



OFFICE OF THE STATE AUDITOR

E-Update

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**State Auditor
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1. Pension Update – Working Group Report
 2. Avoiding Pitfalls – Local Government Compensation Limit
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1. Pension Update – Working Group Report

The Office of the State Auditor's Volunteer Fire Relief Association Working Group held its second meeting of the year on Thursday, November 1. The Group discussed issues surrounding ancillary benefits, which are disability, survivor, and funeral benefits. Discussions focused on whether authority should be granted to pay reduced ancillary benefits for members that are not fully vested and whether the definition of surviving spouse should be updated to reflect the definition used by the Public Employees Retirement Association. After very thorough discussions the Group decided to hold over both topics to the next meeting so that members could think about these complex issues and obtain additional information. The Working Group members also discussed setting a minimum age requirement for disability benefits and decided to take no action on the topic.

Meeting agendas, minutes, and other materials will be posted in the Fire Relief Association Working Group section of our website at www.auditor.state.mn.us. The next Working Group meeting is Tuesday, November 13, from 11:00 am to 1:00 pm at our Saint Paul office. Topics on the agenda for the next meeting include deferred interest and investment issues. The public is welcome to attend. If you have questions regarding the Working Group please contact Rose Hennessy Allen at (651) 296-5985 or Rose.Hennessy-Allen@state.mn.us.

2. Avoiding Pitfalls – Local Government Compensation Limit

Minnesota law sets a compensation limit for local government employees. Under the statute, the salary of each local government employee, including the value of other forms of compensation, must not exceed 110% of the Governor's salary. The statute excludes certain benefits from the compensation limit calculation. The limit is adjusted each year based on the Consumer Price Index. For 2007, the limit is \$139,817.

This limit applies to cities, counties, towns, and metropolitan or regional agencies, but not to school districts. Hospitals, clinics, and health maintenance organizations owned by governmental units are also not subject to the limit.

The law also gives the Commissioner of the Department of Employee Relations authority to increase the limitation for a position that the Commissioner has determined requires special expertise necessitating a higher salary to attract or retain a qualified person.

The relevant statute is Minn. Stat. § 43A.17, subd. 9, which can be accessed at: <http://www.leg.state.mn.us/leg/statutes.asp>.