



October 2009

Pension Division Newsletter

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State Aid Calculation Information

The Office of the State Auditor has received questions about why the 2009 state fire aid decreased from the 2008 amount. The decrease is due in part to fewer taxes collected on insurance premiums and in part to prior year adjustments. The Department of Revenue conducted research several years ago and determined that insurance companies in the past have overstated the amount of insurance premiums that actually dealt with fire insurance. Representatives within the Department of Revenue then determined how to best adjust for the past reporting errors, and decided to make adjustments to the 2007, 2008, and 2009 state fire aid amounts.

A detailed description prepared by the Department of Revenue of how state fire aid is calculated is now available on our website at:

<http://www.auditor.state.mn.us/forms/pen/Descriptionof2009FireAidDeterminationfromDOR.pdf>.

Forfeiture Deadline Reminder

Please be aware that state law requires forfeiture of state fire aid for relief associations that do not submit all required 2008 reporting information by November 30, 2009. There are about 85 relief associations that have yet to submit some or all of their 2008 reporting year forms. Notices have been sent via e-mail and U.S. mail to relief associations that have not submitted all required reporting information. The most recent round of late notices were sent on October 22. If your relief association was notified that it has not submitted all required reporting information, please ensure that the missing forms are submitted as soon as possible. If you have questions regarding your reporting requirements, please contact Gail Richie at (651) 282-6110 or at Gail.Richie@state.mn.us.

Working Group Update

The Working Group held meetings on October 6 and October 20. The Group continued its discussions on three proposals to change municipal contribution calculations and payments. The proposals were to extend the deficit amortization period for defined benefit plans, to extend the time period by which required contributions must be paid to the relief association, and to use an averaging of investment returns to smooth the required contribution amount. The Working

Group did not reach consensus on making a change, but will revisit the topic once additional information is obtained from municipalities with funding concerns. The Working Group also discussed a proposal to change the order of payment for survivor benefits. The proposed change would allow survivor benefits to be paid to a designated beneficiary, or to the deceased member's estate if no designation has been made. The Group discussed a number of topics that were technical in nature, including updates to statutory references, corrections to codification errors, and clarifications to make the statutes easier to read. The Working Group will continue its discussion on all of these topics at the November 10 meeting.

Working Group agendas and meeting materials, including information about the municipal contribution topics, are available on the Office of the State Auditor's website at:

<http://www.auditor.state.mn.us/default.aspx?page=reliefworkinggroup>

If you have questions about the Working Group please contact Rose Hennessy Allen at (651) 296-5985 or at Rose.Hennessy-Allen@state.mn.us.

Membership Rights

In our September 2009 Pension Newsletter we provided information about deferred members serving as trustees on a relief association board. We wanted to provide additional information on the topic of membership rights to clarify options available to your relief association.

- A relief association, as a nonprofit corporation, may establish in its bylaws or articles of incorporation classes of membership. Bylaws should, for example, define active members and deferred members as different classes of members within the relief association.
- All members are entitled to vote and have equal rights and preferences except to the extent that the bylaws or articles of incorporation have fixed or limited the rights and preferences of members or of different classes of members. It therefore may be possible for a relief association to specify in its bylaws or articles that deferred members do not have the right to vote, or do not have the right to serve as a trustee on the board.
- Absent language in the bylaws or articles of incorporation limiting member rights, a deferred member would have the right to vote and would be able to be elected as a trustee to the relief association board.
- Relief associations are prohibited from including minors as members of the association.
- Relief associations have authority to exclude from membership persons that would constitute an unwarranted health risk.

Selected Relevant Statutes Booklet

An updated version of the Selected Relevant Statutes booklet is now available on the Office of the State Auditor's website. The booklet is prepared by the Pension Division and contains many of the state laws applicable to volunteer fire relief associations, including law changes enacted during the 2009 Session. Relief association trustees are encouraged to download the booklet for reference when updating bylaws, making investment decisions, and calculating benefit payments. The booklet can be accessed at:

http://www.auditor.state.mn.us/other/educationalmaterials/vfraStatutesBooklet_081223.pdf

Supplemental Benefits

The Pension Division has recently received a number of inquiries regarding supplemental benefits and survivor supplemental benefits. Please recall that supplemental benefits to members

receiving an active or deferred lump sum service pension are to be calculated at 10 percent of the pension amount, up to \$1,000. The 10 percent should be calculated based on the pension amount *before* any deferred interest is added. In addition, deferred interest should not be accrued on the supplemental benefit. Supplemental benefits are payable to members that are fully vested as well as to those who are partially vested.

During 2007, the Minnesota Legislature clarified that survivors are only eligible to collect the 20 percent (up to \$2,000) supplemental benefit, and are **NOT** eligible for the regular 10 percent up to \$1,000 supplemental benefit that is limited to service pension recipients.

This means that survivors are not eligible to receive a supplemental benefit unless the relief association elects to pay the survivor supplemental benefit amount. A relief association should add language to its bylaws that authorizes the survivor supplemental benefit payments if the association intends to pay a supplemental benefit to a survivor. The Pension Division has sample language that can be used as a reference for relief associations interested in making a bylaw change. Supplemental benefits for survivors may be paid to the surviving spouse or to the surviving minor child or minor children. Survivor supplemental benefits may not be paid to a beneficiary who is not a surviving spouse or surviving minor child, and the benefits may not be paid to an estate.

Copies of the supplemental benefit reimbursement form, instructions, and sample form are available on the Department of Revenue's website at:

http://www.taxes.state.mn.us/property_tax_administrators/other_supporting_content/sbrmainpage09.shtml

2009 Schedule Form Reminder

Lump sum plans were required to certify their 2009 Schedule Form to the affiliated municipality or independent nonprofit firefighting corporation by August 1. Although the 2009 Schedule is not required to be submitted to our office until next year, most relief associations submit the form to our office at the same time it is given to the city, town, or independent corporation. The Pension Division will be performing preliminary reviews of the 2009 Schedule information this fall and winter. If you have not submitted the form yet, please provide a copy at your earliest convenience so that a preliminary review of the data can be conducted.

If you have questions please contact us:

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