

Pension Division Newsletter

Inside this issue:

<i>Municipal Ratification Requirements</i>	2
<i>Financial Arrangements with a City or Town</i>	3
<i>Treasurer Bonds</i>	4
<i>Pension Division Staff</i>	4

Annual Business Renewal

Every volunteer fire relief association must register annually as a nonprofit corporation with the Minnesota Secretary of State’s Office. If a relief association fails to register or to notify the Secretary of State of corporate name or address changes, the Secretary of State may reject the registration and dissolve the relief association’s nonprofit corporation status.

A relief association can learn of its status by going to the Secretary of State’s website. Relief associations with a renewal due date displayed as 12/31/2013 must complete the registration before December 31, 2013, or face possible dissolution of the association’s nonprofit corporation status. If a relief association has completed its registration for this calendar year, the “renewal due date” displayed on the Secretary of State’s website will read 12/31/2014.

The annual registration can be completed online at the Secretary of State’s website at:

<http://mblsportal.sos.state.mn.us/>.



Office of the State Auditor
 Pension Division
 525 Park Street, Suite 500
 Saint Paul, MN 55103
 (651) 282-6110
 Fax: (651) 282-5298
pension@osa.state.mn.us

Consultant Insurance Requirement

Minnesota law places conditions on consultants who provide legal or financial advice to volunteer fire relief associations. If a relief association hires or contracts with a consultant, the association must obtain from the consultant a copy of the consultant’s certificate of insurance.

A consultant is defined as any person who is employed under contract to provide legal or financial advice and who is or who represents to the relief association that the person is: an actuary; a certified public accountant; an attorney; an investment advisor or manager, or an investment counselor; an investment advisor or manager selection consultant; a pension benefit design advisor or consultant; or any other financial consultant.

What's Ahead:

June 30:

Reporting forms for relief associations with assets or liabilities of at least \$200,000 are due to the Office of the State Auditor.

August 1:

The 2013 Schedule Form and 2013 Maximum Benefit Worksheet must be certified to the municipality or independent nonprofit firefighting corporation.

September 15:

First certification deadline for 2013 state fire aid. To be certified as eligible, all 2012 information must be submitted to the OSA, the OSA review must be completed, and any issues resolved.

October 1:

State fire aid is paid for those relief associations certified as eligible on the first certification deadline.

Municipal Ratification Requirements

A relief association is a governmental entity separate from the city, town, or independent nonprofit firefighting corporation with which it is affiliated. However, because municipalities and independent nonprofit firefighting corporations are sometimes required to provide financial support to their affiliated relief association, Minnesota law requires that certain types of relief association decisions be ratified by the municipality or corporation.

Ratification of deferred interest rates set by a relief association's board of trustees is always required before the interest rates become payable. Ratification is usually required before any bylaw amendment which increases or otherwise affects the retirement coverage provided by or the service pensions or retirement benefits payable from the special fund of a relief association becomes effective.

Under limited circumstances, relief associations are authorized to increase benefit levels or make bylaw changes affecting service pension or benefits payable without ratification.

There are limited circumstances under which benefit levels or benefit bylaw changes may become effective without ratification. If the increase in liabilities due to the benefit or bylaw change does not exceed 90 percent of the relief association's prior-year surplus, and if the change does not result in the financial requirements of the association's special fund to exceed the expected amount of the association's state fire aid, ratification is not necessary. If a change is implemented without ratification and a municipal or independent nonprofit firefighting corporation contribution subsequently becomes required to pay, the change is no longer effective (unless ratified) and the association may only pay pensions and benefits that have been ratified.

These ratification requirements apply to lump-sum, monthly, and monthly/lump-sum combination relief associations. Defined contribution relief associations have no municipal or independent nonprofit firefighting corporation ratification requirements because contributions to these plans are not statutorily required.

Some relief associations go beyond these statutory requirements and require, though their bylaws, that municipal ratification be obtained for other types of bylaw changes. Relief associations should review their bylaws to ensure that all ratification requirements are met.

Financial Arrangements with a City or Town

Sample Bylaw Guides:

Lump-Sum

[City Fire Department](#)

[Town Fire Department](#)

[Joint-Powers Fire Department](#)

[Independent Corporation](#)

Defined-Contribution

[City Fire Department](#)

[Town Fire Department](#)

[Joint-Powers Fire Department](#)

[Independent Corporation](#)

The Office of the State Auditor (OSA) has recently become aware of a situation in which a relief association has an arrangement with its affiliated city or town in which the city or town manages the finances of the association. Relief associations should be wary of such arrangements due to State statutes that assign certain duties to the relief association officers and/or trustees.

For example, Minnesota law identifies each trustee of a relief association's board as a fiduciary, and defines the activities of a fiduciary as including, but not limited to: (1) the investment and reinvestment of plan assets; (2) the determination of benefits; (3) the determination of eligibility for membership or benefits; (4) the determination of the amount or duration of benefits; (5) the determination of funding requirements or the amounts of contributions; (6) the maintenance of membership or financial records; (7) the expenditure of plan assets; and (8) the selection of financial institutions and investment products.

In addition, the municipal treasurer must, within 30 days after receipt, transmit the fire state aid to the treasurer of the relief association. The relief association must deposit all fire state aid and all revenues received from the municipality into its special fund.

State statutes require the officers of a defined-benefit relief association to certify to the affiliated city or town on or before August 1 of each year the financial requirements of the association's special fund and the minimum municipal obligation.

Although the OSA recognizes that a city or town may wish to help its affiliated relief association by assuming an active role in its financial management, the statutory division of responsibilities should be maintained.

The officers of the relief association must undertake the fiduciary and financial responsibilities outlined in State statute and the relief association bylaws. These responsibilities include depositing relief association funds and determining how the funds should be invested, signing checks and authorizing transfers, and completing the annual Schedule Form to determine and certify the minimum required contribution of the affiliated city or town.

Treasurer Bonds

Statements of Position:

State law requires the treasurer of a volunteer fire relief association to be bonded for at least ten percent of the association’s special fund assets. However, the amount of the bond need not exceed \$500,000.

Considerations When Making Benefit Changes

Officers of relief associations affiliated with a city fire department where the city is bonded through the League of Minnesota Cities Insurance Trust (LMCIT) are automatically defined as covered employees on the city’s bond. In these cases, the relief association does not need to purchase a separate bond because the association treasurer and other officers are already bonded. The relief association should obtain a copy of the city’s LMCIT bond to be sure that the amount of the bond is at least ten percent of the association assets.

Return to Service

Because the statutory requirement specifies that the bond must be in an amount equal to at least ten percent of the assets of the relief association, the bond should not be subject to a deductible. For relief associations covered by a LMCIT bond, the LMCIT will reimburse the association in full in the event of a covered loss, subject to the bond coverage limit. The city will reimburse the LMCIT for any deductible which applies to the loss. This arrangement is specified in the LMCIT bond coverage as an endorsement. Relief association treasurers who are bonded through an entity other than the LMCIT should review their fidelity bond and make changes as necessary to ensure that it is not subject to a deductible.

Investment Authority

Governance for Fire Relief Associations

Fundraisers and Donations

Pension Division Staff

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

Michael Johnson, Pension Analyst
(651) 282-5430

Michael.Johnson@osa.state.mn.us

Gail Richie, Office & Admin Assistant
(651) 282-6110

Gail.Richie@osa.state.mn.us

Rose Hennessy Allen, Pension Director
(651) 296-5985

Rose.Hennessy-Allen@osa.state.mn.us