 55311
(612) 245-0012
ron@johnsonmn.com
- 7. Defined Contribution Plans**
Aaron Johnston, Treasurer
Coon Rapids Fire Relief Association
2831 – 113th Avenue NW
Coon Rapids, MN 55433
(763) 767-6477
ajohnston@coonrapidsmn.gov
- 8. Defined Contribution Plans**
Michael Walstien, Member
Plymouth Fire Relief Association
3400 Plymouth Boulevard
Plymouth, MN 55447
(612) 599-4982
walstien@gmail.com



9. Minnesota State Fire Chiefs Association

Eric Bullen, Chief, Director of
Emergency Management, Fire Marshal
Albertville Fire Department
P.O. Box 9
Albertville, MN 55301
(763) 497-3384 ext. 107
ebullen@ci.albertville.mn.us

*Office of the State Auditor and
Legislative Support*

**Legislative Commission on Pensions
& Retirement**

Susan Lenczewski, Executive Director
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susan.lenczewski@lcpr.leg.mn

10. Defined Benefit Lump Sum Plans

Kevin Wall, President
Lower Saint Croix Valley Fire Relief
Association
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**Legislative Commission on Pensions
& Retirement**

Chad Burkitt, Analyst
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11. Defined Contribution Plans

Dan Johnson, Treasurer
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Office of the State Auditor

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12. Defined Benefit Lump Sum Plans

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13. State Auditor Julie Blaha

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Exhibit F

2022 Relief Association Legislation

Working Group Proposals:

- Article 4 Eliminates the requirement that relief associations annually determine their maximum allowable benefit levels. Instead, relief associations are all held to the same maximum allowable benefit levels, which are \$15,000 for lump sum benefits or \$100 for monthly benefits.
- Permits relief associations to pay a pension benefit to an “alternate payee” under a qualified domestic relations order and defines these terms.
- Allows relief associations to amend their bylaws to pay the benefit to an alternate payee immediately, rather than waiting until the firefighter reaches age 50, and for an alternate payee to choose a lump sum benefit rather than a monthly benefit.
- Permits a supplemental benefit to be paid for each distribution from a relief association, subject to a separate \$1,000 maximum, when a firefighter receives more than one distribution from the same relief association. Also authorizes the Department of Revenue to reimburse relief associations for these benefits.
- Requires a fire chief to provide a written explanation and documentation of service credit amounts when a firefighter appeals his or her certified amount of service credit.

Other Proposals:

- Article 4 Requires the Office of the State Auditor (OSA) to provide an investment report to each relief association comparing the relief association’s investment performance to the performance of the State Board of Investment’s Balance Fund. The investment report must be reviewed and certified as having been reviewed by the relief association’s board of trustees when the relief association files its annual financial statements with the OSA.

Volunteer Fire Relief Association Working Group

2022/2023 Potential Topic Requests

Topic	Description	Source	Type
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
Defined Contribution Plans (424A.016, subd. 4)	2. 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
Definitions (424A.001)	3. 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
Disability Insurance (424A.05, subd. 3)	4. 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
Dissolutions (424B.22)	5. Clarify that the requirements of Section 424B.22 apply to relief associations that are involuntarily dissolved.	VFRAs	Limited Policy Change
	6. Considering adding language that defines how general fund assets may be disbursed for relief associations that dissolve.	OSA	Limited Policy Change
Investment Report Card (424A.095, subd. 2)	7. 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
Investments (356A.06, subd. 7)	8. Review international securities language. Consider defining "developed," "emerging," and "horizon" markets.	OSA	Limited Policy Change
	9. 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	?
Municipal Ratification and Contribution Requirements (424A.092 and 424A.093)	10. Clarify and correct the municipal ratification, financial requirements, and "90% Rule" language.	OSA	Broad Policy Change
	11. 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

<p>Service Credit (424A.015, subd. 6)</p>	<p>12. Consider requiring that minimum service requirements be approved by both the municipal governing board and the relief association's board of trustees.</p> <p>13. 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.</p>	<p>VFRAs</p> <p>VFRAs</p>	<p>Broad Policy Change</p> <p>Broad Policy Change</p>
<p>Supplemental Benefits (424A.10)</p>	<p>14. 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.</p>	<p>Last Year's Working Group</p>	<p>Limited Policy Change</p>



Exhibit H

Municipal Contribution and Financial Requirements

Topic:

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 (and have contained for a while) incorrect statutory references. The calculations also are difficult to understand, making the provisions challenging to administer.

With the Working Group's approval, Office of the State Auditor (OSA) staff would like to draft technical corrections to provisions in Sections 424A.092 (lump sum plans) and 424A.093 (monthly plans) to: 1) correct statutory references; 2) make the provisions easier to understand and administer; and 3) ensure the calculations continue to match current and longstanding practice.

