



January 2008

## Pension Division Newsletter

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### *Working Group Update*

The Office of the State Auditor's Volunteer Fire Relief Association Working Group held its final meeting of the season on Tuesday, January 8. The members reviewed a final draft of the Working Group bill, which contains legislation for eight proposals that had obtained consensus during the previous meetings. A summary of the eight proposals are attached to this Pension Newsletter and can be found on the last two pages of this PDF document.

The group also continued its discussion on "return to service" issues. Under current law, there are severe penalties for volunteer firefighters who are paid a service pension and who subsequently resume active service as a volunteer firefighter with the same fire department. Firefighters have expressed concern that the penalties could hinder their ability to adjust to changing workforce needs and increase the difficulties some communities face in recruiting and retaining volunteers.

As you know, the changes adopted by the Working Group are merely proposals for the legislature to consider. They do not become law unless and until they are passed by the legislature, and signed by the Governor. We will continue to keep you updated through our Pension Newsletters on the progress of the Working Group bill. Once the session is over, we will provide training on any law changes affecting relief associations and provide sample bylaw language that can be used for reference purposes.

Meeting agendas, minutes, and other materials are posted in the Fire Relief Association Working Group section of our website at [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

### *2007 Reporting Year Forms*

The 2007 Reporting Year online forms will be available for download from our website at the beginning of February. An email and letter will be sent to the primary contact person of each relief association with detailed instructions for accessing the online reporting forms.

- **Statements of Economic Interest**

As mentioned in our December 21st E-Update, every year, each board member and the chief administrative officer of a volunteer fire relief association is required to complete a Statement of Economic Interest. The Statement must be filed with the chief administrative officer of the relief association and must be made available for public inspection during regular office hours at the association's office.

The chief administrative officer of the relief association must submit a Certified Listing of Individuals Who Filed a Statement of Economic Interest form to the Campaign Finance and

Public Disclosure Board by January 15. This form must list all individuals who have filed Statements of Economic Interest with the relief association for the preceding 12 months, along with the address of the office at which the statements are available for public inspection.

The Statement of Economic Interest and Certified Listing of Individuals Who Filed a Statement of Economic Interest forms are available in the Forms section of the Office of the State Auditor's website.

- **Broker Certification Requirement**

As you are aware, if your relief association uses the services of a broker, state law requires that your association provide annually to the broker a written statement of investment restrictions applicable under state law or applicable under your plan's investment policy. Your broker must then annually acknowledge receipt of the investment restrictions and agree to handle your relief association's investments in accord with the restrictions. Relief associations may not enter into or continue a business arrangement with a broker until the broker has provided this written acknowledgement. The certification requirement is meant to protect relief association assets and the association's current and future retirees. The Office of the State Auditor provides a form called the Broker Certification Form (BC-1) for relief associations to use to comply with this statutory requirement.

Relief associations that work with a broker should be sure to submit a completed Broker Certification Form with their 2007 Reporting Year forms. A copy of the BC-1 form is available in the Forms section of the State Auditor's website at [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

- **Key Reporting Requirements Document**

An updated version of the Key Reporting Requirements Document is now available in the Forms section of our website. The document provides a list of the various state reporting requirements for relief associations, along with the applicable form deadlines.

- **Reminder to Submit 2007 Schedule and Maximum Benefit Worksheet**

Relief associations that have not submitted their 2007 Schedule (lump sum plans) or their 2007 Maximum Benefit Worksheet (lump sum, monthly, and monthly/lump sum combination plans) are encouraged to do so at their earliest convenience. Although the forms are not required to be submitted until March 31 or June 30, depending upon your relief association's asset size, the Pension Division conducts a preliminary review of the Schedule and Maximum Benefit Worksheet for those associations that submit the forms early.

We also will continue to pre-populate membership information on the Schedule form and prior year data on the Maximum Benefit Worksheet. The 2008 forms cannot be pre-populated however, until we receive your 2007 forms and conduct a preliminary review of the data. Pre-population eliminates the need to manually enter most of the data on the forms. Taking time now to upload the forms will save you time next year when completing them.

***Visit Our New Website!***

The Office of the State Auditor recently launched a new website that we hope you will find to be more efficient and user-friendly. Please visit the website when you have a moment, at [www.auditor.state.mn.us](http://www.auditor.state.mn.us). From the menu bar at the top of the main page you can access

Reports and Forms, learn about the Office of the State Auditor, and read answers to frequently asked questions. Information that relief associations may find helpful is provided below:

- **Forms**

Select “Pension Forms” from the Forms option on the menu bar. On the Pension Forms page you can access a list of the 2007 state fire aid amounts, view the Selected Relevant Statutes Booklet, log in to the State Auditor’s Form Entry System to access your online forms, or go to the “Pension Reporting Forms” page. The Pension Reporting Forms page contains copies of the various relief association reporting forms and the Key Reporting Requirements document.

- **Reports**

Select “Pension Reports” from the Reports option on the menu bar. Reports released by the Pension Division, back to 1996, are provided on the Pension Reports page. The reports include the annual Financial and Investment Report for Volunteer Fire Relief Associations.

