Office of the State Auditor

Agenda
Fire Relief Association Working Group

Meeting Date: September 17, 2026

I. Call to Order

Chair State Auditor Blaha

II. Review and Approval of Working Group Meeting Minutes

Exhibit A. Draft August 20, 2026, Meeting Minutes

III. Review of Plan Conversion "Present Value" Language

Exhibits B through D.

- Plan Conversion Statute (B)
- Plan Dissolution Bill (HF 3703) (C)
- LCPR Staff Summary (D)

IV. Review of Fire State Aid Penalty and Forfeiture Amounts

Exhibit E.

V. Discussion of Certifying Unpaid Required Contributions

Exhibit F.

VI. Discussion of "Return to Service" Bylaw Requirement

Exhibit G.

VII. Other Business

- Additional October Meeting Date

VIII. Next Meeting

Tuesday, October 6, 2026
1:00 p.m. to 2:30 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 September 15, 2026.

Meeting Date: September 17, 2026

Members Present
Julie Blaha, State Auditor
Mike Dahl, Excelsior Fire Relief Association Vice President (defined benefit plans)
Jon Dahlke, Glencoe Fire Relief Association Treasurer (defined benefit monthly/lump sum plans)
Jason Fife, Stewartville Fire Relief Association Member (Minnesota State Fire Department Association representative)
Dan Johnson, Mendota Heights Fire Relief Association Trustee (Minnesota State Fire Chiefs Association representative)
Mikal Knotek, St. Michael Fire Relief Association Secretary (defined benefit lump sum plans)
Tom Lawell, City of Apple Valley Administrator (municipal representative)
Karl Mork, Bemidji Fire Relief Association Treasurer (defined benefit lump sum plans)
Darin Nelson, City of Minnetonka Finance Director (municipal representative)
David Paul, Lake Crystal Fire Relief Association Trustee (defined benefit lump sum
Thomas Wilson, Eden Prairie Fire Relief Association Secretary (defined benefit monthly/lump sum plans)

Members Excused
Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)
Darrell Pettis, St. Peter Fire Relief Association Treasurer (defined benefit lump sum plans)
Michael Walstien, Plymouth Fire Relief Association Member (defined contribution plans)

Office of the State Auditor Representatives Present
Ramona Advani, Deputy State Auditor and General Counsel
Rose Hennessy Allen, Office of the State Auditor (OSA) Pension Director

Legislative Support Present
Susan Lenczewski, Legislative Commission on Pensions and Retirement (LCPR) Executive Director
Mollie Pierson, Legislative Commission on Pensions and Retirement Commission Assistant

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 OSA YouTube channel. She explained the meeting norms and voting procedures. The meeting agenda was adopted unanimously.

II. Introductions

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

III. Review and Approval of Working Group Meeting Minutes

Working Group members reviewed the September 30, 2025, meeting minutes that had been provided in advance. Johnson noted that the minutes should be corrected to reflect his position as Minnesota State Fire Chiefs Association representative to the group. The minutes were unanimously adopted as amended.

IV. Working Group Process Discussion

- Working Group Purpose Statement
  Auditor Blaha described the goal and process of the group, and the members reviewed the Purpose Statement. No changes were made to the Purpose Statement.
- Working Group Process Statement
  Members reviewed the Process Statement and Auditor Blaha noted that unanimous consent is required for a proposal to move forward, although proposals that do not have unanimous agreement may be revisited and reconsidered. No changes were made to the Process Statement.
- Working Group Membership List
  Auditor Blaha explained that the Membership List would be posted on the OSA website. Mork noted a change to his email address.
- Respectful Workplace Policy
  Auditor Blaha shared the Respectful Workplace Policy in place for State of Minnesota employees, volunteers, contractors, and others who visit the workplace and public service environment. She explained that we ask Working Group members to adhere to the policy, and know that they are protected by the policy, too.

V. Legislative Review

Hennessy Allen summarized Working Group proposals passed during the 2026 Legislative Session and shared non-Working Group proposals impacting fire relief associations that may be of interest to the group. The Work Group on Vesting and Emergency Medical Providers convened by the LCPR was mentioned, and the plan that the Working Group would have a discussion about reduced vesting and benefits for emergency medical providers so feedback or input could be shared with the LCPR Work Group.

VI. Discussion of Working Group Topic Suggestions

Hennessy Allen shared the list of topic suggestions received from relief association trustees and members, raised during LCPR meetings, and from OSA staff. She briefly explained each topic and said Working Group members would be asked to complete a survey to rank their topic priorities.

VII. Review of Plan Conversion “Present Value” Language

Hennessy Allen explained that a provision included in the 2026 Omnibus Pension and Retirement Bill that was passed into law in May removes the requirement from the relief association dissolution statute that benefits be calculated for participants using the “present value” of each participant’s accrued benefit when the plan is terminated. There was talk about making similar changes to the relief association statute that governs conversion from a defined benefit to a defined contribution plan, but references to determining benefits based on the “present value” were not made to the plan conversion section. Lenczewski shared with the group the difference in firefighter benefit amounts between using a “present value” calculation and using the typical length of service multiplied by benefit level calculation. She also explained that when a defined benefit plan converts to a defined contribution plan it’s considered a termination of the defined benefit plan, which is a full vesting event under federal law. It was agreed that this topic would be continued to the next meeting.

