Office of the State Auditor

Agenda
Fire Relief Association Working Group

Meeting Date: August 20, 2026

I. Call to Order

Chair State Auditor Blaha

II. Introduction

III. Review and Approval of Working Group Meeting Minutes

Exhibit A. Draft September 30, 2025, Meeting Minutes

IV. Working Group Process Discussion

Exhibits B through E.

- Working Group Purpose Statement (B)
- Working Group Process (C)
- Working Group Membership List (D)
- Respectful Workplace Policy (E)

V. Legislative Review

Exhibit F.

VI. Discussion of Working Group Topic Suggestions

Exhibit G.

VII. Review of Plan Conversion "Present Value" Language

Exhibits H through J.

- Plan Conversion Statute (H)
- Plan Dissolution Bill (HF 3703) (I)
- LCPR Staff Summary (J)

VIII. Review of Fire State Aid Penalty and Forfeiture Amounts

Exhibit K.

IX. Discussion of Certifying Unpaid Required Contributions

Exhibit L.

X. 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

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 August 18, 2026.

Meeting Date: August 20, 2026

Members Present

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

Members Excused

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

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
Aleena Wilson, Legislative Commission on Pensions and Retirement Analyst
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 Office of the State Auditor (OSA) YouTube channel. The meeting agenda was adopted unanimously.

II. Review and Approval of Working Group Meeting Minutes

Working Group members reviewed the September 16, 2025, meeting minutes that had been provided in advance. The meeting minutes were adopted unanimously.

III. Discussion of Draft Return to Service Clarifications

Working Group members reviewed draft language clarifying the return to service provisions and flow chart examples. Hennessy Allen explained that the subdivision governing service pension calculation requirements for firefighters who return to active fire department service and relief association membership following a break in service is complex and requires technical corrections identified by Office of the State Auditor staff. Members suggested splitting the subdivisions into two separate subdivisions, one for firefighters who return to active service after a break in service, and one for firefighters who return after being paid a retirement benefit. There was discussion of differences between a “break in service” and “leave of absence.” It was agreed to split the return to service changes into separate subdivisions and circulate the final draft by email. A motion was made to split the return to service provisions into two subdivisions, incorporate the technical changes identified by OSA staff, and circulate a final draft to Working Group members for review. The motion was adopted unanimously.

IV. Discussion of Firefighter and Service Definitions

Working Group members reviewed draft changes to the definitions of “firefighting service,” “separate from active service,” “break in service,” and “firefighter.” The changes were made to include fire prevention personnel and volunteer emergency medical personnel and their service. Working Group members had no edits and adopted the changes unanimously, with an effective date of January 1, 2027.

V. Discussion of Combined Service Pensions

Hennessy Allen shared that during the September 16 meeting, Working Group members considered whether clarification is needed regarding the accrual of combined service if a firefighter is an active member of two different relief associations at the same time. There doesn’t seem to be interest among fire relief associations in providing combined service pensions for firefighters with concurrent service and authorizing combined service in these scenarios would add additional complexity to retirement benefit calculations. OSA staff recommend that no changes be pursued at this time to authorize combined service pensions for firefighters with concurrent service. Working Group agreed to pursue no change at this time.

VI. Review of Previously Approved Changes

Working Group members reviewed draft language that was approved during prior meetings. The changes would: increase the audit threshold to $1,000,000, allow relief associations that drop below the threshold to have an agreed-upon procedures engagement performed instead of requiring a full financial audit, provide a one-year grace period before audits become required when a relief association exceeds the threshold, update the list of authorized special fund disbursements to include annuities when replacing a monthly benefit service pension, and delete the outdated term “interest” from the defined contribution plan deferred member section. The changes were adopted unanimously.

VII. Other Business

Working Group members approved unanimously a motion authorizing OSA staff to work with LCPR and Revisor staff to make any technical changes identified as the bill is put together.

Auditor Blaha thanked the Working Group members, OSA staff, 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.

VIII. Adjournment

The meeting was adjourned at 2:45 p.m.

