



July 2011

Pension Division Newsletter

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Note Our New E-mail Addresses

The Office of the State Auditor's e-mail addresses are changing due to a change in the State e-mail system. Please make sure that e-mail addresses you have for Pension Division staff are in the following format: @osa.state.mn.us. If you use the version @state.mn.us, we may not receive your e-mail and, by September, our office will not receive any e-mails using the old address. Please make sure that you update your address books with the new @osa.state.mn.us addresses. Thank you!

Schedule Form Reminders

The 2011 Schedule Form for lump-sum volunteer fire relief associations must be certified to the governing body of the affiliated municipality on or before August 1, 2011. Relief associations affiliated with an independent nonprofit firefighting corporation should certify the form to the independent board. The 2011 Schedule Form determines the relief association's projected assets and liabilities for 2011 and the minimum required contribution for 2012. If the municipality or independent nonprofit firefighting corporation is required to make a contribution to your relief association during 2012, the required contribution amount will be shown on the signature page (page five) of the form. Note that any amount shown on the signature page must be paid to your relief association during the 2012 calendar year.

The 2011 Schedule Form is available for download from the Office of the State Auditor's website at <https://www.auditor.state.mn.us/safes/>.

For further information on required contributions, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20110527.009>.

In addition, the Office of the State Auditor has received questions about what it means when the municipal clerk signs the Schedule Form. By signing the form, the municipal clerk is simply acknowledging receipt of the form and certifying that the city council or town board will be advised of any contribution requirement. When the form is signed, the municipal clerk is not ratifying the benefit level shown on the form.

If your relief association is making a benefit level change, your association must bring the bylaw amendment that includes the benefit level change to the city council or town board. The city

council or town board can choose to ratify the change or choose not to ratify it. This is a different process from the Schedule Form certification. Finally, please remember that a city council or a town board cannot unilaterally change, or establish, your relief association's benefit level.

Maximum Benefit Levels

The Maximum Benefit Worksheet (MBW) is a form that lump-sum plans, monthly plans, and monthly/lump-sum combination plans must complete every year on or before August 1 as part of the certification of the relief association's financial requirements. The MBW averages the relief association's non-investment primary revenue sources for the prior three years on a per-member basis. The primary revenue sources included in the calculation are the amounts of any state fire aid and municipal contributions received, and ten percent of the relief association's surplus. The average that is calculated corresponds to the maximum benefit level that the relief association is authorized to establish for the year, pursuant to state law. Relief associations face severe penalties, including the forfeiture of state fire aid, if they establish a benefit level higher than the allowable maximum and pay pensions at the unauthorized benefit level.

Because the MBW calculations are a reflection of the relief association's non-investment revenue sources, whether a relief association has a surplus or a deficit only indirectly affects the calculation through the amount included from the ten percent of surplus. In years when markets are performing poorly and the relief association receives large contributions from the municipality, the maximum benefit level most likely will increase, since the relief association's non-investment revenues have increased. In this situation, the increasing maximum benefit amount may give a false impression of the relief association's financial health. Relief associations should keep these calculations in mind when considering benefit increases. Increasing the benefit level, even when markets are performing well can put the relief association into a deficit situation, requiring a contribution from the municipality to support the benefit level.

Some relief associations are finding that their maximum benefit level fell for 2011, and the relief associations may now be operating at a benefit level that is higher than the allowable maximum. There is authority for relief associations to continue operating at a benefit level higher than the allowable maximum if the benefit level was properly adopted and was within the allowable maximum when it was established, and if the decrease to the calculated maximum was due to either a decrease in state fire aid or an increase in the number of active members during the three-year period on which the calculation is based. Relief associations which have seen a decrease in state fire aid during the past three years will qualify to be "grandfathered in." Those associations will be allowed to continue operating at their current benefit level as long as it was within the maximum when established. Relief associations that qualify to be grandfathered in at their current benefit level cannot increase their benefit level until the annual calculation shows that an increase is allowed.

The 2011 Maximum Benefit Worksheet is available for download from the Office of the State Auditor's website at <https://www.auditor.state.mn.us/safes/>.

For more information regarding maximum benefit levels, please go to:
<http://www.auditor.state.mn.us/default.aspx?page=20110531.003>

Military Breaks in Service

Relief associations are required under state and federal law to provide service credit to members who are absent from firefighting service due to military service. Members who are absent from the relief association due to a military break in service are treated for pension purposes as though they were active. This is true regardless of whether the member voluntarily enlisted or was called upon as a member of the National Guard.

The service credit provided under state and federal law is subject to certain limitations and restrictions. To be eligible for the service credit, the member must provide notice to the fire department that he or she is leaving to provide military service, unless it is not feasible to provide that notice due to the emergency nature of the situation. It is recommended that both written and verbal notice be provided. The member must also return to firefighting service with coverage by the same relief association upon discharge and must be honorably discharged. The member must apply for reemployment within the time specified after discharge. Upon reemployment, however, members are not required to remain in active status for any minimum length of time.

Military service credit is generally capped at five years, although there are exceptions for many active duty periods. For example, operations Iraqi Freedom and Enduring Freedom are not counted against the five-year limit. The five-year limit is a cumulative limit, per employer. So, if a member of a relief association was absent to provide military service for three years, resumed active service with the fire department and then was absent for another three years, the member generally would only receive five years of active service credit for the military break.

Forgot your SAFES Password?

If you've forgotten your username or password for logging into the State Auditor's Form Entry System (SAFES), the web application for accessing and submitting your reporting forms, click on the link below. After entering your SAFES username or e-mail address, a new password will be generated and sent to you by e-mail.

<https://www.auditor.state.mn.us/safes/PasswordRecovery.aspx>

If you have questions please contact us:

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

Jim Jensen, Pension Analyst
(651) 284-3423 Jim.Jensen@osa.state.mn.us

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

Michael Johnson, Pension Analyst
(651) 282-5430 Michael.Johnson@osa.state.mn.us

Kevin Kearney, Student Intern
(651) 296-6279 Kevin.Kearney@osa.state.mn.us

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