



Working Group

Meeting Agenda: October 1, 2024

- I. Call to Order**
Chair Auditor Blaha.
- II. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft September 25, 2024, Meeting Minutes
- III. Review of Previously Approved Changes**
Exhibits B and C.
 - Reporting Deadlines (B)
 - Technical Change (C)
- IV. Review of DC Plan Minimum Retirement Age Draft Changes**
Exhibit D.
- V. Review of Special Fund Member Contributions Draft Changes**
Exhibit E.
- VI. Review of Position Statements**
Exhibits F - H.
 - Length of Service Incentives – Draft (F)
 - Audit Threshold and Frequency – Draft (G)
 - Minimum Service Requirements – Previously Approved (H)
- VII. Review of Technical Changes for Direct Rollovers**
Exhibits I and J.
- VIII. Other Business**
 - Proposal for limited increase to maximum benefit level
- IX. Adjournment**

Individuals who need a reasonable accommodation to participate in this event, please contact Rose Hennessy Allen at (651) 296-5985 or (800) 627-3529 (TTY) by September 30, 2024.



Exhibit A

9-25-24 Approved Minutes

Members Present

Julie Blaha, State Auditor
Roger Carlson, Minnesota State Fire Department Association Representative (defined benefit monthly/lump sum plans)
Jon Dahlke, Glencoe Fire Relief Association Treasurer (defined benefit monthly/lump sum plans)
Steve Donney, City of Harmony Mayor
Sue Iverson, Municipal Finance Representative
Dan Johnson, Mendota Heights Fire Relief Association Trustee (defined contribution plans)
Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)
Mikal Knotek, St. Michael Fire Relief Association Secretary (defined benefit lump sum plans)
Karl Mork, Bemidji Fire Relief Association Treasurer (defined benefit lump sum plans)
Darrell Pettis, St. Peter Fire Relief Association Treasurer (defined benefit lump sum plans)
Clinton Rogers, City of Janesville Administrator
Kevin Wall, Lower Saint Croix Valley Fire Relief Association President (defined benefit lump sum plans)
Michael Walstien, Plymouth Fire Relief Association Member (defined contribution plans)

Members Excused

Tim Bush, Minnesota State Fire Chiefs Association Representative (defined contribution plans)
Thomas Wilson, Eden Prairie Fire Relief Association Secretary (defined benefit monthly/lump sum plans)

Office of the State Auditor Representatives Present

Ramona Advani, Deputy State Auditor and General Counsel
Rose Hennessy Allen, Office of the State Auditor Pension Director

Legislative Support Present

Susan Lenczewski, Legislative Commission on Pensions and Retirement Executive Director

I. Call to Order

Auditor Blaha called the meeting to order. She explained that the meeting was being conducted in a hybrid format and being recorded and streamed to the Office of the State Auditor (OSA) YouTube channel. New Working Group member, Clinton Rogers, who was appointed by the League of Minnesota Cities, was welcomed. The meeting agenda was adopted unanimously.

II. Review and Approval of Working Group Meeting Minutes

Members reviewed the September 5, 2024, meeting minutes that had been provided in advance. The meeting minutes were adopted unanimously.

III. Discussion of Audit Frequency

Auditor Blaha walked through Exhibit B, which shows the type of financial reporting required for different types of local governments in Minnesota and the required frequency of the reports. Working Group members considered changes to the frequency of relief association audits and whether an agreed-upon procedures engagement could possibly replace audits in some years. Working Group members questioned the feasibility of relief associations not being audited as many affiliated cities require pension information, such as accrued liability amounts, for the city audits. Cities that issue debt or seek certain types of grants want unmodified audit opinions, so likely would still need to obtain required pension information. Working Group members acknowledged the relatively high cost of audits when compared to total expenditures of their organizations. It was agreed that no changes to the audit threshold or frequency would be pursued at this time, but that the Working Group should periodically reevaluate both.