VIII. Review of Fire State Aid Penalty and Forfeiture Amounts

The group ran out of time to discuss this topic, so it was held over to the next meeting.

IX. Discussion of Certifying Unpaid Required Contributions

The group ran out of time to discuss this topic, so it was held over to the next meeting.

X. Other Business

There was no other business.

XI. Next Meeting

Thursday, September 17, 2026
1:00 p.m. to 2:30 p.m.
In-Person/Virtual Hybrid Format

XII. Adjournment

The meeting was adjourned at 2:29 p.m.

424B.13 CONVERSION OF RELIEF ASSOCIATION DEFINED BENEFIT PLAN TO DEFINED CONTRIBUTION PLAN.

Subdivision 1. **Authority to initiate conversion.** (a) The board of trustees of a defined benefit relief association may convert the defined benefit plan to a defined contribution plan in accordance with this section.

(b) A conversion consists of:

(1) termination of the defined benefit plan;

(2) establishment of a defined contribution plan; and

(3) transfer and allocation of the assets of the defined benefit plan to accounts under the defined contribution plan.

(c) The termination of the defined benefit plan does not dissolve the relief association, which is an ongoing nonprofit corporation under chapter 317A, unless dissolved under chapter 317A and section 424B.22.

Subd. 2. **Board of trustees.** To initiate and complete a conversion, the board of trustees must:

(1) approve resolutions that:

(i) state that the defined benefit plan is being converted to a defined contribution plan;

(ii) designate a conversion effective date;

(iii) direct that each participant, except any retiree in pay status who is receiving a monthly service pension from a relief association described in section 424A.093, becomes fully (100 percent) vested as of the conversion effective date in the participant's retirement benefit;

(iv) if the relief association has a surplus as of the end of the relief association's most recent fiscal year before the conversion effective date, at the option of the board of trustees, conditionally increase the lump-sum benefit or monthly pension amount under the defined benefit plan, as provided under subdivision 4;

(v) determine the method for allocating a surplus;

(vi) adopt a defined contribution plan and approve a plan document that complies with section 424A.016 and states the terms and conditions for eligibility, vesting, allocation of contributions, distribution of retirement benefits, and any ancillary benefits; and

(vii) authorize any bylaws amendments needed to incorporate items (i) to (vi) into the bylaws;

(2) obtain the consent of the municipality or firefighting corporation if required by subdivision 3;

(3) determine the present value of each participant's accrued benefit as of the conversion effective date as required by subdivision 5;

(4) if there is a surplus, allocate the surplus under a method that complies with subdivision 6;

(5) if there is not a surplus, take the actions required under subdivision 7;

(6) provide the notices required under subdivisions 8 and 9; and

(7) implement the conversion, including the requirements under subdivision 10.

Subd. 3. **Consent of municipality or firefighting corporation.** The consent of the affiliated municipality, all municipalities if more than one municipality operates the fire department pursuant to a joint powers agreement, or firefighting corporation to a relief association's conversion of its defined benefit plan to a defined contribution plan is required as provided under subdivision 7 only if the relief association does not have a surplus as of the end of the relief association's most recent fiscal year before the conversion effective date.

Subd. 4. **Benefit increase.** (a) If the relief association has a surplus as of the end of the relief association's most recent fiscal year before the conversion effective date, the board of trustees may approve a resolution that increases the lump-sum benefit or monthly pension amount or both the lump-sum and monthly pension amount, if the relief association offers both, and amends the relief association bylaws without the consent of the affiliated municipality or firefighting corporation, notwithstanding section 424A.02, subdivision 10. The resulting lump-sum benefit or monthly pension amount is not limited to the maximum lump-sum service pension amount or maximum monthly service pension amount under section 424A.02, subdivision 3.

(b) The benefit increase must not cause the liabilities of the retirement plan to exceed the value of the assets, after taking into account full vesting as required under subdivision 2 and any administrative expenses arising from the conversion.

(c) The board of trustees shall specify whether the benefit increase will apply only to participants who are members active as of the conversion effective date or whether the benefit increase will apply to all participants, including members who are not active as of the conversion effective date, notwithstanding section 424A.015, subdivision 6.

(d) The board of trustees' resolution approving an increase in the benefit level must be considered conditional on there being sufficient assets to fund the increase and must state that if, as of the date benefits are transferred to the defined contribution plan, there are not sufficient assets to cover all benefit liabilities at the new higher benefit level, the benefit level will be reduced until assets equal or are greater than liabilities. The resolution must state that the new lower benefit level will be considered approved by the board of trustees without further action by the board.