- **Volunteer Fire Relief Association Working Group**

Select “Fire Relief Association Working Group” from the For Local Officials option on the menu bar. The Fire Relief Association Working Group page contains meeting agendas and materials from each of the Working Group meetings, along with a Working Group membership list.

- **All About Fire Relief Associations**

Select “All About Fire Relief Associations” from the For Local Officials option on the menu bar. You will be taken to a page that contains answers to questions frequently asked by relief association trustees.

- **Pension Newsletters and E-Updates**

Select “Pension Newsletters” from the Latest News option on the menu bar. Copies of each Pension Newsletter are provided. Under the “Latest News” option you also can read, and sign up to receive, the weekly E-Updates that are sent by our Office. The E-Updates are sent via email each Friday, and usually contain updates or notices for relief associations.

- **Contact Us**

Select “Pension Division” from the Contact Us option on the menu bar. Email addresses and phone numbers are provided for everyone on our Pension team, along with our fax number and mailing address.

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*If you have questions please contact us:*

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2007/2008

## Working Group Recommendations

### **1. Deferred Interest Options (Minn. Stat. § 424A.02, subd. 7)**

- ❑ Allow deferred interest to be allocated on a daily, monthly, or annual basis for deferred members. Current law requires monthly allocation for members separating under the “Board Set” and “OSA Return” options.
- ❑ Remove authority for interest to be allocated under the rate actually earned, up to five percent, as calculated by the Office of the State Auditor (“OSA Return”) option.

*This recommendation provides relief associations with greater flexibility when calculating and allocating interest to deferred members. The recommendation also moves up the expiration date for the “OSA Return” option, from December 31, 2008 to the date following final enactment of the bill.*

### **2. Limitation on Ancillary Benefits (Minn. Stat. § 424A.02, subd. 9)**

- ❑ Require relief associations to calculate ancillary benefits (disability and survivor benefits) at an amount equal to the member’s total earned service pension.
- ❑ Define the total earned service pension as the member’s years of service multiplied by the benefit level at the time of death or disability. (Without regard to the vesting percentages.)
- ❑ Allow flexibility to pay a lesser amount for members that are deferred.

*This recommendation clarifies the calculation method for active member ancillary benefits, while continuing to allow flexibility in the calculations for deferred members.*

### **3. Funeral Benefit Authority (Minn. Stat. § 424A.05, subd. 3)**

- ❑ Eliminate authority for relief associations to pay a funeral benefit from the Special Fund.

*This recommendation attempts to ensure compliance with statutory requirements that ancillary benefits not exceed a member’s total earned service pension. Relief associations would continue to have authority to pay a funeral benefit from the General Fund.*

### **4. Ancillary Benefit Definition (to be codified as Minn. Stat. § 424A.001, subd. 1a)**

- ❑ Define the term “ancillary benefit” as a benefit other than a service pension that is permitted by law and that is provided for in the relief association bylaws.

*The recommendation provides a uniform definition of the term “ancillary benefit” for use by relief associations.*

**5. *Surviving Spouse Definition (Minn. Stat. § 424A.001, subd. 6)***

- ❑ Change the definition of the term “surviving spouse” to be the spouse of a deceased member who was legally married to the member either at the time of separation from active service with the fire department or at death, as specified by the bylaws, or, if not specified in the bylaws, at the time of death.
- ❑ Allow additional spouses to qualify as surviving spouses using an easier to understand definition.

*This recommendation provides options for relief associations to define surviving spouse requirements while containing a default that would apply for relief associations that do not make a bylaw selection.*

**6. *“Other Investments” Limitation (Minn. Stat. § 356A.06, subd. 7)***

- ❑ Clarify the 20 percent limitation on “other investments” so that only allocated portions of mutual funds count toward the statutory limit.

*This recommendation makes a common sense change so that only the portions of mutual funds that invest in “other investments” count toward the 20 percent statutory limit.*

**7. *Requirement to Report Evidence of Misconduct (Minn. Stat. § 6.67)***

- ❑ Expand the requirement for public accountants to report evidence of nonfeasance, misfeasance, or malfeasance to the State Auditor and the County Attorney.

*This recommendation requires public accountants that discover evidence pointing to nonfeasance, misfeasance, or malfeasance in the course of auditing the books and affairs of the relief association to report the discovery.*

**8. *Title to Assets (Minn. Stat. § 356A.06, subds. 1 and 8b)***

- ❑ Allow a security broker with insurance from the nonprofit corporation created by the Securities Investor Protection Act (SIPC), or the broker’s agent, to hold relief association assets.
- ❑ Require relief associations that use the services of a broker to complete the uniform Broker Certification Form provided by the Office of the State Auditor.

*This recommendation allows relief associations to invest directly with a broker and have the broker hold the association’s assets, rather than requiring that a custodial bank hold the assets. The recommendation provides protection for relief association assets by requiring that the broker have SIPC insurance. Compliance with the insurance requirement will be certified by the broker on the uniform Broker Certification form provided by the Office of the State Auditor.*

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