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State Auditor Otto Convenes 2009-2010 Fire Relief Working Group

By Rebecca Otto, State Auditor

The Office of the State Auditor convened the 2009-2010 Volunteer Fire Relief Association Working Group in August. This is the third year in a row that I and Office of the State Auditor staff have brought together the major relief association stakeholders to discuss relief association issues, facilitate communication, develop relationships, and make the pension process easier and more effective by recommending legislative changes.

The Group held six meetings between August and December. At the first meeting, the Group reviewed topic suggestions made by relief association trustees, municipal representatives from across Minnesota, and the Office of the State Auditor. The Group agreed on a slate of topics for consideration. Two major topics the Group has worked on are the calculation method for city and town contributions to relief associations and changes to the order of payment for survivor benefits.

Municipal Contribution Calculations

One area the Working Group considered was how municipal contributions are calculated. Investment losses experienced by many relief associations have resulted in large required municipal contributions, and municipalities faced with shrinking budgets are looking for ways to reduce their contributions to the affiliated relief association or to extend the period of time in which the contributions could be paid. The Working Group looked at proposals to smooth the calculation to ensure less volatility in contribution requirements for municipalities and proposals to extend the deficit amortization period to 20 years for defined benefit plans.

The Group decided not to pursue a legislative change on this issue this year, since any legislation passed during the upcoming session would be too late to have an effect on amounts already levied for relief associations for 2010. The Group was also concerned about making a change in reaction to the recent market drop that may not be a good long-term funding policy for relief associations. Some cities may seek a legislative change on their own.

Survivor Benefit Payments

The Working Group also discussed several proposals regarding survivor benefits. The proposals included changing the order of payment for survivor benefits, and allowing monthly and

monthly/lump sum plans to put limits on survivor benefits to reduce exposure to unfunded liabilities. Also, some monthly plans would like to define a surviving spouse as the spouse at the time of the member's separation from active fire department service, not the spouse at the time of the member's death, as it is currently defined. This change was proposed before, and the Pension Commission amended it to the time of death. Other solutions are being considered to fix this problem.

The Working Group spent time during several meetings thoroughly discussing these proposals, and trustees from monthly and monthly/lump sum plans also attended an informal discussion on the topic. The monthly plans have some concerns unique to their plan type because the benefits are paid for an extended period of time. The proposed changes would resolve a variety of issues for all plan types that have been brought to the Group's attention, including the desire to pay benefits to a trust and for members to have the ability to pay benefits to family members with medical or financial needs. The Working Group decided to hold an additional meeting in January to wrap up its discussion on survivor benefit issues.

Other Areas of Discussion

The Group discussed a number of other 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 bill will include updates to the recently-passed return-to-service law. The updates allow for exemptions to the new law for members with approved leaves of absence or other types of breaks in service, subject to certain restrictions.

The Working Group decided to create a general records retention schedule for volunteer fire relief associations which will be presented to the Records Disposition Panel for approval. The records retention schedule will provide guidance for relief associations on the maintenance of records, and will provide authority for certain types of records to be destroyed after designated periods of time. Currently, the law does not allow for any destruction of relief association records without special approval by the Records Disposition Panel.

Looking Ahead

The Working Group will be presenting its bill to the Legislative Commission on Pensions and Retirement in January or February. 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> .

The Office of the State Auditor is excited about the Working Group's accomplishments this year. Thanks to all of you who have provided suggested topics for the Group to consider, and also to those of you who provided feedback along the way. We will continue to keep relief association trustees updated about the Working Group's activities and any law changes through our weekly E-Update, monthly Pension Newsletter, and regular articles in the Fire Chief.