

# Pension Division Newsletter

**Inside this issue:**

<i>Pension Newsletter Index</i>	2
<i>Reminder about Requesting a Cost Analysis to Join the Statewide Plan</i>	2
<i>Investment Management Fees</i>	3
<i>Establishing Multi-Year Benefit Level Proposals</i>	4
<i>Pension Division Staff</i>	4

## Schedule Form Information

Lump-sum relief associations were required to complete the 2016 Schedule Form during July of this year and to certify the Form to the affiliated municipality or independent nonprofit firefighting corporation by August 1. Some relief association trustees have inquired whether revisions can be made to the Form later this year to take into consideration investment gains or other revenue increases that occur after August 1.

Minnesota law does not authorize any process by which a relief association may modify its Schedule Form to change projection amounts once the actual year-end amounts are known. Projected amounts on the Form are frozen as of the date of the certification. Once certified, the Form cannot be revised to update revenue or expenditure amounts that deviated from the originally-certified projected amounts. Deviations between forecasted and actual revenues and expenditures will be reflected on the 2017 Schedule Form that will be completed next year.

## Fire State Aid Deadline

The first certification deadline for 2016 fire state aid and supplemental state aid is September 15. If your relief association has submitted its reporting forms but has been notified by our Pension Division team that additional information is needed, please provide the requested information as soon as possible. To be certified as eligible for receipt of your fire state aid in the first round of payments, all required 2015 reporting information must have been submitted to the Office of the State Auditor (OSA), our review of the information must have been completed, and any issues identified by the OSA must have been resolved by September 15.

Relief associations ineligible to receive 2016 state aid in the first round of state aid payments may be eligible to receive their state aid in the second round of payments if the OSA review has been completed and any identified issues are resolved by November 1.



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](mailto:pension@osa.state.mn.us)

**What's Ahead:**

**September 15:**

First certification deadline for 2016 fire state aid. To be certified as eligible, all 2015 information must be submitted to the OSA, the OSA review must be completed, and any issues resolved.

**October 1:**

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

**November 1:**

Second certification deadline for 2016 fire state aid.

**November 30:**

Final deadline for submitting 2015 reporting-year forms to avoid forfeiture of fire state aid.

## Pension Newsletter Index

An index is available on the OSA website that allows you to search articles from past Pension Division Newsletters. Topics include Benefit Levels, Board of Trustees and Membership, Fundraising, Internal Controls, Investment Information, Pension and Benefit Payment Information, and State Aid.

The index can be accessed from the Pension Newsletter page by going to:

<http://www.auditor.state.mn.us/default.aspx?page=20120703.010>.

## Reminder about Requesting a Cost Analysis to Join the Statewide Plan

Questions have arisen recently about the process for a relief association to join the Statewide Plan administered by the Public Employees Retirement Association (PERA). The first step in the process to join the Statewide Plan is for the secretary of a relief association to ask the association's board of trustees to approve a request for a cost analysis from PERA. In addition, the chief administrative officer of the municipality or the independent nonprofit firefighting corporation that sponsors the fire department must seek approval from the city council or town board, or the board of the independent nonprofit firefighting corporation, to request a cost analysis.

After the relief association board of trustees and the governing body have approved the request and PERA has performed a cost analysis, the decision to join the Statewide Plan is made by the city council, town board, or independent board. The relief association's board of has no formal role in deciding whether to join the Statewide Plan. It's role is merely advisory.

