



Pension Division Newsletter

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2008 Reporting Year Forms

The 2008 Pension Reporting Forms are now available for download from our website. The forms are due by March 31, 2009 for volunteer fire relief associations with less than the statutory threshold of \$200,000 in assets and liabilities, or by June 30, 2009 for associations that exceed the statutory threshold. Once a relief association exceeds the \$200,000 audit threshold, it must continue to have an audit prepared, even if the assets and liabilities subsequently drop below the threshold.

Notices were provided by e-mail and U.S. mail to each relief association providing detailed instructions for accessing the online forms. In addition, new login usernames and passwords were provided via e-mail to relief association officers in January. If you are unable to locate your login information or have questions regarding the online reporting forms, please contact Gail Richie at (651) 282-6110 or Gail.Richie@state.mn.us.

Reporting Form Helpful Hints

Several helpful hints are provided below to assist you when using the online forms:

- **New Features of SAFES** – Several changes have been made to the State Auditor’s Form Entry System (SAFES), the web application for downloading and submitting electronic reporting forms. There are now four tabs on SAFES: Form Status; Form List; Submit Forms; and User Maintenance. The “Form Status” tab displays a list of the reporting forms that we have received, along with their confirmation numbers and dates of submission. The “Form List” tab provides a list of forms that are required to be submitted by your respective relief association. Follow the instructions provided for downloading the forms to your computer for completion. When you have completed the reporting forms and are ready to upload them to our website, click on the “Submit Forms” tab and follow the instructions for uploading the files. On the “User Maintenance” tab, you can update your username, password, and e-mail address.
- **Enable Macros** – Remember to select the “Enable Macros” option when prompted. If you do not receive a message box prompting you to enable the macros when you open a form, your version of Excel is probably set to automatically disable all macros and needs to be changed. To change this security setting, open Excel and choose Tools from your

menu bar, scroll down to Macro, and select Security. On the Security Level tab, select Medium.

- **Unhide Rows** – Several of the reporting forms contain rows to report additional investments, cash flows, revenues or expenditures. The message boxes in the forms and the instructions explain where these additional rows are provided. To access these additional rows, click on the last row in the section that you would like to expand and press the “Ctrl” key and the “U” key. To add additional rows to the pension payment sections, click on the row at the bottom of the payment section and press the “Ctrl” key and the “G” key.
- **Pre-populated Data** – Please be sure to review and confirm that all pre-populated data is correct.
- **“Remove” Check-Boxes** – Several of the reporting forms contain check-boxes with the heading “Remove.” These check-boxes are provided for you to indicate that the individual listed on the form is no longer a member of your relief association and should be removed from your membership list. By checking the remove box, the individual will not be displayed on the form when it is pre-populated next year. Remove boxes should only be checked when the individual has permanently ceased to supervise and perform fire suppression and fire prevention duties and no longer has an accrued liability or account balance with your relief association.
- **Instructions and Error Messages**
Instructions are provided for most of the reporting forms, and are included on the first tab when the form is opened. Please read the instructions thoroughly. You also will notice that messages are provided on the right-side of each form. Blue and green messages are informational, and are meant to remind you of data that needs to be entered or to check data that may not match our records. Red messages are error messages, indicating that required information is missing or numbers do not balance. All red error messages must be corrected before the form can be uploaded successfully.

New Broker Certification Form

A state law change enacted during the 2008 legislative session requires that relief associations using the services of a broker complete a uniform Broker Certification (BC-1) Form that is prepared by our office. For purposes of this reporting requirement, a “broker” means a broker, broker-dealer, investment advisor, investment manager, or third-party agent who transfers, purchases, sells, or obtains investment securities for, or on behalf of, a covered pension plan. The BC-1 Form must be completed before a relief association may enter into a business arrangement with a broker, and must be completed annually thereafter. The new BC-1 Form is available on our website at <http://www.auditor.state.mn.us/default.aspx?page=20070105.001>.

Market Concerns – FAQs

In last month’s newsletter we provided answers to a few questions that we have received from relief association trustees and municipal representatives in response to the recent market volatility. We are providing a few more questions and answers that we hope you will find helpful.

