

# OFFICE OF THE STATE AUDITOR

## 2016 Schedule Form Instructions (SC-16)

These instructions are intended for use in completing the 2016 Schedule Form (SC-16) for relief associations that offer a defined-benefit lump-sum service pension. The SC-16 is provided to relief associations to determine the 2016 plan liabilities, surplus or deficit, and the 2017 required municipal or independent nonprofit firefighting corporation contribution. The maximum benefit calculation is also included within the SC-16, on the MBW Tab. The maximum benefit calculation determines the maximum benefit level the relief association is authorized to establish for 2016.

The SC-16 should be completed in July 2016 and must be certified to the municipality or independent nonprofit board by August 1, 2016. The SC-16 is required to be submitted to the Office of the State Auditor (OSA) by March 31, 2017 for relief associations with assets less than \$500,000 and liabilities less than \$500,000. The SC-16 is due to the OSA on June 30, 2017 for relief associations with assets or liabilities of at least \$500,000.

Please carefully read and complete each section. If you have questions, please contact the Pension Division at 651-282-6110 or at [pension@osa.state.mn.us](mailto:pension@osa.state.mn.us).

Once you have completed the SC-16, please upload the form using the State Auditor's Form Entry System (SAFES) at <https://www.osa.state.mn.us/safes/login.aspx> and retain a copy for your records. SAFES is the OSA's secure web application for accessing, submitting, and electronically signing reporting forms. If you do not have a SAFES username or password, please contact the Pension Division using the phone number or e-mail address listed above.

### Important Notes

- Submit the SC-16 by uploading it through SAFES.
- Signatures are required on the form. **The signature page is provided in the PDF version of the form that is created after the form is uploaded.**
- The PDF version of the form should be available in SAFES within 24 hours after the form's submission.
- The form can be signed electronically in SAFES or paper signature pages can be submitted. **The form submission is not complete until all required signatures are provided.**
- The SC-16 includes the MBW-16 that previously was provided as a separate form.

## **Materials Needed**

Before you begin completing the SC-16, you will need to gather the following:

- A roster of the active, inactive, and deferred relief association members;
- A birth date for each member;
- Copies of past and current relief association bylaws;
- Current bank and investment statements for the Special Fund;
- Payout information for any members paid during 2016;
- A copy of the 2015 Financial and Investment Report Entry (FIRE-15) form;
- A copy of the 2015 Schedule Form (SC-15); and
- A copy of the 2015 Maximum Benefit Worksheet (MBW-15).

After you have gathered the necessary materials, you can proceed to the next section of these instructions.

## **Home Tab**

When you first open the SC-16 form you will find yourself on the Home Tab. No data entry is required on this tab. The purpose of this tab is to share important information about the form from one convenient location. The tab includes a link to view these instructions, which are provided as a separate PDF document. The Home Tab also displays the form due-date and version number. Occasionally, multiple versions of a form may be released to make improvements or to correct errors. If you contact us with questions, knowing which version of the form you are working on will be important.

The Home Tab also provides a total count of any red error messages contained within the form. Red error messages indicate that data must be entered or corrected before the form can be submitted. As you complete each tab within the SC-16 form, you should review the error count on the Home Tab to make sure that no red error messages remain.

## **Active Tab**

*Materials Needed: Copies of past and current relief association bylaws, roster of the active and inactive relief association members, and a birth date for each member.*

The purpose of the Active Tab is to allow you to determine the liabilities for all active and inactive members of your relief association. The liabilities will be used to calculate the surplus or deficit and the required contribution.

**Note:** If your relief association submitted its 2015 Schedule Form prior to the 2016 Schedule Form's release, much of the member data on the Active Tab and Deferred Tab will be populated. Please review populated data to ensure accuracy. Make corrections or updates as needed.

