

# Pension Division Newsletter

**Inside this issue:**

|                                    |   |
|------------------------------------|---|
| Board-Set Deferred Interest Rates  | 2 |
| Important Notice About Windows XP  | 3 |
| Schedule Form Reminder             | 3 |
| Authorized Administrative Expenses | 4 |
| Relief Association Plan Types      | 5 |
| Pension Division Staff             | 5 |

## Working Group Meetings Scheduled

The Office of the State Auditor (OSA) will again convene the Volunteer Fire Relief Association Working Group this fall. The Working Group meets to identify and work through current and pressing relief association issues. The first meeting of the Working Group is set for November 6 and will be held from 11:00 a.m. to 1:00 p.m. at our office in Saint Paul.

Additional Working Group meetings have been scheduled for November 20, December 5, and December 18. An additional meeting in January will also be scheduled. All meetings are open to the public and will be held from 11:00 a.m. to 1:00 p.m. at our office in Saint Paul. Meeting agendas and materials will be available on our website at:

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

If you have questions regarding the Working Group or would like to suggest topics for the Group to consider, please contact Rose Hennessy Allen at [Rose.Hennessy-Allen@osa.state.mn.us](mailto:Rose.Hennessy-Allen@osa.state.mn.us) or at (651) 296-5985.



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## State Aid Forfeiture Deadline

To avoid automatic forfeiture of your relief association's 2013 state fire aid, all 2012 reporting-year forms must be submitted to the OSA by November 30, 2013. Notices were sent by e-mail and U.S. Mail to relief associations that have not submitted all required reporting information.

If you have questions regarding relief association reporting requirements, please contact the Pension Division at (651) 282-6110 or at [pension@osa.state.mn.us](mailto:pension@osa.state.mn.us).

A document providing reporting information and helpful hints for completing the reporting forms can be viewed on our website at:

[http://www.auditor.state.mn.us/forms/pen/ReportingForms/pensionrf\\_infoandhelpfulhints.pdf](http://www.auditor.state.mn.us/forms/pen/ReportingForms/pensionrf_infoandhelpfulhints.pdf).

**What's Ahead:**

**November 1:**

Second certification deadline for 2013 fire state aid.

**November 6:**

Working Group Meeting from 11:00 a.m. to 1:00 p.m. at the office of the OSA.

**November 15:**

Fire state aid is paid for those relief associations certified as eligible on the second certification deadline.

**November 20:**

Working Group Meeting from 11:00 a.m. to 1:00 p.m. at the office of the OSA.

**November 30:**

Final deadline for submitting 2012 reporting-year forms to avoid forfeiture of fire state aid.

**Board-Set Deferred Interest Rates**

Defined-benefit lump-sum and monthly/lump-sum combination plans have the option of paying interest to deferred members at a rate of interest, up to five percent, that is set by the relief association's board of trustees. Two important changes were passed into law during the 2013 legislative session that relate to 1) ratification requirements for deferred interest rates set by a board of trustees and 2) the timing of when the rates become payable.

*These law changes go into effect on January 1, 2014.* Relief associations that pay interest at a rate set by the board of trustees should review their bylaws and payment practice to make sure they both comply with the new statutory requirements.

**Ratification Requirements**

Any change in the interest rate set by the board of trustees, up or down, must be ratified by the city council or town board of the municipality affiliated with the relief association before the new rate becomes effective. For relief associations affiliated with an independent nonprofit firefighting corporation, the interest rate must be ratified by the board of the independent nonprofit firefighting corporation.

**Timing of Interest Rates**

Interest rates set by a relief association's board of trustees become payable beginning on the January 1 following the date on which the rate was ratified by the municipality or independent nonprofit firefighting corporation. For example, a relief association's board of trustees sets an interest rate of three percent on February 15, 2014. The affiliated city council ratifies the interest rate at its council meeting on March 5, 2014. The interest rate will become payable on January 1, **2015**.

**Additional Information**

Sample bylaw provisions are included within the OSA's Sample Bylaw Guides that incorporate these legislative changes. The Sample Bylaw Guides are available at: <http://www.auditor.state.mn.us/default.aspx?page=20120208.000>.

In addition, see the OSA's Statement of Position on Interest Earnings for Deferred Members of Volunteer Fire Relief Associations at: <http://www.auditor.state.mn.us/default.aspx?page=20110527.005>.

**Helpful Links:**

[2013 Legislative Update](#)

[Key Reporting Requirements](#)

[Selected Relevant Statutes Summary](#)

[Information for New Trustees](#)

[Helpful Contact Information](#)

## Important Notice About Windows XP

In last month’s Newsletter, we provided notice that on April 8, 2014, Microsoft will no longer support the Windows XP operating system or any of the programs in its Office 2003 software suite, which includes Word 2003 and Excel 2003. Specifically, Microsoft will not offer bug or security fixes to users of these products from that date forward.

