



SF 1341 (Pappas); HF 1828 (Cha): Recommendations of the State Auditor's Fire Relief Association Working Group

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Introduction

- Affected Plans:** Firefighter Relief Associations
- Laws Amended:** Sections in Minnesota Statutes, Chapter 424A
- Brief Description:** The bill contains the 2025 recommendations of the State Auditor's Fire Relief Association Working Group for legislation amending the statutes that govern firefighter relief associations.

General Summary

[SF1341/HF1828](#) makes both administrative and substantive changes to the statutes governing firefighter relief associations. The substantive changes include the following:

- moves the current March 31 reporting deadline for filing annual financial statements with the State Auditor to June 30;
- permits a relief association with a defined contribution plan to amend the relief association's bylaws to pay retirement benefits as soon as practicable following a member's separation from active service rather than wait until age 50;
- eliminates language that permits relief associations to deposit firefighter contributions and dues into a relief association's special fund and retains language that permits deposits of firefighter contributions and dues into the general fund; and
- removes language that reduces a municipality's financial obligation to a relief association's special fund by member contributions and dues.

Background

SF1341/HF1828 is legislation recommended by the State Auditor's Fire Relief Association Working Group. This 13-member group consists of officers of relief associations from around the state, two representatives from municipalities, one representative from the Minnesota State Fire Department Association, one representative from the Minnesota State Fire Chiefs Association, and the State Auditor.

The Office of the State Auditor (OSA) has convened meetings of the working group since 2004 to discuss changes to the statutes governing volunteer firefighter relief associations. The group was not established by Minnesota law and has no official status. The group's purpose statement is the following:

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 volunteer 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.

SF1341/HF1828 consists of the recommendations from the Working Group's meetings from July 2024 to October 2024.

Section- by- Section Summary

Sections 1 and 9: Financial Statement Reporting Deadlines

Section 1 amends section 424A.014, subdivision 2, which requires the board of trustees of a relief association with special fund assets and liabilities that both fall below the \$750,000 threshold to submit a copy of the relief association's detailed financial statement to the State Auditor on or before March 31 after the close of the fiscal year. Section 1 moves the reporting deadline from March 31 to June 30 after the close of the fiscal year.

Section 9 amends section 424A.092, subdivision 4, to be consistent with section 424A.014 reporting deadline, which, as explained above, moves the reporting deadline from March 31 to June 30. Subdivision 4 requires relief associations to file the statement of the relief association's financial requirements and minimum municipal obligation with the detailed financial statement required by section 424A.014, subdivision 2.

According to the OSA,¹ this reporting deadline change is intended to provide accounting firms with more flexibility in scheduling client work, especially during tax season, so that deadlines can be met.

Sections 2, 5 and 11: Technical Changes for Direct Rollovers

Section 2 amends section 424A.015, subdivision 4, to comply with direct rollover requirements in the federal Internal Revenue Code and Minnesota Statutes, section 356.633. The requirement is that recipients of a lump sum distribution must be given the right to elect a direct rollover to an individual retirement account (IRA) and any other "eligible retirement plan" that permits incoming direct rollovers. "Eligible retirement plan" is defined in section 356.633 and includes IRAs, the Minnesota Deferred Compensation Plan, and other retirement plans qualified under section 401(a) or 403(b) of the Internal Revenue Code.

¹ This topic was discussed at the working group meeting on July 24, 2024, and October 1, 2024. See [Exhibit G, Reporting Deadlines \(July 24, 2024\)](#); [Exhibit B, Reporting Deadlines \(Oct. 1, 2024\)](#).

New language replaces current language in subdivision 4 that allows direct rollovers only to IRAs with references to the direct rollover requirements in section 356.633 that generally apply to all qualified retirement plans. The new language will allow any member, spouse, or other distributee under section 356.633 to elect a direct rollover as described in section 356.633. (A related change in Section 11 of the bill, explained below, repeals section 424A.015, subdivision 5, which similarly permits direct rollovers to the Minnesota Deferred Compensation Plan. The more general direct rollover language added to subdivision 4 by section 2 of the bill includes direct rollovers to the Minnesota Deferred Compensation Plan.)

Section 5 amends section 424A.05, subdivision 3, which restricts disbursements from a relief association's special fund to eight categories of payments. Section 5:

- removes the direct rollover language from clause (2), while retaining language that permits the purchase an annuity, and
- adds direct rollover language, with references to section 356.633, to four types of payments, in clauses (1) for pensions, (3) for disability benefits, (4) for survivor benefits, and (8) for former spouses.

Section 11 repeals section 424A.015, subdivision 5, which authorizes direct rollovers to the Minnesota Deferred Compensation Plan but applies conditions to when such direct rollovers are permitted. Because these conditions on the right to elect a direct rollover to an eligible retirement plan right are not permitted under federal law, subdivision 5, is being repealed.

