



Working Group

Meeting Agenda: July 24, 2024

- I. Call to Order**
Chair Auditor Blaha.
- II. Introductions**
- III. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft October 4, 2023, Meeting Minutes
- IV. Working Group Process Discussion**
Exhibits B through D.
 - Working Group Purpose Statement (B)
 - Working Group Process (C)
 - Working Group Membership List (D)
- V. Legislative Review**
Exhibit E.
- VI. Discussion of Working Group Topic Suggestions**
Exhibit F.
- VII. Discussion of Reporting Deadlines**
Exhibit G.
- VIII. Other Business**
- IX. Next Meeting**
Wednesday, August 21, 2024
1:00 p.m. to 2:30 p.m.
In-Person/Virtual Hybrid Format
- X. 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 July 22, 2024.



Exhibit A

10-04-23 Approved Minutes

Members Present

Julie Blaha, State Auditor

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

Roger Carlson, Minnesota State Fire Department Association Representative (defined benefit monthly/lump sum plans)

Steve Donney, City of Harmony Mayor

Dan Johnson, Mendota Heights Fire Relief Association Trustee (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)

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 Member (defined contribution plans)

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

Members Excused

Sue Iverson, City of Red Wing Finance & Accounting Manager

Kyle Sammons, Belle Plaine Fire Relief Association Treasurer (defined benefit lump sum plans)

Office of the State Auditor Representatives Present

Ramona Advani, Deputy State Auditor and General Counsel

Rose Hennessy Allen, Office of the State Auditor Pension Director

Legislative Support Present

Sean Kelly, Legislative Commission on Pensions and Retirement Deputy Director

I. Call to Order

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

II. Review and Approval of Working Group Meeting Minutes

Members reviewed the September 20, 2023, meeting minutes that had been provided in advance. The meeting minutes were adopted unanimously.

III. Review of Previously Approved Legislative Proposals

- H.F. 3286
- Draft Amendment

- Additional Amendments to H.F. 3286
- Defined Contribution Investment Allocations
- Involuntary Dissolution Benefit and Reporting Requirements

Working Group members reviewed the legislative proposals that had been approved during previous meetings. The members adopted the proposals unanimously for inclusion in the Working Group bill.

IV. Discussion of LCPR Concerns About Member Contributions

Deputy Director Kelly shared concerns related to contributions paid to a relief association's special fund. He shared that there are a finite number of ways contributions can be paid to public pension plans under IRS Code. Kelly indicated that if relief association member contributions are treated as employee contributions, they would need to be mandatory and be treated as pick-up contributions. LCPR staff is concerned that relief association statutes related to member contributions may not be compliant with Federal law. In response to a question, Hennessy Allen shared that 46 relief associations (44 lump sum and 2 monthly/lump sum) reported member contributions being deposited into the special fund on the most recent forms filed with the OSA, and that the total amount deposited in most cases was less than \$500. It was agreed that the OSA would provide information about the potential compliance issue to relief associations depositing member contribution into their special funds and that the topic may be revisited next year.

V. Review of Draft Supplemental Benefit Reimbursement Clarification

Working Group members reviewed draft language that would modify the definition of "qualified recipient" for purposes of supplemental benefits to include an alternate payee, so that an alternate payee who receives some or all of a former spouse's service pension would be eligible to receive a supplemental benefit. Members discussed whether both the retiring member and the alternate payee should be eligible to receive a supplemental benefit of up to \$1,000, or whether the total of the two benefits would be limited to \$1,000. Members also discussed administrative issues with the timing of distributions if an alternate payee is paid years before the relief association member, and the complexity of maintaining those records for seeking reimbursement of the supplemental benefits. Working Group members adopted unanimously the motion to hold off on making the proposed changes at this time.

VI. Discussion of Benefit Level Change Options

Working Group members reviewed graphs showing funding ratio ranges for relief associations and considered options for benefit level changes. Specifically, the Working Group considered whether municipalities should have authority to pass a single resolution allowing a relief association to set its benefit level so long as the funding ratio remained above a certain threshold, and whether benefit level increases should be automatically triggered if funding ratios exceed a defined threshold. Members discussed the authority already provided in statute for relief associations to increase benefit levels without municipal ratification if certain conditions are met, and also discussed the importance of communication between a relief association and municipal governing board. No statutory changes were recommended at this time.