Subd. 5. **Determination of value of pension benefits and distribution to retirees in pay status.** (a) The board of trustees shall determine the present value of each participant's accrued benefit, taking into account the full vesting requirement under subdivision 2 and any increase in the lump-sum benefit or monthly pension amount approved under subdivision 4:

(1) using the method set forth in section 424A.092, subdivision 2, for determining a plan's funded status by calculating the value of each participant's accrued benefit; or

(2) as determined by an actuary retained by the relief association, who meets the definition of approved actuary under section 356.215, subdivision 1, paragraph (c).

(b) If the retirement plan pays a monthly pension, the board of trustees must determine the present value of the remaining payments to any retiree in pay status or beneficiary who is receiving an annuity. Present value must be determined by an actuary who meets the definition of approved actuary under section 356.215, subdivision 1, paragraph (c), retained by the relief association. At the discretion of the relief association, the relief association must provide the retiree in pay status or beneficiary receiving the annuity either:

(1) an immediate lump-sum distribution of an amount equal to the present value of the remaining payments as determined by the actuary and permit the retiree in pay status or beneficiary to elect a lump-sum payment or a direct rollover of the amount to an eligible retirement plan as permitted under section 356.633,

subdivisions 1 and 2, if the distribution is an eligible rollover distribution as defined in section 356.633, subdivision 1, paragraph (d); or

(2) continued payments in the same monthly amount under an annuity to be purchased by the board of trustees from a reputable insurance company licensed to do business in the state.

Subd. 6. **Allocation of surplus.** (a) If, as of the conversion effective date, the defined benefit plan has a surplus, the board of trustees shall allocate the surplus as follows:

(1) per capita method: each participant's account will receive the same dollar amount;

(2) service-based method: each participant's account will receive a share of the surplus based on the ratio of the participant's years of service to the total years of service for all participants; or

(3) participant and municipality sharing method under paragraph (b).

(b) The board of trustees may allocate the surplus using the participant and municipality sharing method in accordance with this paragraph.

(1) For this purpose, "municipality" means "municipality" or "firefighting corporation," as applicable.

(2) If the fire department is operated by more than one municipality under a joint powers agreement:

(i) any consent by the municipality under this paragraph requires consent by each municipality that is party to the joint powers agreement;

(ii) any payment of surplus to the municipality under this paragraph requires a payment of a pro rata share of surplus to each municipality that is party to the joint powers agreement; and

(iii) any restrictions on the use of surplus applies to each municipality that is party to the joint powers agreement.

(3) Under the participant and municipality sharing method:

(i) first, the municipality will receive a share of the surplus based on the ratio of the municipal contributions made to the defined benefit relief association over a specified period of years to the total of fire state aid paid and municipal contributions made to the defined benefit relief association over the same period; and

(ii) second, any remaining surplus will be allocated to accounts of participants using the per capita or service-based method.

(4) The board of trustees may impose conditions on the use of the surplus by the municipality, as follows:

(i) all or a specified portion of the surplus must be contributed back to the defined contribution relief association over a specified number of future years for allocation to the accounts of participants eligible for an allocation;

(ii) all or a specified portion of the surplus must be used by the municipality for the purposes described in section 424A.08, paragraph (a) or (b); or

(iii) all or a specified portion of the surplus must be used by the municipality to provide health insurance or other welfare benefits for the participants.

(c) The board of trustees shall specify whether the surplus will be allocated only to participants who are members active as of the conversion effective date or whether the surplus will be allocated to all participants, including members who are not active as of the conversion effective date.

Subd. 7. **Conversion without surplus.** If the relief association does not have a surplus as of the end of the relief association's most recent fiscal year before the conversion effective date, the board of trustees shall:

(1) obtain the consent of the municipality, of each municipality, if more than one municipality operates the fire department pursuant to a joint powers agreement, or of the firefighting corporation to the conversion and bylaws amendments under subdivision 2; and

(2) either:

(i) include with the resolutions of the board of trustees under subdivision 2 a resolution amending the relief association bylaws to decrease the lump-sum or monthly pension benefit level as necessary to reduce benefit liabilities until plan assets are sufficient to fund all benefit liabilities, taking into account full vesting under subdivision 2 and the payment of administrative expenses arising from the conversion; or

(ii) enter into an agreement with the municipality, each municipality if more than one municipality operates the fire department pursuant to a joint powers agreement, or the firefighting corporation, as applicable, that requires the municipality, municipalities, or firefighting corporation, as applicable, to make a contribution in an amount sufficient to cover all benefit liabilities at the current benefit level, taking into account full vesting under subdivision 2 and the payment of administrative expenses arising from the conversion.

