



April 2008

Pension Division Newsletter

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Legislative Update – Omnibus Pension Bill

The Legislative Commission on Pensions and Retirement has adopted the omnibus pension bill, which now moves to committees in both the House and Senate. There are several provisions within the Omnibus Pension Bill that have the potential to affect your relief association. Please remember that the provisions of the bill do not become law unless and until they are passed by the Legislature and signed by the Governor. The following are provisions that are currently part of the Omnibus Pension Bill.

- **Working Group Proposals** – The Working Group proposals, as amended, were adopted and are included in the Omnibus Pension Bill. The amendments that were adopted make technical corrections, enhance the requirement for “excess SIPC insurance” for brokers, eliminate the local option in the surviving spouse definition and redefine a “surviving spouse” as the spouse who is legally married to the member at the time of death, and repeal nonconforming local ancillary benefit laws with local approval.
- **Increases to Service Pension Maximums** – The bills that would increase the maximum monthly and lump sum pension amounts were adopted and are included in the Omnibus Pension Bill. If passed, the maximum monthly benefit level would increase from the current \$56 to \$100 per month per year of service, and the maximum lump sum benefit level would increase from the current \$7,500 to \$10,000 per year of service. The maximum benefit level increases would phase in over a five-year period.
- **Voluntary Statewide Plan Proposal** – The bills that would establish a voluntary statewide lump sum retirement plan were changed to create an advisory board that will draft recommendations for the establishment, organization, and administration of a voluntary statewide plan. The amended bill was adopted and is included in the omnibus pension bill. It is anticipated that legislation will be sought next year to create the voluntary statewide plan.
- **Changes to Additional Amortization State Aid** – Relief associations with a small number of active members are eligible to receive an additional state aid allocation. Bills were introduced this session that had the potential to affect the additional allocation. The intent of the bills was to increase the amount payable to relief associations. Because of

the manner in which the bills were drafted, there were different interpretations of the affect the bill would have on the aid allocations. Slight modifications were made to the bills, and language was adopted that would clarify the intent to increase the additional state aid allocation to relief associations with small numbers of active members.

- **Health Care Savings Plan** – Language was passed and added to the Omnibus Pension Bill that authorizes volunteer firefighters to make contributions to a health care savings plan.

We will continue to keep you updated through our Pension Newsletters on the progress of the pension bill. Once the session is over, we will provide information on any law changes affecting relief associations and provide sample bylaw language that can be used for reference purposes.

2006 Financial and Investment Report

The Office of the State Auditor released the 2006 Financial and Investment Report for Volunteer Fire Relief Associations. The report covers the benefits, finances and investment performance of over 700 volunteer fire relief associations and several local salaried police and fire pension plans. New, useful features of the report are rankings that include rates of return, funding levels, municipal contributions, and benefit levels. The complete report can be accessed at: http://www.auditor.state.mn.us/Reports/pen/2006/vfra/vfra_06_report.pdf. See the Executive Summary on page 3 for the report's highlights.

2007 Schedule Submissions

The online 2008 Schedule forms for lump sum plans will be generated next month. In order for your 2008 form to be pre-populated with member data, your 2007 form must be received and reviewed prior to the date the forms are generated. Please submit your 2007 Schedule as soon as possible, if you have not done so already. The form can be uploaded using the State Auditor Form Entry System (SAFES) on our website or can be submitted by fax or mail.

Working Group Defined Contribution Plan Sub-Group

The Office of the State Auditor's Volunteer Fire Relief Association Working Group will be forming a sub-group to address statutory issues that are specific to Defined Contribution Plans. If you are a member or trustee of a Defined Contribution Plan and would like to serve on the sub-group, please contact Rose Hennessy Allen at (651) 296-5985 or Rose.Hennessy-Allen@state.mn.us. It is anticipated that the sub-group will hold four, two-hour meetings during the summer. Meetings will be held during the day at our Saint Paul office.

State Board of Investment – Reporting Reminders

Relief associations that invest through the State Board of Investment (SBI) should remember that checks sent to the SBI are only deposited for investment on the first day of the month following receipt. Money in transit at the end of the month is not reflected in the total market value on your monthly account statement. If your relief association had money in transit at the end of the year, please make sure that the money is reflected on your year-end reporting forms.

Relief association trustees should also make sure that transfer verifiers are on file with the SBI. A verifier is an officer of your relief association that the SBI will contact when it

receives a wire transfer request to confirm the account number to which the money should be transferred. It appears that very few relief associations have a verifier on file with the SBI. Having a designated individual that will be the contact person to confirm transfer requests is a good internal control and helps to protect your pension assets.

Training Thank You!

The Office of the State Auditor would like to thank all of the relief association officers, trustees and consultants who attended one of our training sessions this spring. Our Pension staff had the chance to connect face-to-face with nearly 450 training participants. We appreciate having the opportunity to discuss your questions and concerns, and encourage you to contact our office anytime questions arise. If you have suggestions for future training sessions, please contact Gail Richie at (651) 282-6110 or Gail.Richie@state.mn.us.

If you have questions please contact us:

Paul Rosen, Pension Analyst
(651) 282-5430 Paul.Rosen@state.mn.us

Luke Hinz, Pension Analyst
(651) 296-6279 Lucas.Hinz@state.mn.us

Rose Hennessy Allen, Pension Director
(651) 296-5985 Rose.Hennessy-Allen@state.mn.us

Aaron Dahl, Pension Analyst
(651) 297-2765 Aaron.Dahl@state.mn.us

Stephen McDaniel, Student Intern
(651) 282-5376 Stephen.McDaniel@state.mn.us

Gail Richie, Office & Administrative Specialist
(651) 282-6110 Gail.Richie@state.mn.us