

Pension Division Newsletter

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New Work Groups

The 2018 Omnibus Retirement Bill that was recently signed into law requires two new temporary work groups to be created.

A **Work Group** is being convened by staff of the Legislative Commission on Pensions and Retirement (LCPR). The work group will study the statutes governing conversions from a defined benefit relief association to a defined contribution relief association, the statutes governing relief association dissolutions and how surplus assets are distributed, the prevalence of overfunded relief associations, and transitions to salaried full-time fire departments.

The first meeting of this work group is scheduled for Monday, July 23, from 1:30 to 3:00 in Room 316 of the State Capitol.

A **Fire State Aid Work Group** is being convened by the Public Employees Retirement Association (PERA). This work group will study and make recommendations on how fire state aid may be used in communities that have “combination” fire departments consisting of both volunteer (or paid-on-call) firefighters and salaried full-time firefighters. Specifically, this work group will discuss whether a change to current law should be sought to allow municipalities that have “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. Currently, all fire state aid received by municipalities must be transferred to the volunteer fire relief association or to the statewide volunteer firefighter retirement plan administered by PERA.

The Fire State Aid Work Group held several meetings last fall and winter. The work group will convene this summer, with the first meeting expected to be held in late July or early August.

Both work groups are required to submit reports by December 31, 2018, to the LCPR that summarize the groups’ findings and provide recommendations.

We will continue to provide updates in our Pension Division Newsletter on the activities of both work groups. Meetings of both work groups are open to the public.



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What's Ahead:

August 1:

The 2018 Schedule Form must be certified to the municipality or independent nonprofit firefighting corporation.

September 15:

First certification deadline for 2018 fire state aid. To be certified as eligible, all 2017 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.

Schedule Form Reminder

The 2018 Schedule Form for lump-sum volunteer fire relief associations must be certified on or before August 1, 2018. The certification must be made to the entity responsible for satisfying the minimum required contribution to the relief association's special fund.

The 2018 Schedule Form is designed to help determine the relief association's projected assets and liabilities for 2018 and the minimum required contribution for 2019. The Schedule Form is available for download from the State Auditor's Form Entry System at: <https://www.auditor.state.mn.us/safes/>.

For additional information about required contributions, see the Office of the State Auditor (OSA)'s Statement of Position on this topic at:

<http://www.auditor.state.mn.us/default.aspx?page=20110527.009>.

Municipal Ratification of Benefit Levels

Many relief associations review their finances in the summer, after completing their annual Schedule Form, and determine whether to seek a change to their benefit levels.

As a reminder, a relief association initiates a change in benefit levels by amending its bylaws. A city council or town board can choose to approve or not approve a relief association's proposed benefit change. Once the bylaws are ratified by the governing body, however, the benefit levels are guaranteed by the municipality.

In approving benefit levels, the city council or town board assumes responsibility for ensuring the relief association special fund has sufficient assets to cover approved benefit levels.

The OSA knows of no authority for a city council or town board to ratify a relief association benefit level while simultaneously limiting any future contributions to the relief association to amounts less than those required by Minnesota law. Minnesota law is clear that a municipality is required to make any contributions that become due to the relief association at the approved benefit level.

For more information regarding the process for changing relief association benefit levels, please see the OSA's Statement of Position on this topic at:

<http://www.auditor.state.mn.us/default.aspx?page=20120224.000>.

Maximum Benefit Levels

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](#)

Volunteer fire relief associations that offer or pay lump-sum, monthly, or monthly/lump-sum combination service pensions must annually calculate the average amount of available financing per active covered firefighter.

The OSA provides the Maximum Benefit Worksheet to help relief associations perform this calculation. The calculation determines the maximum lump sum and monthly benefit levels the relief association is authorized to establish for the year. Relief associations are to perform the maximum benefit calculation on or before August 1 as part of the association’s annual certification of the financial requirements and minimum municipal obligation.

A relief association does not have the authority to set a benefit level higher than the maximum level, even if the benefit level is ratified by the affiliated municipality. It is very important for relief association trustees and municipal officials to monitor maximum benefit levels. Penalties for paying service pensions using a benefit level higher than the maximum level may include the disqualification from receiving fire state aid.

A relief association may discover it is operating at a benefit level higher than the calculated maximum benefit level. A relief association may continue to operate at a benefit level higher than the allowable maximum benefit level if: 1) the benefit level was properly adopted; 2) the benefit level was at or below the allowable maximum benefit level when it was established; and 3) the decrease to the calculated maximum benefit level was due to either a decrease in fire state aid or an increase in the number of active members during the three-year period on which the calculation is based.

Relief associations that qualify to be “grandfathered in” at their current benefit level cannot increase their benefit level until the annual calculation shows that an increase is allowed.

The Maximum Benefit Worksheet is contained within the Schedule Form or FIRE Form and can be accessed at:

<https://www.auditor.state.mn.us/safes/>.

For additional information about maximum benefit levels, see our Statement of Position on this topic at:

<http://www.auditor.state.mn.us/default.aspx?page=20110531.003>.

Fundraising Activities

Statements of Position:

Relief associations and fire departments are separate and distinct from each other, each with different rules regarding fundraising and the acceptance of donations. Relief associations should ensure that any fundraisers planned are advertised and managed correctly.

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

If a relief association's bylaws permit it, the association may solicit donations or conduct fundraisers. Any fundraising expenses must be paid from the relief association's general fund. If a relief association conducts fundraisers, the association should clearly identify itself as the entity conducting the solicitation or fundraiser and state the specific intended purpose for which funds are being raised. Relief associations are required to maintain control of their own funds, with accounts that are separate from city or town accounts.

[Investment Authority](#)

If a relief association wishes to solicit donations, the association should explain clearly whether the donations are for the relief association or for the municipality (designated for the fire department). Donation checks should not be made out to the fire department. Donation checks should be made out to the relief association, or to the municipality with a designation for the fire department.

[Investment Policies](#)

[Records Management](#)

Cities and towns have no authority to hold such fundraisers. As part of a city's or town's government, a municipal fire department is likewise prohibited from fundraising, and does not have authority to accept donations. Any donations made to a municipal fire department are city or town funds, which can only be expended as permitted by law.

Additional information on this topic is available at:

<http://www.auditor.state.mn.us/default.aspx?page=20110527.002>.

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