Subd. 8. **Notice to participants.** The board of trustees shall provide notice to all participants at least 90 days before the conversion effective date. The notice shall include:

(1) an explanation that the plan is converting from a defined benefit plan to a defined contribution plan and provide definitions for those terms, the reasons for the conversion, the conversion effective date, and the procedure to be followed, including fully vesting all participants;

(2) a summary of the terms of the newly adopted defined contribution plan;

(3) information about any increase in the benefit level and whether the increase applies to all participants or only active members;

(4) a section tailored to each participant that provides an estimate of the present value of the participant's fully vested accrued benefit and the calculation that resulted in that value;

(5) an estimate of any anticipated surplus and an explanation of the disposition of the surplus, including, as applicable, a description of the method for allocating the surplus among participants' accounts and whether the municipality, each municipality, if more than one municipality operates the fire department pursuant to a joint powers agreement, or firefighting corporation will receive any of the surplus and any conditions on its use; and

(6) contact information for one or more members of the board of trustees who will answer questions and provide a copy of the new defined contribution plan document or a summary, if requested, or directions to a website for viewing and printing the plan document or summary.

Subd. 9. **Notice to municipality and state auditor.** The relief association shall provide notice to the municipality, each municipality, if more than one municipality operates the fire department pursuant to a joint powers agreement, or firefighting corporation affiliated with the relief association and the state auditor at the same time as the notice required under subdivision 8. The notice must include the information required under subdivision 8, except that the individualized information will be provided as a spreadsheet listing the name of each participant and the corresponding accrued benefit amount.

Subd. 10. **Implementation.** (a) A record-keeping account shall be established for each participant under the defined contribution plan to which is recorded the value of the participant's fully vested accrued benefit as determined as of the conversion effective date and the amount of any surplus allocated to the participant's account.

(b) In no event may the value of a participant's account in the defined contribution plan be less as of the day following the conversion effective date than the present value of the participant's accrued benefit as of the day before the conversion effective date.

History: *2020 c 108 art 15 s 13; 2021 c 22 art 10 s 18-24,35; 2022 c 65 art 4 s 23; art 9 s 20,21; 2024 c 102 art 8 s 15*

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 3703

02/25/2026 Authored by Nadeau; O'Driscoll; Johnson, P.; Lillie and Perryman
The bill was read for the first time and referred to the Committee on State Government Finance and Policy

A bill for an act

relating to retirement; modifying process for firefighter relief associations to terminate retirement plan; amending Minnesota Statutes 2024, section 424B.22, subdivisions 5, 7, 8, 9.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2024, section 424B.22, subdivision 5, is amended to read:

Subd. 5. **Determination of assets and liabilities.** (a) The board of trustees ~~shall~~ must determine the following as of the date of termination of the retirement plan:

(1) the fair market value of the assets of the special fund;

(2) ~~the present value of~~ each participant's accrued benefit, taking into account full vesting under subdivision 3 and any increased lump-sum or monthly benefit level approved under subdivision 4;

(3) ~~the present value of~~ any benefit remaining to be paid to ~~each~~ any retiree in pay status~~,~~ ~~if any~~ and to any other benefit recipient; and

(4) administrative expenses incurred or reasonably anticipated to be incurred through the date on which all retirement benefits have been distributed or transferred or, if later, the effective date of the dissolution of the relief association.

(b) The board of trustees ~~shall~~ must compile a schedule that includes the following information:

(1) the name of each participant, including each retiree in pay status, to whom ~~a~~ an accrued benefit ~~or pension~~ is or will be owed;

(2) the name of each other benefit recipient to whom a benefit ~~or pension~~ is or will be owed; and

(3) for each individual described in clauses (1) and (2), the amount of the benefit ~~or pension~~ to which the individual is entitled under the bylaws of the relief association, taking into account the changes required or permitted by this section~~,~~ and the corresponding number of years of service on which the benefit ~~or pension~~ is based~~, and the earliest date on which the benefit or pension would have been payable under the bylaws of the relief association~~.

(c) If the relief association is dissolving, in addition to the determination under paragraph (a) for the retirement plan, the board of trustees ~~shall~~ must determine, as of the effective date of the dissolution of the relief association, the legal obligations of the general fund of the relief association.

Sec. 2. Minnesota Statutes 2024, section 424B.22, subdivision 7, is amended to read:

Subd. 7. **Allocation of surplus.** (a) If the retirement plan is a defined benefit plan and if, after completing the determination of assets, liabilities, and administrative expenses under subdivision 5, ~~there is~~ the retirement plan's assets exceed liabilities and administrative expenses, resulting in a surplus, the board of trustees ~~shall~~ must transfer to the affiliated municipality the lesser of (1) the amount of the surplus, or (2) the sum of all required contributions, without investment earnings or interest thereon, made by the municipality to the relief association during the year in which the termination of the retirement plan occurs or during the preceding nine years.

(b) If the affiliated municipality did not make any required contributions to the relief association during the current or preceding nine years or if, after the transfer described in paragraph (a), there is surplus remaining, the relief association and the municipality will mutually agree on an allocation between them of the remaining surplus.

(c) If, within 180 days ~~of~~ after the date of termination of the retirement plan, the municipality and relief association have not reached an agreement on the allocation of the surplus under paragraph (b), then 50 percent of the surplus ~~shall~~ must be retained by the relief association and 50 percent of the surplus ~~shall~~ must be transferred to the affiliated municipality.