Exhibit B
Working Group Purpose Statement

Meeting Date: August 20, 2026

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.

Office of the State Auditor

Exhibit C
Working Group Process

Meeting Date: August 20, 2026

Process:

- Identify and discuss topics and make recommendations to clarify state laws.
- Forward suggested statutory changes to the Legislative Commission on Pensions and Retirement.
- Identify ways to simplify reporting forms, identify training needs and other issues.
- Unanimous consent is required for all legislative proposals to move forward.

Exhibit D
Working Group Membership List

Meeting Date: August 20, 2026

Name and Title	Representing	Contact Information
Thomas Wilson, Secretary Eden Prairie Fire Relief Association	Defined Benefit Monthly/Lump Combination Plans	tomwilson52@hotmail.com
Karl Mork, Treasurer Bemidji Fire Relief Association	Defined Benefit Lump Sum Plans	karl.mork@bgcbemidji.org
Darrell Pettis, Treasurer St. Peter Fire Relief Association	Defined Benefit Lump Sum Plans	dbpettis@hickorytech.net
David Paul, Chief and Trustee Lake Crystal Fire Department	Defined Benefit Lump Sum Plans	dgpaul@gmail.com
Mike Dahl, Vice President Excelsior Fire Relief Association	Defined Benefit Lump Plans	prmllc@comcast.net
Aaron Johnston, Treasurer Coon Rapids Fire Relief Association	Defined Contribution Plans	ajohnston@coonrapidsmn.gov
Michael Walstien, Member Plymouth Fire Relief Association	Defined Contribution Plans	walstien@gmail.com
Darin Nelson, Finance Director City of Minnetonka	Municipal Representative	dnelson@minnetonkamn.gov
Tom Lawell, Administrator City of Apple Valley	Municipal Representative	tom.lawell@applevalleymn.gov
Jason Fife, Member Stewartville Fire Relief Association	Minnesota State Fire Department Association Representative	jfife@rochestermn.gov
Dan Johnson, Chief Mendota Heights Fire Department	Minnesota State Fire Chiefs Association	djohnson@mendotaheightsmn.gov
Mikal Knotek, Secretary St. Michael Fire Relief Association	Defined Benefit Lump Sum Plans	mjknotek@gmail.com

Jon Dahlke, Treasurer Glencoe Fire Relief Association	Defined Benefit Monthly/Lump Combination Plans	jond@security-banks.com
State Auditor Julie Blaha		state.auditor@osa.state.mn.us

Office of the State Auditor and Legislative Support

Legislative Commission on Pensions & Retirement

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

Aleena Wilson, Analyst
aleena.wilson@lcpr.mn.gov

Office of the State Auditor

Ramona Advani, General Counsel and Deputy State Auditor
ramona.advani@osa.state.mn.us

Rose Hennessy Allen, Pension Director
rose.hennessy-allen@osa.state.mn.us

HR/LR Policy #1432

Respectful Workplace

Date Issued: 4/10/2015
Date Revised: 8/14/2023
Authority: Enterprise Employee Resources

OVERVIEW

Objective

To build and maintain a workplace that is respectful toward all employees, volunteers, contractors, and other persons visiting the workplace and public service environment.

Policy Statement

The State of Minnesota is committed to providing a positive environment in which all staff, members of the public and others doing business with the state are treated with respect.

Scope

This policy applies to all employees in the executive branch of state government (as defined in M.S. 43A.02, subds. 2 & 22), including Minnesota State Retirement System, Public Employees Retirement Association, and Teachers Retirement Association.

Definitions and Key Terms

Gendered personal references

A third-person term by which a person wishes to be referred to in order to indicate their gender identity, which includes, but is not limited to pronouns (e.g., she, her, hers, he, him, his, they, them, their,) titles (e.g., Mrs., Mr., Ms.,) and other terms indicating a person's gender identity.

Public service environment

A location that is not the workplace where public service is being provided.

Respect

Behavior or communication that demonstrates positive consideration, adherence to agency policies, and treats individuals in a manner that a reasonable person would find appropriate.