IV. Discussion of Minimum Retirement Age (Payments before 50)

Hennessy Allen shared that this topic is being considered by the Working Group because the PERA SVF Plan will permit distributions to members of its defined contribution plan as soon as practicable after separation from service, without regard to a minimum retirement age. The question for the Working Group is whether relief associations should have this same authority and, if so, whether defined contribution relief associations only should be allowed to make early distributions or defined benefit relief associations, too. Executive Director Lenczewski shared research and analysis of state and federal requirements that she compiled. She said her conclusion is that defined benefit plans cannot distribute retirement benefits before early or normal retirement age, the earliest of which can be age 50, while defined contribution plans are not subject to such restrictions. Executive Director Lenczewski also shared her analysis of the 10 percent excise tax, and that a defined contribution plan member who is paid a retirement benefit before the earlier of age 50 or 25 years of service would be liable for the tax, unless the member rolls the distribution into another retirement plan or IRA. Working Group members were supportive of language being drafted for review at the next meeting that would permit defined contribution relief associations to pay distributions to firefighters before the age of 50. There also was interest in the Working Group discussing, perhaps next year, educational documents for firefighters and relief association trustees on tax consequences of different distribution options.

V. Discussion of Special Fund Member Contributions

Executive Director Lenczewski shared analysis she prepared regarding member contributions or dues being deposited into a relief association's special fund. She expressed concern that Section 356.631 does not permit dues to be contributed to a relief association's special fund, and that the references in Chapter 424A to member contributions and dues seem to conflict with this section. Additionally, compliance with federal law would require steps not currently being taken by relief associations that deposit dues or contributions into the special fund, like tracking the after-tax contributions and not permitting those portions of retirement benefits to be rolled over. Working Group members will continue to review and consider this topic and discuss at its next meeting how to proceed.

VI. Review of Position Statement on Length of Service Incentives

This item was held over to the next meeting.



VII. Other Business

There was no other business.

VIII. Next Meeting

Tuesday, October 1, 2024

2:00 p.m. to 3:30 p.m.

In-Person/Virtual Hybrid Format

IX. Adjournment

The meeting was adjourned at 11:39 a.m.



Exhibit B

Reporting Deadlines

Topic:

The Working Group agreed to move the current March 31 reporting deadline for relief associations with special fund assets and liabilities that both fall below the \$750,000 threshold to June 30. This reporting deadline change is intended to provide accounting firms with more flexibility in scheduling client work, especially during tax season, so that deadlines can be met.

Changes:

424A.014 FINANCIAL REPORT; BOND; EXAMINATION.

Subd. 2. Financial statement. (a) The board of trustees of each volunteer firefighter relief association that is not required to and does not choose to file a financial report and audit under subdivision 1 must prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show:

- (1) the sources and amounts of all money received;
- (2) all disbursements, accounts payable, and accounts receivable;
- (3) the amount of money remaining in the treasury;
- (4) total assets, including a listing of all investments;
- (5) the accrued liabilities; and
- (6) all other items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement of the special and general funds required under paragraph (a) must be certified by a certified public accountant or by the state auditor in accordance with agreed-upon procedures and forms prescribed by the state auditor. The accountant must have at least five years of public accounting, auditing, or similar experience and must not be an active, inactive, or retired member of the relief association or the fire department.

(c) The detailed financial statement required under paragraph (a) must be countersigned by:

- (1) the municipal clerk or clerk-treasurer of the municipality;
- (2) where applicable, the municipal clerk or clerk-treasurer of the largest municipality in population that contracts with the independent nonprofit firefighting corporation if the relief

association is a subsidiary of an independent nonprofit firefighting corporation, and by the secretary of the independent nonprofit firefighting corporation; or

(3) the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(d) The volunteer firefighters relief association board must submit a copy of the detailed financial statement required under paragraph (a) that has been certified by the governing body of the municipality to the state auditor on or before ~~March 31~~ **June 30** after the close of the fiscal year.

(e) A certified public accountant or auditor who performs the agreed-upon procedures under paragraph (b) is subject to the reporting requirement of section 6.67.