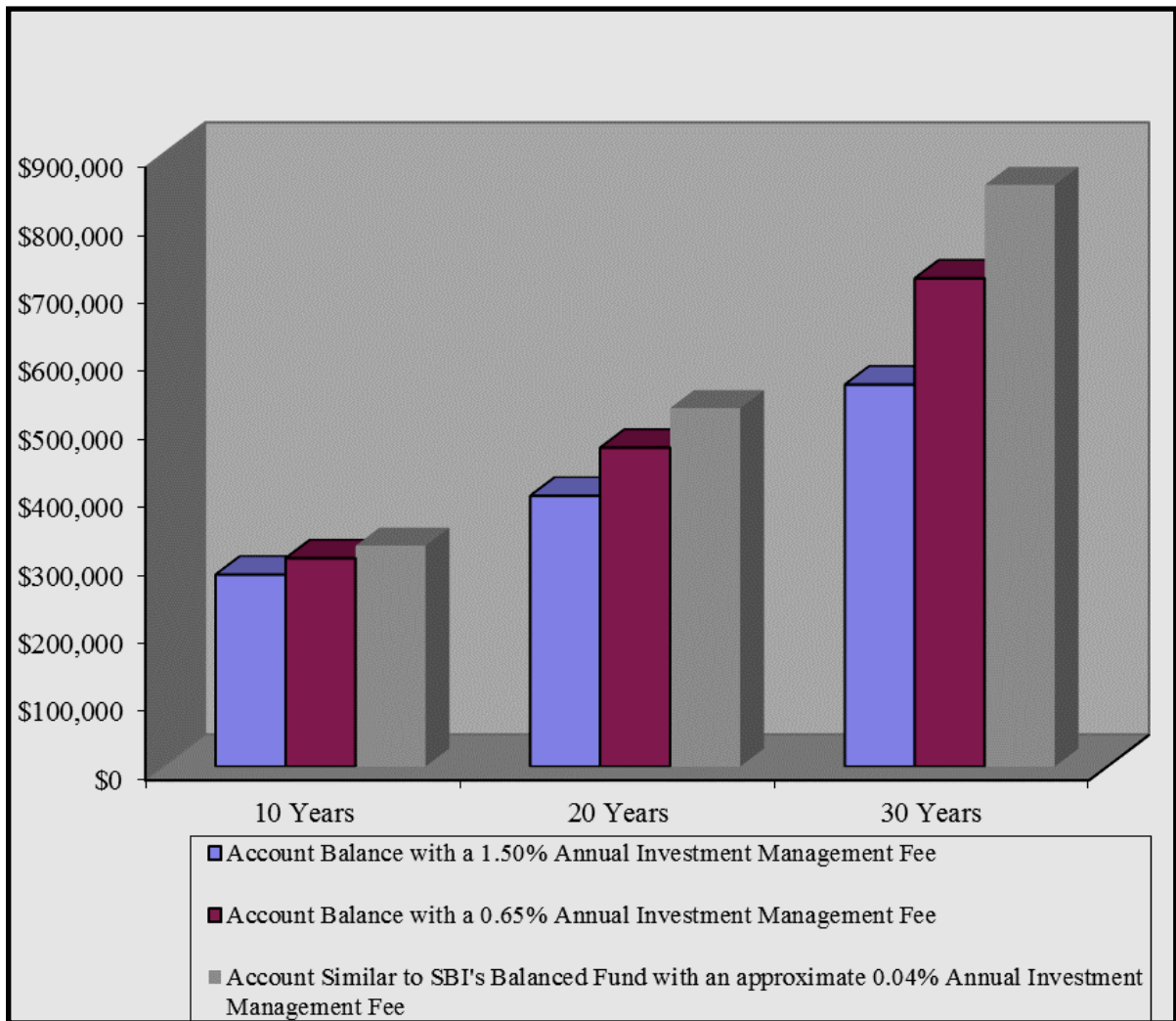
Additional information about the Statewide Plan and the enrollment process can be found on PERA's website at:

[http://www.mnpera.org/index.asp?Type=B\\_BASIC&SEC={5C2FBC82-DDED-4330-A13B-66C11E2E9200}](http://www.mnpera.org/index.asp?Type=B_BASIC&SEC={5C2FBC82-DDED-4330-A13B-66C11E2E9200}).

## Investment Management Fees

Financial institutions charge different types of fees for managing investment accounts. It is important for relief associations to understand the fees charged. Fees can reduce earnings and lower account balances over time.

The chart below compares the impact various fee scenarios can have on the performance of a relief association’s investment account over time. Higher fees can have a significant impact on a relief association’s earnings and reduce the value of its account over time.



This is a hypothetical example for illustrative purposes only and not indicative of any particular investment plan. The figure assumes an account with a beginning balance of \$200,000, an annual rate of return of 5.0 percent, and no withdrawals. Actual rates of return may vary and will depend on a number of different factors, including a relief association’s choice of investment options. The example illustrates, however, the increasingly negative impact higher management fees alone can have on investment value over time, when all other factors remain the same.

## Establishing Multi-Year Benefit Level Proposals

**Statements of Position:**

[Maximum Benefit Levels](#)

[Considerations When Making Benefit Changes](#)

[Required Municipal Contributions](#)

[Return to Service](#)

The OSA occasionally receives questions from relief association trustees who are interested in seeking municipal ratification of a proposal to increase the relief association’s benefit level incrementally over a multi-year period. Such a proposal is not consistent with established law unless the municipality ratifies each incremental benefit level before it becomes effective.

For example, if a relief association would like to increase its benefit level from \$2,000 to \$3,000 per year of service over a five-year period, the \$2,000 benefit level would need to be ratified in year one, the \$2,200 benefit level would need to be separately ratified in year two, and so on.

A city council or town board does not have authority to cede away governmental power of future governing boards. The city council or town board therefore cannot approve a benefit level that increases over several years because the action would potentially bind future governing boards and usurp their governmental powers.

Seeking municipal ratification of each incremental benefit level provides a relief association’s board of trustees and the city council or town board with flexibility to react as investment markets and funding situations change over time.

This practice also ensures that each incremental benefit level does not exceed the relief association’s maximum allowable benefit level, which is determined annually and can fluctuate from year-to-year.

## Pension Division Staff

If you have questions, please contact us:

Nicholas Enger, Pension Analyst

(651) 284-3423

[nicholas.enger@osa.state.mn.us](mailto:nicholas.enger@osa.state.mn.us)

Michael Johnson, Pension Analyst

(651) 282-5430

[michael.johnson@osa.state.mn.us](mailto:michael.johnson@osa.state.mn.us)

Molly Resch, Pension Analyst

(651) 297-2765

[molly.resch@osa.state.mn.us](mailto:molly.resch@osa.state.mn.us)

Benjamin Breidenbach, Pension Intern

(651) 296-6267

[benjamin.breidenbach@osa.state.mn.us](mailto:benjamin.breidenbach@osa.state.mn.us)

Rose Hennessy Allen, Pension Director

(651) 296-5985

[rose.hennessy-allen@osa.state.mn.us](mailto:rose.hennessy-allen@osa.state.mn.us)

Michael Kapala, Pension Intern

(651) 296-6279

[michael.kapala@osa.state.mn.us](mailto:michael.kapala@osa.state.mn.us)