Q: What happens if our relief association has a deficit, but hasn't obtained municipal approval of our current benefit level?

A: Relief associations are only authorized to change their benefit level without approval from the affiliated municipality or independent nonprofit firefighting corporation under limited circumstances. Relief associations that are able to increase their benefit level without municipal or firefighting corporation approval are only authorized to operate at that benefit level if no municipal or firefighting corporation contribution is required. If a contribution becomes required (as calculated on the Schedule Form or by the actuary), the relief association must decrease its benefit level to the last level approved by the municipality or firefighting corporation. Most relief associations that increased their benefit level without approval are finding that they must decrease their benefit level this year in response to investment losses. Benefit level decreases obviously can cause complex questions and concerns, so please contact our Office for assistance if your relief association finds itself in this situation.

Q: Our city is facing a large deficit and is looking to find new sources of revenue. Can our affiliated city keep our state fire aid money that is transferred to the city as a pass-through?

A: State fire aid is required to be used for pension purposes if the firefighters are covered by a pension plan. If your community is protected entirely by volunteer (or paid-on-call) firefighters who are covered by a volunteer fire relief association, the municipality must transfer the state fire aid to the relief association. State law requires the city's treasurer to transfer the state fire aid to the relief association's treasurer within 30 days of receipt. The state fire aid must be deposited into the relief association's special fund. If your community is protected by both volunteer firefighters and full-time salaried firefighters, and if the full-time firefighters used to be covered by a salaried relief association that has consolidated with the Public Employees Retirement Association (PERA), then the municipality is authorized to allocate an appropriate portion of the state fire aid to PERA for its employer contributions.

New Statement of Position

A new Statement of Position has been posted on our website that discusses required municipal contributions to relief associations. The document explains how required contributions are calculated, when contributions are required to be paid, and what happens if the contributions are not paid to the relief association. The new Statement of Position can be viewed at:

http://www.auditor.state.mn.us/other/Statements/required%20municipal%20contributions_0901.pdf.

Working Group Legislative Proposals

The 2008/2009 Working Group has finished its work and reached consensus on a number of legislative recommendations. The Working Group's bill has been introduced. A document is attached that provides additional information regarding the Working Group's recommendations and also provides a link to the bill, which is posted on our website. If you have questions regarding the Working Group's proposals please contact Rose Hennessy Allen at (651) 296-5985 or Rose.Hennessy-Allen@state.mn.us.

Submit SC-08 Forms

We are in the process of creating the 2009 Schedule Form for lump sum plans. In order for your relief association's member information to be pre-populated on the 2009 form, we must have received and reviewed your 2008 Schedule Form. If you have not submitted your 2008 Schedule Form yet, please submit it at your earliest convenience so that we can conduct a preliminary

review of the information and ensure that the membership data is pre-populated on your 2009 form.

If you have questions please contact us:

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2008/2009

Working Group Recommendations

The 2008/2009 Working Group concluded its work and reached consensus on a number of legislative recommendations. The Working Group also completed the major initiative of re-codifying Chapter 424A, the chapter of state law that pertains to relief association service pensions and benefits. The re-codification, if passed into law, will separate Chapter 424A into separate sections for defined contribution plans and defined benefit plans, and sections applicable to all plan types.

The bill also includes many technical changes that update wording to current drafting standards. For example, the word “shall” was changed to the word “must” in most cases, which is the current standard used when drafting legislation. Finally, the bill includes several substantive changes, which are discussed below.

A complete copy of the Working Group bill is provided on the Office of the State Auditor’s website at <http://www.auditor.state.mn.us/default.aspx?page=20090219.000>. Relief associations are encouraged to review the bill text since only the substantive changes are outlined in this summary.

1. Return to Service (Minn. Stat. § 424A.01, subd. 6)

- Eliminates the requirement that members repay any previously-received service pension if the member returns to active service with the same volunteer fire department after retirement.
- Provides relief associations with flexibility to allow members, subject to certain bylaw restrictions, to be paid a service pension for credit attained upon returning to active service after a break in service or retirement.

This recommendation attempts to help fire departments, especially in Greater Minnesota, that are having a difficult time recruiting and retaining volunteers. The recommendation also provides greater clarity and flexibility to relief associations when calculating service pensions for members with breaks in service.