Third parties

Volunteers, contractors, customers and other non-employees in the workplace or public service environment.

Exclusions

This policy solely addresses communications and behavior that do not involve protected class status or sexual harassment. Communications and behavior that involve protected class status and sexual harassment are addressed in HR/LR Policy #1436 Harassment and Discrimination Prohibited and HR/LR Policy #1329 Sexual Harassment Prohibited.

GENERAL STANDARDS AND EXPECTATIONS

The State of Minnesota is committed to providing a respectful workplace and public service environment for employees and third parties. Respect for one another is fundamental to working in an effective, efficient and innovative manner. Disrespectful communications and behavior can disrupt the proper functioning of work units. Therefore, it is the intent of the State of Minnesota to ensure a respectful workplace and public service environment free of disrespectful communications or behavior and provide effective and non-retaliatory problem-solving processes that address concerns regarding respectful or professional communications or behavior.

I. Responsibilities

Employees and third parties are expected to:

- Conduct themselves in a manner that demonstrates respect for others in the workplace and public service environment.
- Use informal means to address issues with the individual(s) involved whenever possible.
- Participate fully and in good faith in any informal resolution process or formal complaint and investigative process for which they may have relevant information.
- Report incidents that may violate this policy in accordance with processes identified by the agency.

In addition to their responsibilities as employees as described above, agency heads, managers and supervisors are also expected to:

- Inform their employees and third parties for whom they are responsible of the expectations outlined in this policy.
- Achieve and maintain compliance with this policy.
- Take timely and appropriate action when a complaint is made alleging violation of this policy.

Failure to comply with this policy and its procedures may result in disciplinary action, up to and including discharge, or ending a contractor or volunteer relationship with the agency.

II. Retaliation Prohibited

Retaliation is prohibited against any employee or third party who:

- Initiates a complaint.
- Reports an incident that may violate this policy.
- Participates in an investigation related to a complaint.
- Is associated or perceived to be associated with a person who initiates a complaint or participates in the investigation of a complaint under this policy.

III. Respectful Behavior

Context is important in understanding the difference between respectful behavior and disrespectful behavior. Individuals may experience stress or discomfort in the workplace that is not related to disrespectful behavior. For example, disrespectful behavior does not include:

- The normal exercise of supervisory or managerial responsibilities, including, but not limited to performance reviews, work direction, performance management, and disciplinary action provided they are conducted in a respectful, professional manner.
- Disagreements, misunderstandings, miscommunication, or conflict situations where the behavior remains respectful.

Disrespectful behavior may or may not be intentional. Unintentionally disrespectful behavior may still violate this policy. Examples of *disrespectful behavior* include but are not limited to:

- Exhibiting aggressive behaviors including shouting, abusive language, threats of violence, the use of obscenities or other non-verbal expressions of aggression.
- Behavior that a reasonable person would find to be demeaning, humiliating, or bullying.
- Unwelcome touching or comments about a person's hair, body, clothing, or personal effects.
- Repeatedly misgendering a person, including using gendered personal references that do not align with another person's identity.
- Repeatedly or deliberately mispronouncing a person's name, including use of an unwelcome nickname, or shortening a name without permission.
- Repeatedly or deliberately using a name other than a person's chosen name, except as legally required or for business necessity.
- Microaggressions, which may have the appearance of being harmless. Microaggressions include comments, behavior, or other interactions that intentionally or unintentionally communicate hostility or bias toward a person who might identify as being a member of a marginalized group or nonmainstream community. Comments, behavior, or other interactions are often rooted in a bias towards a certain group.
- Deliberately destroying, damaging, or obstructing someone's work performance, work product, tools, or materials.
- Use of this policy and procedure to make knowingly false complaint(s).

IV. Procedures

As with all allegations of misconduct, informal resolution and formal investigatory processes related to this policy will be conducted in a timely, fair, and objective manner.