(d) Any surplus retained by the relief association under paragraph (c) ~~shall~~ must be allocated among all participants eligible to share in the surplus under paragraph (e) in the same proportion that the ~~present value of the~~ accrued benefit for each eligible participant bears to the total ~~present value of the~~ accrued benefits of all participants eligible to share in the surplus, and each eligible participant's accrued benefit, as determined under subdivision 5, paragraph (a), clause (2), ~~shall~~ must be increased by the participant's share of the surplus. If a participant is receiving or has elected to receive a monthly pension, the participant's accrued benefit for the purpose of allocating surplus is the lump sum present value of the monthly pension benefit to which the participant is entitled to receive.

(e) The board of trustees ~~shall~~ must determine eligibility to share in the surplus, which may include all participants and any former participants who, within the last three years or such other number of years as determined by the board of trustees, separated from active service and received their retirement benefit. If the board of trustees decides to include former participants in the allocation of the surplus, the board of trustees ~~shall~~ must modify the method for allocating the surplus to take into account the former participants.

~~(e)~~ (f) Any amount of surplus transferred to the affiliated municipality under this subdivision may only be used for the purposes described in section 424A.08, paragraph (a) or (b).

Sec. 3. Minnesota Statutes 2024, section 424B.22, subdivision 8, is amended to read:

Subd. 8. **Immediate distribution of retirement benefits and payment of all other obligations.** (a) The board of trustees ~~shall~~ must liquidate the assets of the special fund and pay retirement benefits and administrative expenses under the retirement plan within 210 days after the effective date of the termination of the retirement plan.

(b) If the retirement plan is a defined benefit plan that pays lump-sum benefits or a defined contribution plan, without regard to whether the participant has attained age 50, the board of trustees must offer each participant and other benefit recipient ~~shall be permitted~~ the option to elect an immediate distribution or a direct rollover of the ~~participant's~~ benefit to an eligible retirement plan as permitted under section 356.633, subdivisions 1 and 2, if the benefit is an eligible rollover distribution as defined in section 356.633, subdivision 1, paragraph (d).

(c) If the retirement plan is a defined benefit plan that pays monthly pension benefits, the board of trustees ~~shall~~ must, at the election of the participant or other benefit recipient, purchase an annuity contract under section 424A.015, subdivision 3, naming the participant or other benefit recipient, as applicable, as the insured or distribute a lump-sum amount that is equal to the present value of the monthly pension benefits to which the participant or other benefit recipient is entitled. If an annuity is elected by the participant or other benefit recipient, the annuity ~~shall~~ must provide for commencement at a date elected by the insured, to be paid as an annuity for the life of the insured. The board of trustees must transfer legal title to the annuity contract ~~shall be transferred~~ to the insured. If the participant or other benefit recipient elects a lump sum ~~is elected~~ amount, the board of trustees must offer the participant or other benefit recipient the option under paragraph (b) to take an immediate distribution or a direct rollover ~~shall apply~~.

(d) The board of trustees ~~shall~~ must complete the distribution of all assets of the special fund by making any remaining distributions or transfers as required under subdivision 9 on behalf of participants or other benefit recipients who cannot be located or are ~~unresponsive~~ nonresponsive and paying any remaining administrative expenses related to the termination of the plan.

Sec. 4. Minnesota Statutes 2024, section 424B.22, subdivision 9, is amended to read:

Subd. 9. **Missing or nonresponsive participants.** ~~(a) For purposes of this subdivision, the terms defined in this subdivision have the meanings given them.~~

~~(b) "Retirement benefit" means:~~

~~(1) the participant's account balance if the retirement plan is a defined contribution plan;~~

~~(2) the participant's lump-sum benefit if the retirement plan is a defined benefit plan that pays a lump sum; or~~

~~(3) an amount equal to the present value of the participant's benefit if the retirement plan is a defined benefit plan that pays a monthly annuity.~~

~~(c) "Individual retirement account" means an account that satisfies the requirements of section 408(a) of the Internal Revenue Code which is established by an officer of the relief association in the name of the participant or other benefit recipient at a federally insured financial institution.~~

~~(d)~~ (a) If the board of trustees cannot locate a participant or other benefit recipient, the board of trustees ~~shall~~ must make a diligent effort to obtain a current address or other contact information as follows:

(1) send a notice to the address on file for the participant or other benefit recipient using certified mail;

(2) check with the Minnesota State Fire Department Association, the municipality, and any other employer of the participant;

(3) check with the participant's designated beneficiary on file with the relief association; and

(4) use one or more of the Internet search tools that are free of charge.