VII. Discussion of Benefits for EMS-Only Members

The Working Group briefly discussed benefit levels for relief association members who solely provide emergency medical services. Some relief associations have requested the ability to establish different



benefit levels for members who solely perform medical or firefighting duties. Working Group members viewed the topic as one of local control and declined to pursue any legislative changes at this time.

VIII. Other Business

Auditor Blaha requested approval to make minor drafting changes if any are identified when the bill is reviewed by LCPR staff. She also thanked the Working Group members, and OSA and LCPR staff. She said Working Group members would be kept updated on the progress of the proposals and notified when the bill is scheduled to be heard by the LCPR.

IX. Adjournment

The meeting was adjourned at 3:30.



Exhibit B

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 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 fire relief association plans be successful.



Exhibit C

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 D

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
315 West 4th Street
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
14800 Scenic Heights Road
Eden Prairie, MN 55344
(952) 594-4411
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@bgcbbemidji.org
- 5. Defined Benefit Lump Sum Plans**
Darrell Pettis, Treasurer
St. Peter Fire Relief Association
602 Sunrise Drive
St. Peter, MN 56082
(507) 381-9815
dbpettis@hickorytech.net
- 6. Minnesota State Fire Department Association**
Roger Carlson, Treasurer
Fairmont Fire Relief Association
216 East 4th Street
Fairmont, MN 56031
(507) 236-5056
rogerc326@midco.net
- 7. Defined Contribution Plans**
Aaron Johnston, Treasurer
Coon Rapids Fire Relief Association
3150 111th Ave 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

Tim Bush, Chief/Emergency Manager
Maple Grove Fire Department
12800 Arbor Lakes Parkway N
Maple Grove, MN 55369
(763) 494-6300
tbush@maplegrovern.gov

10. Defined Benefit Lump Sum Plans

Kevin Wall, President
Lower Saint Croix Valley Fire Relief
Association
P.O. Box 234
Lake St. Croix Beach, MN 55043
(763) 401-2289
wallkcw@gmail.com

11. Defined Contribution Plans

Dan Johnson, Treasurer
Mendota Heights Fire Relief Association
2121 Dodd Road
Mendota Heights, MN 55120
(651) 238-9555
djohnson@mendotaheightsmn.gov

12. Defined Benefit Lump Sum Plans

Mikal Knotek, Secretary
St. Michael Fire Relief Association
216 Main Street S
St. Michael, MN 55376
(612) 382-7497
mjknotek@gmail.com

**13. Defined Benefit Monthly/Lump Sum
Combination Plans**

Jon Dahlke, Treasurer
Glencoe Fire Relief Association
509 10th Street E
Glencoe, MN 55336
(320) 864-2017
jond@security-banks.com

13. State Auditor Julie Blaha

525 Park Street, Suite 500
Saint Paul, MN 55103
(651) 296-2551
state.auditor@osa.state.mn.us

*Office of the State Auditor and Legislative
Support*

**Legislative Commission on Pensions &
Retirement**

Susan Lenczewski, Executive Director
Centennial Office Building, 1st Floor
Saint Paul, MN 55155
(651) 296-1309
susan.lenczewski@lcpr.mn.gov

**Legislative Commission on Pensions &
Retirement**

Sean Kelly, Deputy Director
Centennial Office Building, 1st Floor
Saint Paul, MN 55155
(651) 296-7820
sean.kelly@lcpr.mn.gov

Office of the State Auditor

Ramona Advani, General Counsel and Deputy
State Auditor
525 Park Street, Suite 500
Saint Paul, MN 55103
(651) 297-3673
ramona.advani@osa.state.mn.us

Office of the State Auditor

Rose Hennessy Allen, Pension Director
525 Park Street, Suite 500
Saint Paul, MN 55103
(651) 296-5985
rose.hennessy-allen@osa.state.mn.us