Individuals are encouraged to informally resolve concerns whenever possible. In addition to the options provided in this policy and those identified within the agency, the involved parties and the agency may seek mediation services or tools through the Minnesota Department of Administration's Office of Collaboration and Dispute Resolution.

a. Informal Resolution

If possible, the employee or third party who feels a violation has occurred should have a conversation with the other individual(s) involved.

Employees and third parties are encouraged to speak with their supervisor, agency Human Resources office, union representative, or Employee Assistance Program (EAP) representative for assistance or guidance on how to resolve the situation.

If a direct approach is not possible or does not resolve the concern, employees and third parties are encouraged to meet with their supervisor or manager to discuss next steps.

If the concern is about the supervisor or manager, parties are encouraged to contact the Human Resources office or an EAP counselor to determine options for resolution.

b. Formal Complaints

Any employee or third party may choose to initiate a formal complaint under this policy. Complaints should be submitted to the agency Human Resources office or as provided by agency procedure. If the complaint concerns a member of the Human Resources office, the complainant may contact their supervisor or manager or the Human Resources Director. If the complaint concerns an agency head, the complainant may contact Minnesota Management and Budget's Deputy Commissioner of Enterprise Employee Resources.

Complaints must contain details of the situation and the identity of the person or persons against whom the complaint is being made. A person against whom a formal complaint is made may be informed of the complaint.

- As a matter of best practice, the agency or Human Resources office receiving a complaint made pursuant to this policy is encouraged to acknowledge receipt of any complaint in writing, to the complainant, with a statement to include:
  - The date that the complaint was made.
  - A statement that the agency or Human Resources office retains the discretion to determine whether an investigation is warranted.
  - A statement that if it is determined that an investigation is warranted, all investigations will be conducted in a timely, fair, and objective manner.
  - A statement that all data associated with a complaint, including any investigation and any outcome, are government data, and that the release or non-release of data is governed by the Minnesota Government Data Practices Act (MGDPA).

Agency Human Resources and Labor Relations may contact MMB Labor Relations and Enterprise Employee Resources for guidance implementing this policy and addressing behaviors or complaints. This process does not supersede any applicable grievance or dispute resolution process under a collective bargaining agreement or plan.

RESPONSIBILITIES

Agencies are responsible for:

- Achieving and maintaining agency compliance with this policy.

MMB is responsible for:

- Maintaining this policy.

FORMS AND INSTRUCTIONS

Recommended content for an agency Complaint Form and Complaint Acknowledgment Form are included below. As a matter of best practice, agencies are encouraged to update their existing complaint forms consistent with the guidelines of this policy.

SAMPLE COMPLAINT FORM

Name:

Date:

Summary of Concerns:

Summary of any Documentation Related to Allegations (please include with complaint):

Witnesses (please describe what might they know regarding allegations.):

SAMPLE COMPLAINT ACKNOWLEDGMENT FORM

This form acknowledges receipt of a complaint made under the Respectful Workplace policy on ____ (date). Responsible authorities will review the complaint to determine whether an investigation is warranted. If an investigation proceeds, it will be conducted in a timely, fair, and objective manner.

Investigations and other actions taken in response to this complaint are subject to any applicable processes under applicable collective bargaining agreements and plans, including applicable review and/or appeal procedures.

All data associated with this complaint, including any investigation and any outcome, are government data. The release or non-release of this data is governed by the Minnesota Government Data Practices Act (MGDPA).

MMB Labor Relations and MMB Enterprise Human Resources are available to consult and offer guidance on implementation of this policy and procedure. As provided by relevant collective bargaining agreements, union representatives may also be available to assist.