~~(e) the board of trustees shall~~ (b) The board of trustees must dispose of the retirement benefit of a participant or other benefit recipient under clause (1) or (2) if the board of trustees is unable to locate the participant or other benefit recipient after taking the actions described in paragraph (a) or the participant or other benefit recipient does not make an election of a distribution or direct rollover under subdivision 8, paragraph (b), or an annuity or lump sum distribution or direct rollover under subdivision 8, paragraph (c). The board of trustees must:

(1) transfer the retirement benefit to an individual retirement account that satisfies the requirements of section 408(a) of the Internal Revenue Code and is established by an officer of the relief association in the name of the participant or other benefit recipient at a federally insured financial institution; or

(2) consider the retirement benefit abandoned and deposit funds in the amount of the retirement benefit with the commissioner of commerce under chapter 345, notwithstanding any laws to the contrary, including section 345.381~~, if the board of trustees is unable to locate the participant or other benefit recipient after taking the actions described in paragraph (d) or the participant or other benefit recipient does not elect to receive or rollover a retirement benefit to which the participant or other benefit recipient is entitled~~.

(c) For the purpose of this subdivision, a retirement benefit that is a monthly pension or annuity may be disposed of under paragraph (b) by converting the monthly pension or annuity to a lump sum that is equal to the present value of the monthly pension or annuity to which the participant or other benefit recipient is entitled.

Sec. 5. **EFFECTIVE DATE.**

Sections 1 to 4 are effective the day following final enactment.

SF 3897 (Gustafson); HF 3703 (Nadeau): Firefighter Relief Associations; Modifying the procedures for terminating a retirement plan

Prepared by: Susan Lenczewski, Executive Director *Date: March 2, 2026*

Introduction

Affected Plans: Retirement plans administered by firefighter relief associations

Laws Amended: Minnesota Statutes, section 424B.22, subdivisions 5, 7, 8, and 9

Brief Description: Modifies the procedures for terminating a retirement plan administered by a firefighter relief association

Background

Most of the firefighter relief associations affiliated with cities and towns across the state exist to provide retirement benefits to volunteer and paid on-call firefighters. As explained by the Office of the State Auditor:

> A fire relief association is a governmental entity that also is a nonprofit organization, that receives and manages public money to provide retirement benefits for individuals providing the governmental services of firefighting and emergency first response. The relief association is a separate entity from the affiliated fire department and is governed by its own board of trustees.

Relief associations are governed by Chapters 424A and 424B and are lightly regulated, with some oversight provided by the State Auditor's office.

Retirement plan termination process. If a relief association wants to terminate the retirement plan it administers, the relief association must follow the procedures set forth in Minnesota Statutes, section 424B.22, titled "Relief association dissolution and retirement plan termination." A relief association may want to terminate its retirement plan if the fire department with which it is affiliated wants to merge with another fire department. This appears to be happening more frequently in recent years, so this statute is getting a closer review.

Section 422B.22 requires the board of trustees of a relief association to follow these procedures to terminate its retirement plan:

1. fully vest (to 100% vested) the retirement benefits of all members, to the extent accrued and funded to the plan termination date;
2. if the plan has assets in excess of liabilities (i.e., a "surplus"), consider whether to increase retirement benefits by increasing the benefit level to absorb the surplus;
3. calculate the assets and liabilities of the plan by determining the "present value" of retirement benefits and compile a schedule of firefighters and benefit amounts;
4. invest plan assets in low-risk investments to minimize the risk of investment losses while the plan termination is in process;
5. allocate the surplus by first repaying the municipality for any required contributions made in the last ten years and then allocate any remaining surplus among the firefighters in the same proportion that the present value of the benefit for each firefighter bears to the present value of all firefighter benefits;
6. distribute all retirement benefits plus any surplus in a direct payment to each firefighter or, if elected by the firefighter, in a direct rollover to a firefighter's IRA or other retirement plan account; and
7. deal with the retirement benefits of firefighters who cannot be found or do not respond to requests from the relief association.

The Centennial Fire Relief Association. The Centennial Fire District Relief Association (Centennial Relief Association) is in the process of winding down as a result of the Centennial Fire District's partnership with the Spring Lake Park/Blaine/ Mounds View Fire Department. In working through the plan termination requirements, the Centennial Relief Association discovered the requirement that retirement benefits be actuarially adjusted to "present value." This caused concern among the board of trustees and the firefighters because of the unexpected impact on the retirement benefits to be paid to firefighters who had not yet reached age 50, the plan's normal retirement age. Calculating "present value" also meant that the Centennial Relief Association would need to engage an actuary or other professional to run these calculations.

In a defined benefit relief association, such as the Centennial Relief Association, each firefighter's retirement benefit is equal to the retirement plan's "benefit level" multiplied by the firefighter's years of service. The benefit level is a dollar amount specified in a relief association's bylaws. For example, if the benefit level is $7,500 and a firefighter has 10 years of service, the firefighter's retirement benefit is a lump sum of $75,000. State law requires distribution of retirement benefits no earlier than age 50, after the firefighter has left active service.

However, when a relief association terminates its retirement plan, the board of trustees must distribute retirement benefits shortly after the termination date, as noted in step #6, above, regardless of whether the firefighter has reached age 50 or is younger than age 50. If a firefighter is younger than age 50, the statute requires the firefighter's accrued benefit (i.e., the product of years of service times the benefit level) to be reduced to its present value. This present value calculation is required by step #3, above, to determine each firefighter's retirement benefit and is used in step #5, above, to allocate surplus among the firefighters. The theory behind this present value calculation is that a benefit payable at age 50 is worth less in today's dollars, taking into account inflation and investment earnings. Present value answers the question: "How much money is needed today to have the determined benefit amount at age 50?"

