

# Pension Division Newsletter

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## Board of Trustees

A volunteer fire relief association must be managed by a board of trustees. The Office of the State Auditor (OSA) sometimes finds that activities required by law to be performed by the board of trustees during a meeting of the board are instead performed incorrectly by the affiliated fire department or municipality.

The board’s responsibilities include: determining plan benefits and eligibility for membership or benefits; determining the amount or duration of benefits; determining funding requirements and contribution amounts; maintaining necessary administrative records; reviewing expenditures; and investing pension plan assets.

The board consists of nine members: six trustees elected from the relief association’s membership, and three trustees from the municipality or municipalities. How municipal representatives are designated and who designates them depends on the legal structure of the fire department with which the relief association is associated. The municipal trustees for a relief association associated with a municipal fire department are the fire chief, one elected municipal official, and one elected or appointed municipal official. The municipal governing body designates the elected municipal official and the elected or appointed municipal official who serve as trustees, and their terms are for one year. A municipal trustee has all the rights and duties of any other trustee, except the right to be an officer of the relief association board of trustees.

A board must have at least three officers elected by the full board or by the membership, as specified in the bylaws. The officers are elected from among the elected trustees. A trustee may hold only one elected office at a time on the board. Elected trustees and officers may be elected for terms not to exceed three years, as specified in the bylaws. If the terms exceed one year, the elections should be staggered on as equal a basis as is practicable.

All trustees, including the three municipal trustees, are fiduciaries. Each trustee must act in good faith and exercise the degree of judgment and care that a person of prudence, discretion and intelligence would exercise in the management of that person’s own affairs.



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**What's Ahead:**

**August 1:**

The 2017 Schedule Form must be certified to the municipality or independent nonprofit firefighting corporation.

**September 15:**

First certification deadline for 2017 fire state aid. To be certified as eligible, all 2016 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 2017 Schedule Form for lump-sum volunteer fire relief associations must be certified on or before August 1, 2017. The certification must be made to the entity responsible for satisfying the minimum required contribution to the relief association's special fund.

The 2017 Schedule Form is designed to help determine the relief association's projected assets and liabilities for 2017 and the minimum required contribution for 2018. 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 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

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.

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.

Maximum Benefit Worksheet forms are available 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>.

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

## Fiduciary Education for Trustees

**Statements of Position:**

Each trustee of a volunteer fire relief association is a fiduciary to the association. Fiduciaries carry particular legal duties to those they serve. A fiduciary must make a reasonable effort to obtain the knowledge and skills sufficient to perform fiduciary duties adequately.

[Firefighter Service Credit Determinations](#)

A relief association’s board of trustees is required to develop and periodically revise a program for the continuing education of its board members. The program must be designed to provide trustees with the knowledge and skills needed to enable them to perform their fiduciary activities.

[Required Municipal Contributions](#)

Relief associations have options for providing no- and low-cost training to its trustees. These options include, but are not limited to:

[Maximum Benefit Levels](#)

- Asking the association’s broker or investment advisor to attend a board meeting to provide an update on the investment markets, discuss new investment products or trends, review the association’s portfolio and investment performance, and to discuss any recent statutory changes;
- Asking the association’s accountant or auditor to attend a board meeting to provide an update on the association’s finances and funding, to discuss any audit concerns or management notes, and to discuss any upcoming changes in accounting standards; and
- Considering training opportunities provided by the Fire Service Organizations and through the State Fire Schools. A listing of training opportunities available through the State Fire Schools can be viewed online at: <https://www.minnesota.edu/?id=1019>.

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

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