For this reason, the Office of the State Auditor strongly recommends that any local government offices, including volunteer fire relief association offices, with computers running Windows XP, Office 2003, or any prior versions update your computers to a supported operating system and software before April 8, 2014.

*It is important to note that because of the security issues that may occur due to the lack of technical support for Windows XP and Office 2003, the OSA’s State Auditor’s Form Entry System (SAFES) will no longer accept documents saved in the default file format created by Office 2003, which includes Excel files with the extension “.xls”, after April 8, 2014.*

More information on this issue is available on the Microsoft website at: <http://www.microsoft.com/en-us/windows/endofsupport.aspx>.

## Schedule Form Reminder

The Pension Division is performing preliminary reviews of the 2013 Schedule Form (SC-13). The SC-13 is not required to be submitted to the OSA until March or June 2014, with the relief association’s other 2013 reporting information. However, most relief associations submit the form to the OSA after it has been certified to the affiliated municipality by August 1.

Early submission of the form allows the OSA to pre-populate member data on the 2014 Schedule Form, which saves time in data entry next year. For member data to be pre-populated on the 2014 Schedule Form, the SC-13 must be received and reviewed by the OSA before January 2014.

In addition, after April 8, 2014, the “.xls” file format SC-13 forms cannot be submitted using SAFES. (See Notice about Windows XP above.) If you haven’t submitted your SC-13 yet, please do so at your earliest convenience so that we can pre-populate your 2014 form and to alleviate SAFES submission issues.

## Authorized Administrative Expenses

### 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

Many relief associations have year-end expenses to pay. As a reminder, Special Fund assets may be only disbursed for purposes expressly authorized under Minnesota law. Authorized Special Fund disbursements include service pension, disability, and survivor benefit payments and certain authorized administrative expenses. Administrative expenses that may be paid from the Special Fund include office expenses, officer salaries, training fees, and professional expenses. Two common compliance issues that occur with Special Fund disbursements relate to salaries and professional fees.

State law allows salaries to be paid from the Special Fund to the officers of a relief association, or their designees. Salaries to other trustees of the board may be paid from the Special Fund only if the salary amounts are approved by the governing body of the entity that is responsible for meeting any minimum financial obligation to the relief association. For example, if a relief association is affiliated with a city fire department, salary amounts for non-officer trustees must be approved by the city council before they may be paid from the Special Fund.

The OSA’s Sample Bylaw Guides provide sample language for relief associations wishing to pay Special Fund salaries, and include an attachment to list salary amounts.

Members of the board of trustees may be reimbursed from the Special Fund for reasonable and necessary expenses actually *paid* and *incurred* in the performance of their duties as members of the board. All other non-salary payments (such as per diems) to board members should be paid from the relief association’s General Fund.

The professional expenses that a relief association may pay from the Special Fund are limited to authorized “audit, actuarial, medical, legal, and investment and performance evaluation expenses.” Authorized legal fees are reasonable fees paid directly to an attorney or a law firm for work necessary for maintaining, protecting, or administering the Special Fund.

Additional information regarding Special Fund disbursements is available in our Statement of Position on this topic, which can be viewed at:

<http://www.auditor.state.mn.us/default.aspx?page=20110527.003>

## Relief Association Plan Types

**Statements of Position:**

[Firefighter Service Credit Determinations](#)

[Return to Service](#)

[Investment Authority](#)

[Survivor Benefits](#)

[Special and General Funds, and Charitable Gambling Funds](#)

Questions occasionally arise regarding the type of pension plan that a relief association administers. A relief association's plan type is characterized by how the plan is funded. Relief associations can either be defined-benefit retirement plans or defined-contribution retirement plans. A defined-benefit retirement plan provides a retirement benefit that is predetermined based on a formula. The unknown variable for a defined-benefit retirement plan is the amount of funding needed to support the predetermined benefits. Benefits are primarily funded through a combination of fire state aid, municipal contributions, and investment earnings. When revenue from one of these funding sources decreases, pressure may be put on the other funding sources to make up the difference.

Relief associations electing to administer defined-benefit retirement plans are further characterized by how benefits are paid. Defined-benefit retirement plans may either pay benefits as a one-time lump-sum payment or as a monthly payment made from the time of retirement until the member's death.

A defined-contribution retirement plan provides a retirement benefit with a predetermined amount of funding. The unknown variable for a defined-contribution retirement plan is what a member's benefit amount will be at retirement. The benefit amount is equal to the member's individual account balance at the time of retirement. Members of defined-contribution plans receive equal shares of state and municipal contributions and prorated shares of investment earnings. Account balances vary from year to year based on the relief association's investment performance, revenues, and expenses. Members of a defined-contribution plan receive a one-time lump-sum payment when they retire.

## Pension Division Staff

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