The impact of discounting an amount payable at age 50 to present value was calculated in a similar situation involving the termination of a fire department from the PERA Statewide Volunteer Firefighter Plan. In that case, the fire department's benefit level is $4,300. The retirement benefit of a firefighter who is 43 years old with 16 years of service was initially calculated as 16 X $4,300 or $68,800. Since the firefighter is not yet age 50, the present value of his benefit is $46,000, a reduction of $22,800 (from $68,800 to the present value of $46,000).

In the case of the Centennial Relief Association, the need to calculate present value came as a surprise to firefighters. What made this even more troubling is the corresponding allocation of surplus, which is required to be allocated on the basis of the present value of each firefighter's benefit. This means that the retirement benefits for firefighters younger than age 50, already reduced by the present value calculation, will also receive a proportionately smaller allocation of the surplus, while retirement benefits for firefighters at or older than age 50 are not reduced by the present value calculation and accordingly receive a larger allocation of the surplus.

Federal law requirements. Actuarial best practice and actuarial standards would require that a benefit payable at age 50 that is paid at an earlier age be discounted to present value if the goal is to pay a benefit that is actuarially equivalent to the age 50 benefit. Actuarial standards, however, are not legal requirements. If federal law does not require that accrued benefits be discounted to present value, state law can be amended to eliminate such a requirement.

Based on our research, we concluded that federal law does not dictate that governmental plans, which include relief association retirement plans, comply with actuarial standards. LCPR staff researched this question and the following issues:

- whether there is any federal law or regulation that would require the present value calculation when distributing benefits on plan termination or in allocating surplus in the case of a governmental plan; and

- whether federal law would conflict with a state law that provides more economic value to different categories of employees, such as where younger firefighters are paid a retirement benefit of greater economic value than the retirement benefit paid to firefighters aged 50 or older.

We determined that governmental plans need not discount accrued benefits to their actuarial equivalent present value, upon plan termination, since these plans are not subject to so-called anti-cutback requirements that limit plan amendments that might be viewed as reducing accrued benefits and are not subject to most requirements as to how accrued benefits must be calculated. We were not able to find anything in federal law that directs how governmental plans must allocate surplus assets upon plan termination. We concluded that applicable federal law does not require recalculating retirement benefits to determine their present value either in distributing those benefits on plan termination or in allocating surplus assets.

Section- by- Section Summary

Section 1 revises section 424B.22, subdivision 5, as follows:

- Lines 1.10 and 1.13: references to "present value" are deleted. When the board of trustees determines each firefighter's benefit, the board will not be required to determine the present value of the benefits. ***The language in subdivision 5, as revised by the bill, will require the board of trustees to determine "each participant's accrued benefit." This will allow the board to calculate the present value of each accrued benefit, if it determines that is the appropriate method for calculating accrued benefits, but does not require that the present value of each accrued benefit be calculated and used in determining the accrued benefit of each firefighter.***

- Line 2.6 and 2.7: the requirement that the board of trustees take into account the earliest date the retirement benefit would have been payable is deleted. This eliminates the need to report on information that is needed only to compute present value and is not relevant if firefighters will be paid a benefit that is simply benefit level times years of service.

- Changes in other lines clean up language and remove duplicative references to "pension," since "accrued benefit" or "benefit" encompasses "pensions."

Section 2 revises section 424B.22, subdivision 7, as follows:

- Lines 2.15 and 2.16: language that defines "surplus" is inserted.

- Lines 2.32 and 2.33: references to "present value" in the provision describing how surplus is to be allocated are deleted. Any surplus will be allocated in the ratio of each firefighter's accrued benefit to the total of all firefighters' accrued benefit. ***As noted above in the emphasized text, this language as revised will still allow allocation on the basis of present value, but will not require it.***

- Lines 3.3 to 3.5: a sentence is added to address how a relief association should handle allocating surplus when the retirement benefit is a monthly pension or annuity. Relief associations have the option to provide in their bylaws how benefits will be distributed: in a lump sum, in a monthly pension, or in either method, at the election of the member. Since the allocation of surplus is based on lump sum values, the new sentence states that when the relief association pays monthly pensions, surplus is to be allocated based on the lump sum present value of the monthly pension.

Section 3 revises section 424B.22, subdivision 8, as follows:

- Lines 4.1 to 4.4: clarify the requirement that the board of trustees must offer to pay lump sums either in a direct payment or as a direct rollover.

- Changes in other lines are to correct grammar or clarify language.

Section 4 revises section 424B.22, subdivision 9, as follows:

- Lines 4.11 to 4.22: delete unnecessary definitions for “retirement benefit” and “individual retirement account.”

