

Pension Division Newsletter

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Clarification of Legislative Proposal

In last month’s Pension Division Newsletter, we provided information about a proposal the Volunteer Fire Relief Association Working Group (Working Group) was planning to discuss at its January 31 meeting. Based on questions we have received, it appears that there is some confusion and misunderstanding about the proposal and the Working Group’s consideration of it. Below is a Q&A that we hope will provide clarification.

What does the proposal do?

The proposal would increase the maximum allowable benefit level for defined-benefit lump-sum relief associations from the current cap of \$10,000 per year of service to \$15,000.

What does it *not* do?

It has no impact on defined-contribution relief associations.

It does not create a mandatory benefit level for any type of relief association.

Why is this proposal coming up now?

This proposal was included in both the 2016 and 2017 Omnibus Retirement Bills that were passed by the legislature but vetoed by Governor Dayton due to unrelated provisions in the Bills. The proposal being considered by the Legislative Commission on Pensions and Retirement (LCPR) this legislative session is unchanged from what was included and passed in the 2016 and 2017 Bills.

Is the Working Group proposing this legislation?

This proposal is *not* being made by the Working Group. The Working Group specifically was asked by the LCPR staff and other stakeholder groups to discuss the proposal and consider weighing in on it.

What did the Working Group decide?

(See continuation on next page.)



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What’s Ahead:

March 15:
Fire Equipment
Certification Form
(FA-1) is due to the
Department of Revenue

March 31:
Reporting forms for
relief associations with
assets and liabilities of
less than \$500,000 are
due to the OSA.

March 31:
Investment Business
Recipient Disclosure
Form is due to the
LCPR.

June 30:
Reporting forms for
relief associations with
assets or liabilities of at
least \$500,000 are due
to the OSA.

**Clarification of Legislative Proposal —
Continued**

Because the proposal would have statewide applicability (as opposed to being drafted to apply to only one or a few specific relief associations), the Working Group determined that it was appropriate to weigh in on the proposal.

The Working Group discussed the proposal and voted to support it.

Won’t the proposal, if enacted, lead to a massive increase in benefit levels for relief association members across the State?

No. The law requires that each defined-benefit relief association annually calculate its own maximum allowable benefit level, which is done on the basis of the relief association’s non-investment revenue sources. This is existing law and is unaffected by the proposal. Very few relief associations would, following the required calculation, be able to calculate a benefit level that would reach the proposed \$15,000 maximum.

Additional information about maximum allowable benefit levels is provided in our Statement of Position on this topic, available on the Office of the State Auditor (OSA)’s website at: <http://www.auditor.state.mn.us/default.aspx?page=20110531.003>.

Does the proposal allow relief associations to increase the benefit level unilaterally, without the consent of the municipality?

No. The proposal does not include any provisions that address municipal ratification or its absence.

Then why are we hearing that this proposal will mean that relief associations will be able to “bypass” municipalities in order to increase benefit levels?

Misstatements like this appear to be based on misunderstandings or incomplete understandings of a law that has been in place for decades. Minnesota Statutes, Sections 424A.092, subdivision 6 and 424A.093, subdivision 6, permit a defined-benefit relief association to increase its benefit level without municipal ratification *only if* all of the following requirements are met:

- The relief association has a surplus;

(See continuation on next page.)

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

Clarification of Legislative Proposal — Continued

- The increase in accrued liabilities due to the benefit level change will not exceed 90 percent of the relief association’s prior-year surplus amount; **and**
- The benefit level change will not result in a contribution being required from the affiliated municipality.

In the rare instance that all of these requirements are met, a defined-benefit relief association is permitted under the law to increase its benefit level without municipal ratification.

Even in this rare instance, the law provides a protective measure on the back end: if, after the increase goes into effect, a contribution from the municipality becomes required in a subsequent year, then the benefit level increase that occurred without municipal ratification is no longer in effect, and the benefit level becomes that of the most recent level ratified by the municipality.

So does the law or the proposal allow a situation in which a municipality would be required to contribute to support a benefit level that the municipality did not ratify?

No.

Additional information about municipal contribution requirements is provided in our Statement of Position on this topic, available on the OSA website at: <http://www.auditor.state.mn.us/default.aspx?page=20110527.009>.

FYI - Fire State Aid Work Group Update

The Fire State Aid Work Group convened by the LCPR and other stakeholder groups will not be pursuing any general legislative changes regarding the allocation of fire state aid during the upcoming legislative session. It was determined by the LCPR that there is not enough time during this year’s short session to effectively draft and properly vet legislation on this complex topic.

Instead, the Fire State Aid Work Group will reconvene after the legislative session is completed to continue its discussions. The Fire State Aid Work Group is considering whether a change to current law should be sought to allow municipalities that have
(See continuation on next page.)

Statements of Position:

[Considerations When Making Benefit Changes](#)

[Firefighter Service Credit Determinations](#)

[Checking Accounts for Fire Departments and Relief Associations](#)

[Fundraisers and Donations](#)

FYI - Fire State Aid Work Group Update — Continued

“combination” fire departments to retain a portion of the fire state aid to pay employer contributions to PERA on behalf of their full-time firefighters. The Fire State Aid Work Group is also considering whether a change to current law should be sought to clarify how fire state aid should be handled when there are no longer any active members in a volunteer fire relief association.

We will continue to keep you updated on the Fire State Aid Work Group’s activities.

Online Training Sessions

The OSA provides online training videos to assist relief association officials in completing their annual reporting forms and to inform officials of their annual reporting requirements.

The videos explain how to complete each tab of the FIRE Form and the SC Form. General information about accessing, submitting, and electronically signing the reporting forms using SAFES is provided in the “FIRE: General Information” video.

Information about deferred interest options, payment methods, and sample calculations is provided in the “Deferred Interest: Options and Calculations” video.

The training videos can be accessed under the “Pension Division” heading at:

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

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