Section 3 and 4: Immediate Distributions from Defined Contribution Relief Associations After Leaving Active Service

Section 3 amends section 424A.016, subdivision 2, which defines a member's eligibility to receive a distribution of the member's defined contribution benefit. Current law requires a member to wait until age 50, after separating from active service with at least five years of service (or more if required by the bylaws), to receive a distribution of the member's benefit. The amendment inserts language that permits a relief association with a defined contribution plan to amend its bylaws to permit distribution of retirement benefits as soon as practicable following a member's separation from active service and submission of an application for distribution (if the years of service requirement for vesting is also satisfied).

Section 4 amends section 424A.016, subdivision 6, which explains when distribution is permitted to a deferred member. A "deferred member" is a member who is vested in a retirement benefit but has left active service before reaching age 50. The amendment revises language to permit a relief association to amend its bylaws to distribute retirement benefits as soon as practicable after the deferred member submits an application for distribution. A new paragraph (f) states that the change to the bylaws to permit distributions before age 50 may be applied retroactively to members who left active service before the effective date of the bylaws amendment.

This change brings the requirements applicable to firefighter relief associations into conformity with the distribution provisions in the PERA Statewide Volunteer Firefighter Plan. Legislation enacted in 2024 permits members of the defined contribution plan being added to the SVF Plan to receive their

retirement benefit distributions as soon as practicable following separation from service (without having to wait until age 50). As noted in the discussions of the Working Group, in addition to matching the earlier distribution right available to members in defined contribution plans in the SVF Plan, permitting relief associations to make earlier distributions eases the administrative burden of maintaining deferred member records until the member reaches age 50.²

Sections 6, 8 and 10: Firefighter Dues and Contributions

Section 6 amends section 424A.06, subdivision 2, which lists the types of money that must be deposited in the general fund and removes a reference to dues payable to the special fund.

Under federal law, members are not permitted to make contributions, whether characterized as dues or other contributions, to the type of retirement plan that relief associations are permitted to offer under state law. This means that all references in Chapter 424A to dues or other contributions to a relief association's special fund must be deleted. The "special fund" is the fund used to pay member retirement benefits, whereas the "general fund" is used to make purchases for the fire department and other purposes, using funds from relief association fund-raising, charitable contributions, and membership dues, if required.

Section 8 amends section 424A.092, subdivision 3, which defines the minimum financial obligation of a municipality to the special fund of a relief association that pays lump-sum service pensions. The language deleted from this subdivision eliminates the ability of a municipality to reduce its obligation to the relief association by the amount of any member contributions.

Section 10 amends section 424A.093, subdivision 5, which defines the minimum financial obligation of a municipality to the special fund of a relief association that pays monthly service pensions. The language deleted from this subdivision eliminates the ability of a municipality to reduce its obligation to the relief association by the amount of any member contributions.

Section 7: Obsolete Language Removed

Section 7 amends section 424A.092, subdivision 2, by removing a table used in calculating the accrued liability of active members of a lump sum defined benefit relief association for calendar years before 2022. The table has been obsolete since 2022.

Subdivision 2 was amended in 2020 to change the method used for calculating accrued liability, beginning with the calculation in 2021 for the 2022 calendar year, to be more precise by taking into account a relief association's vesting requirements. The change was made to address concerns that the previous methodology could understate liabilities for relief associations with shorter vesting requirements and members hired at older ages. In connection with the statutory change, the

² This topic was discussed at the working group meeting on August 21, 2024, September 25, 2024, and October 1, 2024. See [Exhibit D, Minimum Retirement Age](#) (Aug. 21, 2024); [Discussion of Minimum Retirement Age \(Payments before 50\)](#) (Sept. 25, 2024); [Exhibit D, DC Plan Minimum Retirement Age](#) (Oct. 1, 2024).

Commission approved a new Appendix B to the Standards for Actuarial Work that provides the rules for calculating accrued liabilities for lump sum defined benefit relief associations.

Effective Dates

Sections 1, 3, 4, 6, 8, 9, and 10 are effective on January 1, 2026.

Sections 2, 5, 7, and 11 are effective the day following final enactment.

Additional Background Information

Additional explanation of the topics addressed in the bill is available from the materials prepared by the State Auditor's pension staff for the meetings of the Working Group during 2024:

- [Exhibit G, Reporting Deadlines \(July 24, 2024\)](#)
- [Exhibit B, Reporting Deadlines \(Oct. 1, 2024\)](#)
- [Exhibit D, Minimum Retirement Age \(Aug. 21, 2024\)](#)
- [Discussion of Minimum Retirement Age \(Payments before 50\) \(Sept. 25, 2024\)](#)
- [Exhibit D, DC Plan Minimum Retirement Age \(Oct. 1, 2024\)](#)
- [Exhibit C, Special Fund Member Contributions \(Sept. 25, 2024\)](#)
- [Exhibit E, Special Fund Member Contributions \(Oct. 1, 2024\)](#)
- [Exhibit D, Technical Change \(Sept. 5, 2024\)](#)
- [Exhibit C, Technical Change \(Oct. 1, 2024\)](#)