424A.092 RELIEF ASSOCIATIONS PAYING LUMP-SUM SERVICE PENSIONS.

Subd. 4. Certification of financial requirements and minimum municipal obligation; levy. (a) The officers of the relief association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined under subdivision 3 on or before August 1 of each year. The certification must be made to the entity that is responsible for satisfying the minimum obligation with respect to the special fund of the relief association. If the responsible entity is a joint powers entity, the certification must be made in the manner specified in the joint powers agreement, or if the joint powers agreement is silent on this point, the certification must be made to the chair of the joint powers board.

(b) The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section 424A.014. The schedule forms related to the determination of the financial requirements must be filed with the state auditor by ~~March 31, annually, if the relief association is required to file a financial statement under section 424A.014, subdivision 2, or by June 30, annually, if the relief association is required to file a financial report and audit under section 424A.014, subdivision 1.~~

(c) The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue.

(d) The municipality may levy taxes for the payment of the minimum municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law upon the rate or amount of taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied under this section must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.



(e) If the municipality does not include the full amount of the minimum municipal obligations in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the certified minimum municipal obligation on the taxable property of the municipality.

(f) If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 424A.091, subdivision 3, paragraph (c), clause (5), the state auditor may request a copy of the certifications under this subdivision from the relief association or from the city. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.



Exhibit C Technical Change

Topic:

A table for use in calculating active member accrued liability amounts on Schedule Forms in years before 2022 is in statute but no longer needed. Forms for which the table was used have been completed and filed with the Office of the State Auditor.

For background, the accrued liability calculation changed beginning with the 2021 Schedule Form, to be more precise if a relief association elected to offer full vesting after fewer than 20 years of service. The change was made to address concerns that the previous methodology could understate plan liabilities for members who are hired at older ages in relief associations with shorter vesting requirements.

The changes below remove the calculation table used for forms filed prior to 2022.

Changes:

424A.092 RELIEF ASSOCIATIONS PAYING LUMP-SUM SERVICE PENSIONS.

Subd. 2. **Determination of accrued liability.** (a) ~~Beginning with the calculation performed in 2021 for the 2022 calendar year, each~~ Each firefighters relief association which pays a lump-sum service pension shall determine the accrued liability of the special fund of the firefighters relief association relative to each active member of the relief association, calculated using the applicable appendix to the standards for actuarial work established by the Legislative Commission on Pensions and Retirement under section 3.85, subdivision 10.

(b) ~~For calendar years before 2022, each firefighters relief association shall determine the accrued liability of the special fund of the firefighters relief association relative to each active member of the relief association, calculated individually using the following table:~~

Cumulative Year		Accrued Liability
-----		-----
1	\$	60
2		124
3		190
4		260
5		334
6		410



7		492	
8		576	
9		666	
10		760	
11		858	
12		962	
13		1070	
14		1184	
15		1304	
16		1428	
17		1560	
18		1698	
19		1844	
20		2000	
21	and thereafter	100	additional per year

~~As set forth in the table the accrued liability for each member of the relief association corresponds to the cumulative years of active service to the credit of the member. The accrued liability of the special fund for each active member is determined by multiplying the accrued liability from the chart by the ratio of the lump sum service pension amount currently provided for in the bylaws of the relief association to a service pension of \$100 per year of service.~~

(e) If a member has fractional service as of December 31, the figure for service credit to be used for the determination of accrued liability pursuant to this section shall be rounded to the nearest full year of service credit. The total accrued liability of the special fund as of December 31 shall be the sum of the accrued liability attributable to each active member of the relief association.

~~(d)~~(c) To the extent that the state auditor considers it to be necessary or practical, the state auditor may specify and issue procedures, forms, or mathematical tables for use in performing the calculations of the accrued liability for deferred members pursuant to this subdivision.