- Lines 5.2 to 5.18: rewrites the paragraph to take into account “nonresponsive” participants in addition to missing participants. Upon plan termination, all assets must be distributed. If a firefighter cannot be located or will not respond to requests to elect a direct payment or rollover or, in the case of monthly pensions, a lump sum or annuity, this paragraph directs the board of trustees to either transfer the benefit to an IRA in the name of the participant or to escheat the benefit to the state.

- Lines 5.19 to 5.22: provides guidance on how to handle a monthly pension when a participant is missing or nonresponsive.

Section 5 is the effective date. The bill is effective the day following final enactment.

Exhibit E
Fire State Aid Penalty and Forfeiture Amounts

Meeting Date: September 17, 2026

Reductions in Fire State Aid:

Statute requires that a 10% penalty be deducted from fire state aid for each week or fraction of a week that a community's certification to the Department of Revenue is filed late. See Section 477B.02, subd. 10. Similarly, a fire relief association forfeits eligibility for its fire state aid if required reports are not filed with the Office of the State Auditor by November 30. See Section 424A.014, subd. 3.

Below are penalty and forfeiture amounts for the most recent 10-year period, and the amount of fire state aid distributed after the reductions. Note that supplemental state aid and supplemental benefit reimbursements are not included in the fire state aid totals.

Year	Reductions for Late or Non-filing with DOR	Forfeitures for Non-filing with OSA	Total Fire State Aid After Reductions
2025	225,199.71	0	41,111,316.12
2024	99,005.72	0	48,199,690.07
2023	26,466.85	0	41,751,215.30
2022	77,646.13	0	36,931,133.45
2021	27,785.57	19,351.29	34,191,472.10
2020	31,264.67	0	32,500,360.57
2019	41,290.98	23,460.13	30,444,955.41
2018	17,482.58	6,589.52	29,572,433.67
2017	44,540.04	22,006.96	28,741,060.87
2016	15,488.72	6,680.46	28,651,274.52

Exhibit F
Certifying Unpaid Required Contributions

Office of the State Auditor

Meeting Date: September 17, 2026

Topic:

Relief associations with a defined benefit plan are required to certify annually, on or before August 1, the financial requirements of the special fund and the minimum obligation of the municipality. If the municipality is required to make a contribution to the relief association during the upcoming calendar year, the municipality must provide for at least the amount of the minimum obligation by tax levy or from any other source of public funds.

If the municipality doesn't include the full amount of the minimum obligation in its levy, the relief association officers are required to certify the amount not included in the levy to the county auditor, who must spread a levy in the amount of the certified minimum municipal obligation on the taxable property of the municipality.

The mechanism that triggers a county levy is the municipality's failure to include in its levy the full required contribution. It seems that the triggering mechanism should instead be the municipality's failure to pay its required municipal contribution, not whether it budgeted to do so in its previous year's levy process.

Statute:

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 annually with the state auditor by June 30.

(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.

Note: This same language is included in Section [424A.093, subd. 5], which applies to relief associations that offer or pay monthly retirement benefits.

Optional Change:

The Working Group could consider striking paragraph (e) and revising paragraph (c) so it reads as follows:

(c) The municipality ~~shall provide for~~ <u>must pay to the relief association</u> 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. <u>If the municipality fails to pay the required minimum obligation to the relief association in a plan year, the officers of the relief association must certify the unpaid amount to the county auditor, who must spread a levy in the certified amount of the unpaid obligation on the taxable property of the municipality.</u>

Exhibit G
Return to Service Bylaw Requirement

Meeting Date: September 17, 2026

Topic:

Last year, the Fire Relief Association Working Group undertook a complete review and rewrite of the provisions governing service credit and benefits for firefighters who resume active fire department service and relief association membership after a break in service. The changes were included in the 2026 Omnibus Pension and Retirement Bill passed into law in May.

While preparing the legislative proposal last year, a question arose about whether resumption of relief association membership should be automatic when a firefighter returns to active service with the associated fire department. Currently, a firefighter may resume membership after a break in service "if permitted in the bylaws of the relief association." Because making a change so resumption of membership is automatic would be a substantive change and not something discussed by the Working Group, no change to the bylaw requirement was included in last year's rewrite.

An excerpt from the new "return to service" section is provided below that shows the current bylaw requirement. The question for the Working Group is whether the text highlighted below should be removed, so firefighters who return to active firefighting with the fire department would automatically resume active membership in the relief association without the bylaws needing to expressly permit their resumption of membership.

Statute:

424A.012 RETURN TO ACTIVE FIREFIGHTING SERVICE.

Subdivision 1. **Return to active firefighting without prior receipt of pension or benefit.** (a) This subdivision governs the service pension calculation requirements of a firefighter who returns to active service after a break in service and who has not previously been paid a service pension or disability benefit from the relief association. This subdivision applies to all breaks in service, except that the resumption service requirements of this subdivision do not apply to leaves of absence made available by federal or state statute.

(b) If a firefighter who has a break in service of any duration resumes performing active firefighting with the fire department associated with the relief association and if permitted in the bylaws of the relief association, the firefighter may again become an active member of the relief association, subject to the requirements of this subdivision and the service pension calculation requirements under this section.