CONTACTS

MMB Enterprise Employee Resources

Any appropriate authority as set forth in this policy

Exhibit F
Legislative Review (Laws 2026, Chapter 106)

Meeting Date: August 20, 2026

Enacted Working Group Proposals (Article 7):

- Raises the monetary threshold at which a relief association must have an annual audit to $1,000,000 in either special fund assets or liabilities.
- Permits relief associations that fall below the audit threshold to revert to an annual agreed-upon procedures engagement and clarifies the timing of when audits are required when a relief association exceeds the threshold.
- Amends definitions of “firefighting service,” “separate from active service,” “break in service,” and “firefighter” to correct language and clarify that the definitions include service performed by volunteer emergency medical personnel if they are members of the relief association.
- Rewrites and clarifies provisions governing service credit for firefighters who resume active fire department service after retirement or a break in service.
- Removes the obsolete term “interest” from the provision that explains how investment performance is allocated to defined contribution plan deferred members.
- Permits as an authorized special fund disbursement the purchase of an annuity that replaces a monthly benefit service pension.

Enacted Non-Working Group Proposals (Articles 7 and 12):

- Deletes references to “present value” from Section 424B.22, which sets forth the procedures a relief association must following when terminating its retirement plan and dissolving its organization, and instead requires the board of trustees to determine “each participant’s accrued benefit.”
- Allows the Maple Plain Fire Department to terminate its participation in the Statewide Volunteer Firefighter (SVF) Plan administered by PERA, transfer assets, liabilities, and records from the SVF Plan to the Maple Plain Fire Relief Association, and then terminate the retirement plan and dissolve the relief association in accordance with Minnesota law.
- Creates a Work Group on Vesting and Emergency Medical Providers in Firefighter Relief Associations and the Statewide Volunteer Firefighter Plan to recommend legislation that would: shorten the vesting schedule for relief associations to a maximum of ten years; require that relief associations include volunteer or paid on-call emergency medical providers as members on the same based as volunteer or paid on-call firefighters; and make the same changes to the PERA SVF Plan as recommended for relief associations.

Discussion:

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

Office of the State Auditor

Exhibit G
Topic Suggestions

Meeting Date: August 20, 2026

Potential Topics for Consideration:

1. Consider changes to the **fire state aid program** so that penalties or forfeitures remain in the fire state aid pool and carryover to the next year, instead of reverting to the State's general fund at the fiscal year end. Submitted by the OSA.
2. Update the relief association **plan conversion** language in Section 424B.13, to delete references to determining the "present value" of accrued benefits, as was done to the plan termination and dissolution provisions in Section 424B.22. Topic raised during LCPR meeting.
3. Consider changing when a relief association is required to certify to the county auditor unpaid required municipal contribution amounts. The county **levy triggering mechanism** in the statute is the municipality's failure to include in its levy the required municipal 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 levy process. Submitted by the OSA.
4. Review the "**return to service**" provisions and consider removing the requirement that a relief association's bylaws allow for members to resume active membership after a break in service, so that a resumption of membership is automatic when the firefighter returns to active fire department service. See the new Section 424A.012. Submitted by the OSA.
5. Allow for a trust to be maintained separately for **monthly benefit payments** if two relief associations merge and don't want to continue the monthly payments, with assets left in the trust reverting to the new combined relief association after the last monthly benefit is paid. Submitted by the Mound Fire Relief Association.
6. Review the **3% discount rate** used to determine active member liabilities and whether the rate is still appropriate. Topic raised during LCPR meeting.
7. Consider phasing out the option for deferred member amounts in **defined contribution plans** to be transferred to separate investment accounts or investment vehicles, and instead require investment returns to be allocated at the full gain or loss. See Section 424A.016, subd. 6. Submitted by the OSA.
8. Review minimum relief association **membership requirements** and whether it makes sense that members must meet both fire department service and relief association membership requirements to vest. What would cause someone to not get credit in a relief association but get credit in the fire department? See, for example, Section 424A.02, subd. 1. Submitted by the OSA.
9. Discuss providing education to relief associations about the requirement that their **special funds** be held in a trust to maintain qualified plan status and not have interest earnings be taxable. Topic raised during prep for LCPR meeting.

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.

Office of the State Auditor

Exhibit K
Fire State Aid Penalty and Forfeiture Amounts

Meeting Date: August 20, 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 L
Certifying Unpaid Required Contributions

Office of the State Auditor

Meeting Date: August 20, 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~~ must pay 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. 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.