The SC-16 provides an estimate of the rate of accumulation of actuarial liabilities and determines an annual contribution necessary to finance the forecasted costs. The liabilities derived in the SC-16 do not represent the actual benefit accrued for any member. The actual benefit must be determined on an individual basis when a member applies for payment using actual years of service, vesting, and benefit provisions as provided in the relief association's bylaws effective on the date the member separated from active service.

1. Enter the benefit level in the box to the right of "Enter Annual benefit level in effect for 2016." The benefit level entered should be the level that will be in effect as of December 31, 2016.
2. Enter the name, birth date, and entry date for each member.
3. Enter the member status of each member by clicking on the box below "Status" that says "Choose Status." Select the status from the drop-down list. If a member was active and became deferred during 2016, change the member's status to Deferred (do not delete the member row). Enter the member's name in an empty row on the Deferred Tab, exactly as it appears on the Active Tab. The member's birth date, entry date, breaks in service, and leaves of absence will automatically be displayed on the Deferred Tab. If the member began receiving installment payments during 2016, change the member's status to Paid and enter the member's information on the Installments Tab of the form. If a member was paid during 2016, change the member's status to Paid and enter the member's liability in the projected pension payment section on the Financial Projections Tab. If a member separated before becoming vested, enter a status for the member of Separated/Not Vested. Members with a status of Paid or Separated/Not Vested will not be shown on the 2017 Schedule Form when it is populated.
4. If a member has had one or more leaves of absence or breaks in service, please review your bylaws to determine the appropriate service credit. Enter the cumulative length in months of the leave or break in the "Leaves of Absence and Breaks in Service" box. For example, if a member had leaves of absence totaling two years, enter 24 months. If there is no leave of absence or break in service, enter 0 or leave the cell blank.
5. The total years of service and accrued liability to the end of 2016 and to the end of 2017 will be calculated automatically for each active member and for each inactive member.
6. If the member was a "return to service" member click on the arrow and choose "Yes." A return to service member is a member who had a resumption of active service after a break in service or a leave of absence and the member's service pension or benefit was calculated according to a "return to service" bylaw provision.

### **Deferred Tab**

*Materials Needed: Copies of past and current relief association bylaws, roster of the deferred relief association members, and a birth date for each member.*

The purpose of the Deferred Tab is to allow you to determine the liabilities for each deferred member of your relief association. The liabilities will be used to calculate the surplus or deficit and the required contribution.

1. Enter the name, birth date, entry date, and date the member separated from active service. Also, enter any leaves of absence or breaks in service for each member in the same manner as for the active members.
2. Enter the annual benefit level in effect on the date of the member's separation from active service.
3. Click on the arrow in the box to the right of the "Months of Service Are Paid" label. Select "Yes" if your relief association bylaws provided for the payment of months of service on the date that the member separated from active service.
4. Enter the vesting percentage amount. This number should be the number in the bylaws in effect on the date that the member separated from active service and must comply with State law.
5. Enter the minimum number of years required for vesting. This number should be the number in the bylaws in effect on the date that the member separated from active service.
6. To determine if the member is eligible to receive deferred interest, review the relief association bylaws that were in effect on the date that the member separated from active service. Click on the arrow in the box below the "Deferred Interest Paid" label. Select "Yes" if deferred interest was offered when the member separated.
7. If the member is eligible for deferred interest, select the type of interest to be allocated by clicking on the arrow in the box below the question that asks "If Interest Paid, Choose Type." If you choose Separate Account or Separate Vehicle, enter the member's 2016 Estimated Liability next to the box as indicated. If you choose an "up to 5%" option, you must enter the rates of return for each year that interest was accrued by the member in the cells below.
8. To distinguish how the interest is calculated, click on the arrow in the box below "Period Interest Is Paid" and then select "Full Calendar Months" if interest starts accruing at the beginning of the next month after the member separates. For example, if a member separated on June 15, 2000, interest would not start accruing until July 1, 2000. Select "Full Calendar Years" if interest is paid only for each full calendar year the member is deferred. For example, if a member separated on June 15, 2000, interest would not start accruing until January 1, 2001. Select "Full Period" if interest starts accruing as soon as the member separates. For example, if a member separated on June 15, 2000, interest would start accruing on June 15, 2000.
9. The 2016 and 2017 Estimated Liabilities will automatically calculate after all of the necessary information has been entered. If the deferred interest type is Separate Account or Separate Vehicle, the 2015 Estimated Liability must be entered manually. The total years of service, and months, if applicable, will also be automatically calculated and displayed.