2. Service by Minors (Minn. Stat. § 424A.01, subd. 1)

- Eliminates the prohibition on minors serving as volunteer firefighters for members of youth, civic, or educational organizations or programs who participate with uninterrupted adult supervision, as allowed by federal law.

This recommendation addresses concerns that current law prevents minors from being involved in educational firefighter programs, like a Boy Scout Explorer program or firefighting degree programs.

3. Defining a Month of Active Service (Minn. Stat. § 424A.02, subd. 1)

- ❑ Allows relief associations to define in their bylaws what constitutes a “month” if the bylaws allow for service pensions to be prorated on a monthly basis. The definition must require a calendar month to have at least sixteen days of active service.
- ❑ Establishes a default for relief associations that have bylaw provisions allowing for the monthly proration of service pensions, but that do not define the term “month.” The default is that a “month” is a completed calendar month of active service measured from the member’s date of entry to the same date in the subsequent month.

This recommendation eases administrative burden by allowing relief associations to “round up” service credit for members who served for the majority of a calendar month of active service, and acknowledges demands on members’ time that make it difficult to actively serve for the entire calendar month.

4. Authorized Administrative Expenditures (Minn. Stat. § 424A.05, subd. 3)

- ❑ Allows special fund assets to be used for purchasing insurance from the Volunteer Firefighters Benefit Association or from an insurance company licensed by the State of Minnesota offering casualty insurance.

The recommendation provides greater flexibility, and possibly lower-cost alternatives for relief associations wishing to purchase disability insurance for their members.

5. Designated Beneficiaries (Minn. Stat. § 424A.05, subd. 3)

- ❑ Allows a designated beneficiary to be a trust created under Chapter 501B of state law in cases where a defined contribution or lump sum benefit is being disbursed.
- ❑ Continues to require that a designated beneficiary be a natural person in cases where a monthly benefit is being disbursed.

This recommendation allows survivor benefits to be disbursed to a trust, and not just to a natural person, in cases where a defined contribution or a lump sum benefit is being disbursed.

6. Installment Payments (Minn. Stat. § 424A.02, subd. 8)

- ❑ Clarifies and provides greater flexibility when calculating service pensions for members who elect to receive their lump sum service pension in several installments.
- ❑ Allows individuals receiving a lump sum survivor benefit to elect to receive the benefit in installments.

This recommendation expands the installment payment authority so that, at the intended recipient’s request, a survivor benefit may be paid in several installments. The recommendation also clarifies the method for calculating the benefits disbursed in each installment.

7. Deferred Interest for Defined Contribution Plans (Minn. Stat. § 424A.016, subd. 6)

- Eliminates authority for paying interest to deferred members of defined contribution plans at a rate up to five percent, as set by the Board of Trustees.
- Continues to allow defined contribution plans to establish a separate investment account or a separate investment vehicle for deferred members, or to allocate full investment gains or losses to deferred members in the same manner as for active members.

This recommendation requires that defined contribution plans electing to offer investment allocations for deferred members do so in a manner that is consistent with the nature and intent of a defined contribution plan. The recommendation does not change the manner in which deferred interest or investment income is allocated for currently deferred members.

8. Ancillary Benefits for Defined Contribution Plans (Minn. Stat. § 424A.016, subd. 7)

- Requires that survivor and disability benefits for active members of defined contribution plans be equal to the member's full account balance (vested and nonvested portions).
- Requires that survivor and disability benefits for deferred members be equal to the deferred benefit amount (the vested portion of the member's account).

This recommendation clarifies how ancillary benefits must be calculated for members of defined contribution plans. The calculations are consistent with the manner in which ancillary benefits are calculated for members of defined benefit plans.

9. Military Breaks in Service for Defined Contribution Plans (Minn. Stat. § 424A.021)

- Clarifies that defined contribution plan members who are absent due to service in the uniformed services receive allocations to their account as though the member was an active member.

This recommendation clarifies how allocations must be made to members of defined contribution plans who are absent from firefighting service due to military service. Relief association service credit for periods that a member was on a military break in service continues to be subject to certain state and federal restrictions.

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