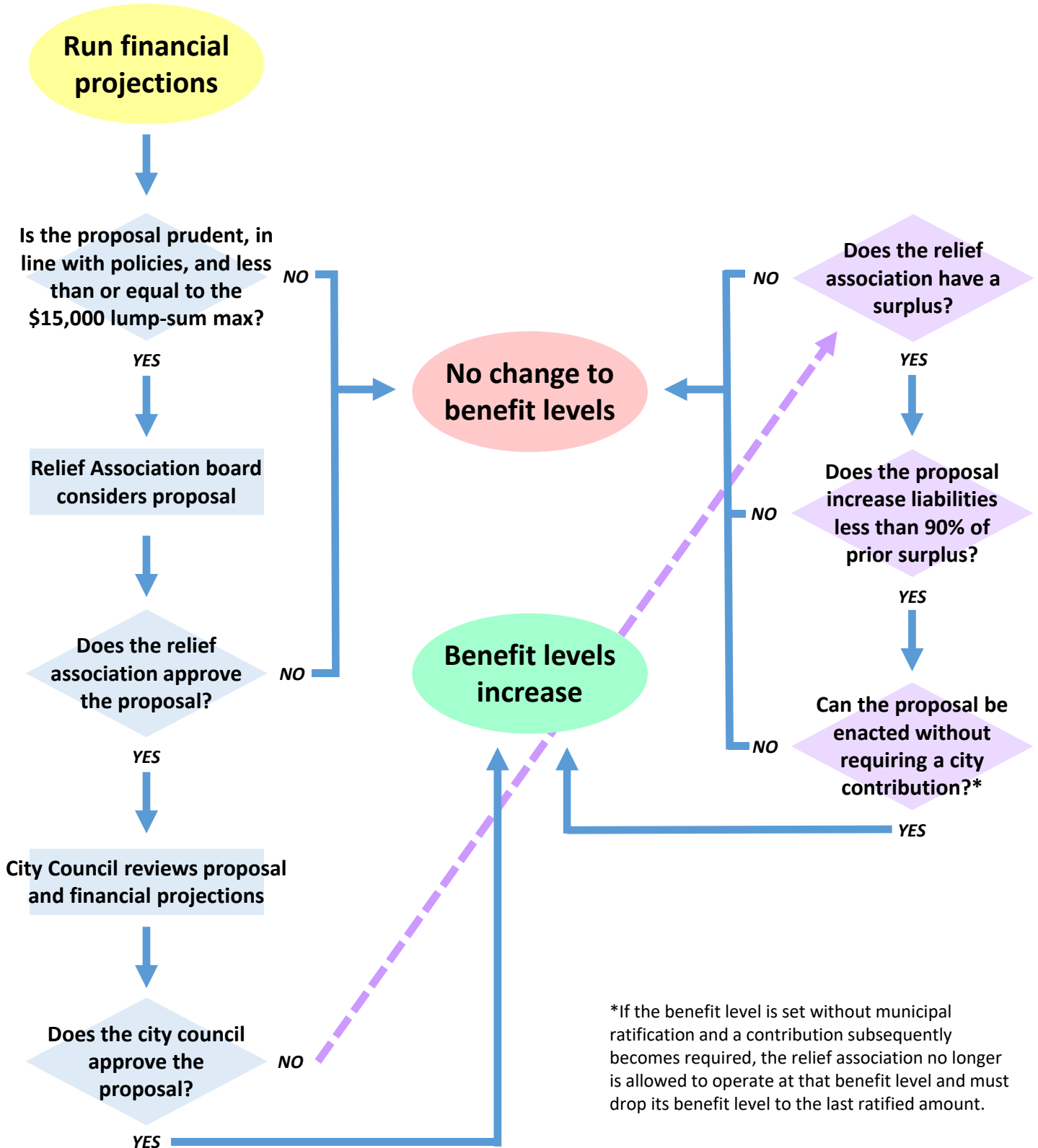
Additionally, the language that permits a relief association to increase its benefit level without municipal ratification of the benefit amount, if certain conditions are met, is included in these same sections of statute. This language, known as the "90% Rule," should be clarified as it is difficult to understand and seems to inadequately address all funding scenarios.

With the Working Group's approval, OSA staff would like to draft corrections so the language only permits a benefit level increase without ratification if:

1. The relief association has a surplus before implementing the proposed benefit level change and would continue to have a surplus immediately after the benefit level change is enacted;
2. The proposed benefit level would not increase liabilities by more than 90 percent of the prior-year surplus; and
3. The proposed benefit level could be enacted without requiring a contribution from the affiliated municipality.



Process for Considering an Increase to Volunteer Firefighter Relief Association Benefit Levels, 3-22-2022



*If the benefit level is set without municipal ratification and a contribution subsequently becomes required, the relief association no longer is allowed to operate at that benefit level and must drop its benefit level to the last ratified amount.