10. When the member has been paid his or her deferred service pension, change the member's status from Deferred to Paid. Enter the member's liability in the projected pension payment section on the Financial Projections Tab.

### **Installments Tab**

*Materials Needed: Copies of past and current relief association bylaws, roster of members receiving installment payments, and a birth date for each member.*

The purpose of the Installments Tab is to allow you to determine the liabilities for each member of your relief association who is receiving installment payments. The liabilities will be used to calculate the surplus or deficit and the required contribution.

1. Enter the name, birth date, entry date, and separation date for each member.
2. Enter the amount that has previously been paid to each member. For example, if a member has an earned service pension of \$20,000, and has already received installment payments totaling \$10,000, enter \$10,000 in the "Amount Previously Paid" column.
3. Enter the 2016 and 2017 estimated liabilities. Include any applicable interest.
4. When the final installment has been paid to the member, change the member's status from Unpaid Installment to Paid. Enter the final installment payment amount in the projected pension payment section on the Financial Projections Tab.

### **Financial Projections Tab**

*Materials Needed: Current bank and investment statements for the Special Fund, benefit information for each member paid during 2016, a copy of the FIRE-15, and a copy of the SC-15.*

The purpose of the Financial Projections Tab is to allow you to determine the projected net assets for 2016, to calculate the Special Fund surplus or deficit, and to calculate the required contribution.

1. On Line 1, enter the Special Fund ending assets as of December 31, 2015, using Line E of the FIRE-15 form Financial Information Tab.

#### **Projected Income**

1. On Line D, enter the 2015 Fire State Aid amount. State law allows relief associations to project an increase in fire state aid of up to 3.5 percent from the prior-year amount. The prior-year fire state aid amount will be populated in the row description. Do not include supplemental state aid or supplemental benefit reimbursements.

2. On line E, the 2015 Supplemental State Aid amount will be populated. State law requires that the actual prior-year supplemental state aid amount be used as the current year projection. Please review the populated data to ensure accuracy. Make corrections or updates as needed.
3. On Line F, enter Municipal/Independent Fire Dept. Contributions received or to be received in 2016. This amount should, at a minimum, equal the required contribution amount shown on the SC-15 Form.
4. On Line G, enter any interest or dividend income received to date plus additional projected earnings from interest and dividends through the end of 2016 using the relief association's 2016 investment statements.
5. On Line H, enter the expected net appreciation or depreciation (if amount is negative press "-" before entering the amount, parentheses should then display to denote a negative number) in the fair market value of investments during 2016.
6. On Line I, enter member dues received to date plus additional dues expected by the end of 2016. Only enter member dues if the dues are deposited into the Special Fund.
7. On Line J, enter all other income, including supplemental benefit reimbursements.
8. The total projected income will be automatically calculated.

**Projected Expenses**

1. On Lines K and L, enter total service pensions and other benefits paid to date, respectively, plus additional service pensions and other benefits expected to be paid by the end of 2016. If a member's pension amount is listed here, do not include the member's liability in the active, deferred, or unpaid installment sections.
2. On Line M, enter total administrative expenditures (e.g., audit costs, faithful performance bond fee, etc.) actually paid to-date plus additional administrative expenditures expected to be paid by the end of 2016.
3. The total projected expenses will be automatically calculated.

**Projected Net Assets**

1. The projected net assets as of December 31, 2016, will be automatically calculated and displayed on Line 4. The projected surplus or (deficit), shown on Line 7, will also be automatically calculated.

