



**STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR**

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**Statement of Position
Required Municipal Contributions to Fire Relief Associations**

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This Statement of Position is not legal advice and is subject to revision.

State law requires a municipality to pay a minimum annual contribution to the special fund of its affiliated defined-benefit fire relief association, unless the special fund is fully funded or state aid is sufficient to cover the municipal obligation.¹ The special fund is a fund established and maintained within a relief association to pay service pensions to retiring members. A pension plan is “fully funded” when there are sufficient assets to cover future liabilities.

The funded status of a special fund is affected primarily by changes to benefit levels (*i.e.*, liabilities increase) and by investment gains or losses (*i.e.*, assets increase or decrease). Benefit increases and investment losses decrease a fund’s assets, which could increase the likelihood that a municipal contribution will be required.

Whether a municipal contribution is required and the contribution amount are determined by using a statutory formula. The formula varies depending on whether the plan pays lump-sum service pensions or pays monthly service pensions.²

Lump-Sum Pension Plans

For relief associations that solely pay lump-sum service pensions, the minimum required municipal contribution equals the financial requirements of the special fund minus the anticipated amount of state aid to be received during the following calendar year. In addition, five percent annual interest on the assets is subtracted.³

The minimum required municipal contribution is calculated by the officers of the relief association during the month of July for the following year.⁴ To calculate the minimum required municipal contribution, the officers need to know the special fund’s financial requirements for the following year.

¹ Minn. Stat. § 424A.092, subds. 3 and 4; Minn. Stat. § 424A.093, subd. 5. In some instances, a municipal contribution may be required even though the pension plan is fully funded.

² See Minn. Stat. § 424A.092, subd. 3 (for lump-sum pension plans) and Minn. Stat. § 424A.093, subd. 5 (for monthly pension plans). There is no required municipal contribution for a defined contribution plan.

³ Minn. Stat. § 424A.092, subd. 3(d).

⁴ The Schedule Form, provided by the Office of the State Auditor, calculates the amount of any required municipal contribution for the following year. For example, the 2025 Schedule Form will calculate the required municipal contribution amount to be paid during 2026.

In July, the officers calculate the financial requirements for the following year and the overall funding balance for the current calendar year.

If the special fund is not fully funded, the financial requirements for the following calendar year are determined by taking into account 1) the total accrued liability for all active and deferred members of the relief association, calculated for the following calendar year; 2) the increase in the total accrued liability for the following calendar year over the present calendar year; 3) the amount of anticipated future administrative expenses; and 4) one-tenth of the deficit resulting from either an increase in the service pension or an investment loss occurring over the last ten years.

If the special fund is fully funded, the financial requirements for the following calendar year are the total of 1) the increase in the total accrued liability for all members for the following calendar year over the present calendar year; and 2) the amount of anticipated future administrative expenses.

Monthly Pension Plans

For relief associations that offer or pay monthly service pensions, the financial requirements of the special fund are based on the most recent actuarial valuation. Each relief association must determine the minimum obligation of the municipality for the following calendar year “on or before August 1 of each year.”⁵ The “most recent actuarial valuation” included in the calculation is generally a valuation from January 1 of the same year or December 31 of the prior year.

For most plans, the Governmental Accounting Standards Board (GASB) requires an actuarial valuation every two years.⁶ In addition, a new actuarial valuation or actuarial impact estimate is required whenever there is a benefit change. For additional information on how the financial requirements and municipal contribution are determined, see the Office of the State Auditor’s Statement of Position titled [“Municipal Contribution Calculations for Monthly Plans.”](#)

Defined Contribution Plans

For relief associations with defined contribution plans, investment gains and losses are allocated to the individual firefighters. Defined contribution plans by their nature are always fully funded. The municipality has no obligation to make contributions to offset losses if they occur, although the municipality can make a voluntary contribution to the special fund if it chooses.

Benefit Levels

The level of benefits paid by a relief association is usually set by agreement between the relief association and the municipality. To change the benefit level, a relief association’s board of trustees should discuss the change during a board meeting and vote to adopt a bylaw amendment containing the new benefit level. The board of trustees should follow the relief association’s bylaw amendment procedures and Open Meeting Law requirements. After the benefit level change has been approved by the relief association, the board of trustees should seek municipal approval of the amended bylaws containing the benefit level change. The city council or town board can choose to ratify the changes or choose not to ratify the changes. Once the amended bylaws containing the benefit level change are ratified by the municipality, however, the benefit level is guaranteed by the municipality. The

⁵ Minn. Stat. § 424A.093, subd. 5(a).

⁶ See Minn. Stat. § 424A.014, subd. 1 (financial statements required to be in compliance with generally accepted auditing standards); GASB Statement 25, para. 35 (biennial actuarial valuations required for financial reporting purposes).

municipality is responsible for ensuring the special fund has sufficient assets to cover approved benefit levels.

For those relief associations that are affiliated with an independent nonprofit firefighting corporation rather than a municipal fire department, benefit level changes must be approved by the board of the independent corporation. In addition, the independent nonprofit firefighting corporation is responsible for making any required contributions to the relief association.

In limited circumstances, a relief association has the authority to increase its benefit level without municipal ratification. However, if a municipal contribution is later required, the bylaw amendment establishing the benefit level increase that was adopted without municipal approval is no longer effective on July 31.⁷ Any service pension payable after that date may be paid only in accordance with the bylaws as amended with municipal ratification.⁸ Municipalities do not have authority to unilaterally change a relief association's benefit level. Municipalities cannot initiate a change in benefit levels, rescind benefit increases, or give contingent approval to benefit changes.

Payment of Required Municipal Contributions

To fulfill its obligation to provide at least the minimum required municipal contribution, a municipality may use any source of public revenue, including a tax levy. For monthly pension plans, for example, a municipality may levy taxes "without any limitation as to rate or amount and irrespective of any limitations imposed" by any other law or regulation.⁹

If the relief association's benefit level is approved by the affiliated municipality, the municipality is required to make any contributions that become due at that benefit level. Municipal contributions are to be paid during the year in which the contribution is required. If the municipality does not include the full amount of the minimum municipal contribution in its levy for any year, the officers of the relief association must certify that amount to the county auditor, who must spread a levy in the amount of the certified minimum municipal contribution on the taxable property of the municipality.¹⁰

⁷ Minn. Stat. § 424A.02, subd. 10.

⁸ Minn. Stat. §§ 424A.092, subd. 6; 424A.093, subd. 6.

⁹ Minn. Stat. §§ 424A.093, subd. 5(e); 424A.092, subd. 4(c).

¹⁰ Minn. Stat. §§ 424A.092, subd. 4(e); 424A.093, subd. 5(f).