Exhibit D

DC Plan Minimum Retirement Age

Topic:

The changes below permit a relief association with a defined contribution plan to pay retirement benefits as soon as practicable following a member's separation from active service. The changes permit a relief association to establish a minimum retirement age in its bylaws if it chooses.

Changes:

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

Subd. 2. **Defined contribution service pension eligibility.** (a) A relief association, when its articles of incorporation or bylaws so provide, may pay as soon as practicable out of the assets of its special fund a defined contribution service pension to each of its members who:

- (1) separates from active service with the fire department;
- (2) ~~reaches age 50~~ submits a valid written application for a distribution;
- (3) completes at least five years of active service as an active member of the fire department to which the relief association is associated;
- (4) completes at least five years of active membership with the relief association before separation from active service; and
- (5) complies with any additional conditions as to age, service, and membership that are prescribed by the bylaws of the relief association.

(b) In the case of a member who has completed at least five years of active service as an active member of the fire department to which the relief association is associated on the date that the relief association is established and incorporated, the requirement that the member complete at least five years of active membership with the relief association before separation from active service may be waived by the board of trustees of the relief association if the member completes at least five years of inactive membership with the relief association before the date of the payment of the service pension. During the period of inactive membership, the member is not entitled to receive any disability benefit coverage, is not entitled to receive additional individual account allocation of fire state aid or municipal contribution toward a service pension, and is considered to have the status of a person entitled to a deferred service pension.

(c) The service pension earned by a firefighter under this chapter and the articles of incorporation and bylaws of the relief association may be paid whether or not the municipality or independent nonprofit firefighting corporation to which the relief association is associated qualifies for the receipt of fire state aid under chapter 477B.

Subd. 6. Deferred service pensions. (a) A "deferred member" means a member of a relief association who has separated from active service and membership and has completed the minimum service and membership requirements in subdivision 2. The requirement that a member separate from active service and membership is waived for persons who have discontinued their volunteer firefighter and paid on-call firefighter duties and who are employed on a part-time or full-time basis under section 424A.015, subdivision 1.

(b) A deferred member is entitled to receive a deferred service pension ~~when the member reaches at least age 50, or at least the minimum age specified in the bylaws governing the relief association if that age is greater than age 50, and makes~~ as soon as practicable after the member submits a valid written application for the distribution and complies with any conditions as to age prescribed by the relief association's bylaws.

(c) A defined contribution relief association must credit interest or additional investment performance on the deferred lump-sum service pension during the period of deferral for all deferred members on or after January 1, 2021. A defined contribution relief association may specify in its bylaws the method by which it will credit interest or additional investment performance to the accounts of deferred members. Such method shall be limited to one of the three methods provided in this paragraph. In the event the bylaws do not specify a method, the interest or additional investment performance must be credited using the method defined in clause (3). The permissible methods are:

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

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

(3) at the investment return on the assets of the special fund of the defined contribution relief association in proportion to the share of the assets of the special fund to the credit of each individual deferred member account.

(d) Notwithstanding the requirements of section 424A.015, subdivision 6, bylaw amendments made in accordance with paragraph (c) on or before January 1, 2022, shall apply to members already in deferred status as of January 1, 2021.

(e) Unless the bylaws provide differently, interest or additional investment performance must be allocated to each deferred member account beginning on the date that the member separates from active service and membership and ending on the last date that the deferred member account is valued before the final distribution of the deferred service pension.



Exhibit E

Special Fund Member Contributions

Topic:

Changes are proposed below that would resolve potential conflicts within state statutes and with federal law by removing references to member contributions or dues being deposited into a relief association's special fund. Additionally, relief associations would no longer be able to use special fund member contributions to reduce required municipal contribution amounts.

Changes:

424A.06 RELIEF ASSOCIATION GENERAL FUND.

Subd. 2. **General fund assets and revenues.** (a) The general fund, if established, must be credited with the following:

(1) ~~all money received from dues other than dues payable as contributions under the bylaws of the relief association to the special fund;~~

(2) all money received from fines;

(3) all money received from initiation fees;

(4) all money received as entertainment revenues; and

(5) any money or property donated, given, granted or devised by any person, either for the support of the general fund of the relief association or for unspecified purposes.