### Required Contribution Tab

*Materials Needed: A copy of the FIRE-15 and a copy of the SC-15.*

The purpose of the Required Contribution Tab is to allow you to determine the amount of any contribution required to be paid to the relief association in the 2017 calendar year.

1. If the relief association has a deficit (Line 7 on the Financial Projections Tab is negative), copy the original amount under the *adjusted* "Original Amount" column of the deficit table in the SC-15 to the *original* "Original Amount" column in the SC-16. Do not adjust the original amounts.
2. If the relief association has a deficit, copy the "Amount Retired as of 12/31/2015" from the SC-15 to the "Amount Retired as of 12/31/2015" column in the SC-16. Do not adjust the amounts retired.
3. If the relief association has a surplus or a deficit, enter the total Special Fund administrative expense for 2015 on Line 9. This amount will be found in Row 46 of the Financial Information Tab on the FIRE-15 form.

### MBW Tab

*Materials Needed: A copy of the FIRE-15 and a copy of the MBW-15.*

The MBW Tab is the 2016 Maximum Benefit Worksheet. The purpose of the tab is to calculate the maximum lump-sum benefit level that your relief association is authorized to establish for 2016. **THE MBW TAB DOES NOT CALCULATE THE MAXIMUM BENEFIT LEVEL THAT CAN BE SET WITHOUT CAUSING A DEFICIT OR A REQUIRED CONTRIBUTION.** The maximum benefit worksheet calculation is based primarily on revenue data. Your relief association's financial situation only indirectly affects the calculation. For this reason, increasing the benefit level to the maximum allowed may cause a relief association to be in a deficit situation with contribution requirements. Municipal or independent nonprofit firefighting corporation board approval may be required for a benefit increase. **There are severe penalties under State law, including the forfeiture of fire state aid, for relief associations that pay service pensions at a rate above the allowable maximum benefit amount.**

1. Enter the combined total of 2015 fire state aid and 2015 supplemental state aid that were received or a receivable in Column A. The state aid is found in the Financial Information Tab of the FIRE-15.
2. Enter the 2015 municipal contribution amount that was received or a receivable in Column B. The municipal contribution is found in the Financial Information Tab of the FIRE-15.
3. Enter the 10 percent of surplus amount for 2015 in Column C. The 10 percent of surplus is found on page 4, line 11 of the SC-15.

4. Enter the number of active members for 2015 in Column D. The number of active members is found in the Plan Information Tab of the FIRE-15.
5. Enter information for the 2014 and 2013 rows. This information can be found on the MBW-15.
6. After all information has been correctly entered, an amount for the Maximum Lump-Sum Benefit Level under Minn. Stat. § 424A.02, subd. 3 is displayed. **This is the maximum benefit level that your relief association may establish for 2016.**

### **Error Checks and Submitting**

Review the Home Tab. If any red messages remain it means that information was either omitted or entered incorrectly. Once all red messages have been corrected, you will be able to submit your SC-16. If you have questions regarding messages that you may have received, please contact the Pension Division at (651) 282-6110 or at [pension@osa.state.mn.us](mailto:pension@osa.state.mn.us).

After you have reviewed all messages and corrected any errors, retain a copy of the SC-16 for your records and upload the form through SAFES at:  
<https://www.auditor.state.mn.us/safes/login.aspx>.

### **Signatures**

After the SC-16 is uploaded through SAFES a PDF version of the submitted form will be generated and displayed in SAFES. The PDF version of the form will contain a signature page. **The SC-16 submission is not complete until signed by the required form signers.**

The form must be certified to the entity that is responsible for satisfying the 2017 contribution amount. For example, if the affiliated city is the entity responsible for satisfying any required contribution amount, the form should be certified to the city and be signed by the city clerk or other city official. If the responsible entity is an independent nonprofit firefighting corporation, the form should be certified to the independent corporation and be signed by the secretary of the independent board. 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.

The form can be signed electronically in SAFES or a paper signature page can be submitted to the OSA.

**Congratulations on completing the SC-16!**