Exhibit E

Legislative Review

Working Group Proposals:

- 2023 Raise the monetary threshold at which a relief association must have an annual audit from the current \$500,000 to \$750,000 in either pension assets or liabilities, to be consistent with audit thresholds for other nonprofit corporations.
- 2024 Further define requirements a relief association must meet to increase its benefit level without obtaining municipal ratification.
- 2024 Add definitions of the different types of firefighters (e.g., volunteer, paid on-call, part-time, full-time) for purposes of relief association benefits and makes corresponding reference updates through the chapter.
- 2024 Clarify that a person receiving a disability or survivor benefit does not need to be at least age 50 to qualify for a supplemental benefit.
- 2024 Clarify who must certify a relief association's receipt and review of the annual Investment Report Card provided by the Office of the State Auditor.
- 2024 Require a relief association being involuntarily dissolved to comply with the same requirements that normally apply to dissolutions and authorize the State Auditor to waive the requirements.
- 2024 Change the default method for allocating investment earnings and losses to deferred members of a relief association defined contribution plan.

Non-Working Group Proposals:

- 2024 Add a defined contribution plan to the Statewide Volunteer Firefighter (SVF) Plan administered by the Public Employees Retirement Association. Note that distributions from the defined contribution plan can be made to members who have not yet reached age 50.

Discussion:

- What feedback are you hearing regarding these legislative changes?
- What have we learned?
- What could we improve?



Exhibit F

Working Group Topic Suggestions

2024/2025 Potential Topic Requests				
Topic	Description	Source	Type	
Defined Contribution Plans (424A.016, subd. 2)	1. Consider whether distributions should be permitted to members who have not yet reached age 50.	OSA	Broad Policy Change	
Combined Service Pensions (424A.015, subd. 7)	2. Clarify how combined service is accrued if a firefighter is an active member on two different relief associations at the same time.	VFRAs	Limited Policy Change	
Member Contributions (424A.06, subd. 2, 424A.092, subd. 3(d), and 424A.093, subd. 5(b))	3. Consider clarifying that any member dues or contributions must be deposited into a relief association's general fund and cannot be used to reduce a municipality's contribution requirement when determining minimum required contributions	LCPR	?	
Reporting Deadlines (424A.014, subd. 2)	4. Consider changing the March 31 reporting deadline to May 1 or May 31.	OSA	?	
Service Credit (424A.015, subd. 6)	5. 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	
	6. 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	
Supplemental Benefits (424A.10)	7. 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.	Last Year's Working Group	Limited Policy Change	
Vesting (424A.016, subd. 3 and 424A.02, subd. 2)	8. Consider changing the maximum vested percentage of pension amounts from 40% at 5 years of service increasing by 12% per year, to 50% at 5 years of service increasing by 10% per year.	VFRAs	?	



Exhibit G

Reporting Deadlines

Topic:

A Working Group change passed into law during 2023 increased the monetary threshold that requires a relief association to have an annual audit. The threshold increased from at least \$500,000 in special fund assets or liabilities to at least \$750,000 in special fund assets or liabilities. The deadline for filing relief association reports did not change when the threshold changed. Reports for relief associations below the threshold are due to the Office of the State Auditor (OSA) by March 31, while reports for relief associations that exceed the threshold are due to the OSA by June 30.

Prior to the threshold change, about one-third of relief associations had the March 31 reporting deadline and about two-thirds had the June 30 deadline. The numbers reversed following the threshold change, with about two-thirds of relief associations now having the March 31 deadline and about one-third having the June 30 deadline.

The OSA has received requests from relief association auditors to consider changing the March 31 deadline. The deadline can be difficult to meet because it falls during tax season and has resulted in a large shift in workload for audit firms with many relief associations reverting to the earlier reporting deadline.

Questions:

1. Should the March 31 deadline be changed?
2. If so, what deadline would be appropriate?
3. Should a change to the June 30 deadline be considered?
4. Should changes to the required frequency of audits be considered?
5. Anything else?