(b) The treasurer of the relief association is the custodian of the assets of the general fund and must be the recipient on behalf of the general fund of all revenues payable to the general fund. The treasurer shall maintain adequate records documenting any transaction involving the assets or the revenues of the general fund. These records must be open for inspection by any member of the relief association at reasonable times and places.

424A.092 RELIEF ASSOCIATIONS PAYING LUMP-SUM SERVICE PENSIONS.

Subd. 3. **Financial requirements of relief association; minimum obligation of municipality.**

(d) The minimum obligation of the municipality with respect to the special fund is the financial requirements of the special fund reduced by the amount of any fire state aid and police and firefighter retirement supplemental state aid payable under chapter 477B and section 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund during the following calendar year, an amount of interest on the assets of the special fund projected to the beginning of the following calendar year calculated at the rate of five percent per annum, ~~and the amount of any contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year.~~ A reasonable



amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

424A.093 RELIEF ASSOCIATIONS PAYING MONTHLY SERVICE PENSIONS.

Subd. 5. Minimum municipal obligation.

(b) The minimum obligation of the municipality with respect to the special fund is an amount equal to the financial requirements of the special fund of the relief association determined under subdivision 4, reduced by the estimated amount of any fire state aid and police and firefighter retirement supplemental state aid payable under chapter 477B and section 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund of the relief association during the following year **and the amount of any anticipated contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year.** A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.



Exhibit F

Position on Length of Service Incentives

For the reasons identified below, the Fire Relief Association Working Group recommends that no changes be pursued to provide authority for relief associations to pay monetary length of service incentives to members.

Benefit calculations already reward length of service – Retirement benefits for relief association members in a defined benefit plan are based on years of service, an annual benefit level, and vested percentage that increases each year until the member becomes fully vested. Members who serve longer therefore receive higher benefits through the additional year of service credit and increased vested percentage. In defined contribution plans, members who serve longer receive higher benefits through the additional annual contribution allocations and increased vested percentage.

Employer has ability to increase compensation – Municipalities have the ability, and some flexibility, in how they structure compensation for their firefighters. A municipality could, for example, increase per-call pay or other types of compensation for senior firefighters.

Restrictions on midstream distributions – Because relief associations operate as qualified plans, they may run into tax issues if they make distributions to members who have not yet separated from service.

Administrative difficulties with benefit portability and calculating liabilities – It is unclear how benefits would be calculated for members who return to active service after a break in service or accrue combined service with more than one fire department, if different periods of service are credited using different benefit levels. Likewise, the actuarial calculations for active member liabilities are quite complex when members accrue service for different periods at different benefit levels. This administrative complexity could increase the potential for payment calculation errors and increase the time and cost of performing the calculations.



Exhibit G

Position on Audit Threshold and Frequency

The Fire Relief Association Working Group recommends that no changes be pursued at this time regarding the threshold at which an audit is required or the frequency of required audits but believes that both should be reevaluated regularly.

Because municipal auditors likely require information from the affiliated relief associations, such as assurances of their financial statements and actuarial liability data, it's unclear whether many relief associations could no longer have an audit even if it were not statutorily required.

Working Group members noted, however, that the cost of a full financial audit is high for relief associations when compared to the total expenditures of their organizations. For this reason, the Fire Relief Association Working Group should continue to review options when it comes to the frequency of full financial audits, consider alternatives such as agreed-upon procedures engagements, and evaluate the threshold at which an audit is required.



Exhibit H

Position on Relief Association's Role in Minimum Service Requirements

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

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

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

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

Subd. 4. Transfer to individual retirement account.

A relief association that is a qualified pension plan under section 401(a) of the Internal Revenue Code, as amended, and that provides a single payment service pension, at the written request of the applicable retiring member or, following the death of the active member, at the written request of the deceased member's surviving spouse, may directly transfer on an institution-to-institution basis the eligible member's lump-sum pension or the survivor benefit attributable to the member, whichever applies, to the requesting person's individual retirement account under section 408(a) of the Internal Revenue Code, as amended.

424A.05 RELIEF ASSOCIATION SPECIAL FUND.

Subd. 3. Authorized disbursements from special fund.

(a) Disbursements from the special fund may not be made for any purpose other than one of the following:

(1) for the payment of service pensions to retired members of the relief association if authorized and paid under law and the bylaws governing the relief association;

(2) for the purchase of an annuity for the applicable person under section 424A.015, subdivision 3, for the transfer of service pension or benefit amounts to the applicable person's individual retirement account under section 424A.015, subdivision 4, or to the applicable person's account in the Minnesota deferred compensation plan under section 424A.015, subdivision 5;

(3) for the payment of temporary or permanent disability benefits to disabled members of the relief association if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(4) for the payment of survivor benefits or for the payment of a death benefit to the estate of the deceased active or deferred firefighter, if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(5) for the payment of the fees, dues and assessments to the Minnesota State Fire Department Association and to the Minnesota State Fire Chiefs Association in order to entitle relief association members to membership in and the benefits of these associations or organizations;

(6) for the payment of insurance premiums to the state Volunteer Firefighters Benefit Association, or an insurance company licensed by the state of Minnesota offering casualty

insurance, in order to entitle relief association members to membership in and the benefits of the association or organization;

(7) for the payment of administrative expenses of the relief association as authorized under subdivision 3b; and

(8) for the payment of a service pension to the former spouse of a member or former member of a relief association, if the former spouse is an alternate payee designated in a qualified domestic relations order under subdivision 5.

(b) Checks or authorizations for electronic fund transfers for disbursements authorized by this section must be signed by the relief association treasurer and at least one other elected trustee who has been designated by the board of trustees to sign the checks or authorizations. A relief association may make disbursements authorized by this subdivision by electronic fund transfers only if the specific method of payment and internal control policies and procedures regarding the method are approved by the board of trustees.

424A.05 RELIEF ASSOCIATION SPECIAL FUND.

Subd. 5. Qualified domestic relations orders.

(a) A "qualified domestic relations order" means a domestic relations order that creates or recognizes the existence of an alternate payee's right to or assigns to an alternate payee the right to receive a service pension that is all or any portion of the service pension payable with respect to a member or former member of a relief association.

(b) An "alternate payee" means the former spouse of a member or former member of a relief association, including a former spouse who is a distributee as defined in section 356.635, subdivision 7, clause (3).

(c) A relief association must comply with a qualified domestic relations order purporting to assign all or a portion of a service pension accrued under the retirement plan of the relief association, to the extent vested, if the payment or payments required by the order are within the limits described in section 518.58, subdivision 4, paragraph (a), clauses (1) to (4). For the purpose of applying section 518.58, subdivision 4, paragraph (a), "plan" or "pension plan" as used in paragraph (a) means the articles or bylaws of the relief association and chapter 424A, as applicable to the relief association.

(d) Notwithstanding any state law to the contrary, the bylaws of a relief association may permit distribution to an alternate payee under a qualified domestic relations order:

(1) as early as administratively practicable after the order is received by the relief association, even if the member whose service pension is being assigned to the alternate payee under the order has not yet reached age 50 or separated from active service with the fire department affiliated with the relief association; and

(2) in a lump sum, even if the relief association is a defined benefit relief association that pays monthly service pensions under section 424A.093.

(e) If the service pension is an eligible rollover distribution as defined in section 356.635, subdivisions 4 and 5, the relief association must permit the alternate payee to elect a direct rollover, as provided under section 356.635, subdivisions 3 to 7.

1. From the IRS' webpage titled "Rollovers of retirement plan and IRA distributions"

<https://www.irs.gov/retirement-plans/plan-participant-employee/rollovers-of-retirement-plan-and-ira-distributions>

Is my retirement plan required to allow transfer of any amounts eligible for a distribution?

If you receive an eligible rollover distribution from your plan of \$200 or more, your plan administrator must provide you with a notice informing you of your rights to roll over or transfer the distribution and must facilitate a direct transfer to another plan or IRA.

2. IRS Notice 2018-74 provides a safe harbor notice describing the right to a rollover and the tax consequences. It may have been updated more recently, but probably has not changed much with regard to distributions from our relief association plans.

https://www.irs.gov/irb/2018-40_IRB#NOT-2018-74

3. Treasury reg. 1.401(a)(31)-1 Q&A-13 provides the clearest statement of the requirement that a qualified retirement plan must offer direct rollovers to an "eligible retirement plan." The participant must be given the option to elect to rollover a distribution to the eligible retirement plan of the participant's choosing and cannot be limited to just an IRA.

[https://www.ecfr.gov/current/title-26/chapter-I/subchapter-A/part-1/subject-group-ECFR6f8c3724b50e44d/section-1.401\(a\)\(31\)-1](https://www.ecfr.gov/current/title-26/chapter-I/subchapter-A/part-1/subject-group-ECFR6f8c3724b50e44d/section-1.401(a)(31)-1)

Q-1: What are the direct rollover requirements under section 401(a)(31)?

A-1: (a) General Rule. To satisfy section 401(a)(31), added by UCA, a plan must provide that if the distributee of any eligible rollover distribution elects to have the distribution paid directly to an eligible retirement plan, and specifies the eligible retirement plan to which the distribution is to be paid, then the distribution will be paid to that eligible retirement plan in a direct rollover described in Q&A-3 of this section. Thus, the plan must give the distributee the option of having his or her distribution paid in a direct rollover to an eligible retirement plan specified by the distributee. For purposes of section 401(a)(31) and this section, eligible rollover distribution has the meaning set forth in section 402(c)(4) and §1.402(c)-2, except as otherwise provided in Q&A-2 of this section, eligible retirement plan has the meaning set forth in section 402(c)(8)(B) and §1.402(c)-2(a)(1)(iii).

Q-13: Is the eligible retirement plan designated by a distributee to receive a direct rollover distribution required to accept the distribution?

A-13: No. Although section 401(a)(31) requires qualified plans to provide distributees the option to make a direct rollover of their eligible rollover distributions to an eligible retirement plan, it imposes no requirement that any eligible retirement plan accept rollovers. Thus, a plan can refuse to accept rollovers. Alternatively, a plan can limit the circumstances under which it will accept rollovers. For example, a plan can limit the types of plans from which it will accept a rollover or limit the types of assets it will accept in a rollover (such as accepting only cash or its equivalent).

“Eligible retirement plan” is further defined in Treasury reg. 1.402(c)-2.

[https://www.ecfr.gov/current/title-26/chapter-I/subchapter-A/part-1/section-1.402\(c\)-2](https://www.ecfr.gov/current/title-26/chapter-I/subchapter-A/part-1/section-1.402(c)-2)

(iii) **Definition of eligible retirement plan** —

(A) **In general.** An eligible retirement plan means an IRA described in [paragraph \(a\)\(1\)\(iii\)\(B\)\(1\)](#) of this section or a qualified plan described in [paragraph \(a\)\(1\)\(iii\)\(B\)\(2\)](#) of this section. In addition, an eligible deferred compensation plan described in section 457(b) that is maintained by an employer described in section 457(e)(1)(A) is treated as an eligible retirement plan, but only if the plan separately accounts for the amount of the rollover.

(B) **Definitions of IRA and qualified plan.** For purposes of section 402(c) and this section—

(1) An IRA is an individual retirement account described in section 408(a) or an individual retirement annuity (other than an endowment contract) described in section 408(b); and

(2) A qualified plan is an employees' trust described in section 401(a) that is exempt from tax under section 501(a), an annuity plan described in section 403(a), or an annuity contract described in section 403(b).