



August 2009

Pension Division Newsletter

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2009 Fire State Aid Amounts

The first certification deadline for fire and police state aid is Tuesday, September 15. On that date the Pension Division will certify to the Department of Revenue those relief associations that are eligible for state aid in the first round of aid disbursements.

The Department of Revenue is in the process of calculating the state aid amounts for 2009. Preliminary information from the Department of Revenue indicates that the total 2009 fire state aid decreased by about 13 percent from the total 2008 amount and the total 2009 police state aid increased by about two percent from 2008. These amounts may change slightly before they are finalized. Once the Department of Revenue has completed its state aid calculations, a listing of the amounts will be available on our website and a link to the list will be provided in our September Pension Newsletter.

Working Group Update

The Volunteer Fire Relief Association Working Group held its first meeting of the season on Thursday, August 20. The Working Group members discussed and agreed upon a meeting schedule, purpose and process statements, and a slate of topics for consideration this year.

The meeting agenda, topic list, and other materials are available on the Office of the State Auditor's website at <http://www.auditor.state.mn.us/default.aspx?page=RWG-090820>.

The next Working Group meeting will be held on Tuesday, September 22. The Working Group will begin discussions at its September meeting about return-to-service issues and municipal contribution calculations and requirements. In particular, the Working Group will discuss a proposal to extend the deficit amortization period to 20 years for defined benefit plans and other suggestions to smooth the calculation so that there is less volatility in contribution requirements for municipalities. If you have questions about the Working Group please contact Rose Hennessy Allen at (651) 296-5985 or at Rose.Hennessy-Allen@state.mn.us.

Bylaw Reminder

When Chapter 424A was reorganized during this past legislative session, technical language was added that requires the bylaws to specify whether a relief association is a defined benefit or a defined contribution plan. State law had already effectively required that defined contribution plans specify the plan type in their bylaws. Administratively, most relief associations already specify their plan type in their bylaws, so this wasn't viewed as a substantive legislative change. Relief association trustees should review their bylaws and make sure that the plan type is specified. If you have questions regarding this legislative change, please contact one of the Pension Division members listed at the end of this newsletter.

SBI Prospectus Mailing

The State Board of Investment (SBI) recently mailed its July 1, 2009 prospectus. The Office of the State Auditor provided mailing information to the SBI for relief association trustees whose contact information was determined to be public information. Because our office could only provide public contact information, we assisted the SBI by mailing prospectuses to the trustees whose mailing information was classified as not public. We wanted to bring this mailing arrangement to your attention since some of you may have noticed a change in the mailing format or in the prospectus recipient.

New Statement of Position

A new Statement of Position, entitled "Volunteer Fire Relief Association Allocations and Deductions: Defined Contribution Plans" is now available on the Office of the State Auditor's website. The new statement discusses how to allocate income, investment returns, interest, and various deductions to members of defined contribution plans. We will soon be working on similar informational documents for defined benefit plans.

To view the complete statement, go to:

http://www.auditor.state.mn.us/other/Statements/firereliefallocationsanddeductionsdefcontribplans_0908_statement.pdf

Charitable Gambling Fund Reminder

We would like to remind relief associations that operate a charitable gambling fund that gambling fund money cannot be used for the benefit of a pension or retirement fund. It has come to our attention that some communities that are finding it difficult to make required contributions to the relief association are looking for creative funding sources, and have considered using gambling fund money. Municipalities cannot use charitable gambling fund money to make the required or voluntary contribution to the relief association.

In addition, relief associations are not authorized to use special fund money to reimburse a charitable gambling fund for losses or to pay any assessed fines or penalties. If a relief association's charitable gambling fund incurs losses or is assessed fines, the losses or fines must be paid for using general fund money or a different funding source.

If you have questions regarding authorized disbursements of charitable gambling funds, please contact the Gambling Control Board at (651) 639-4000 or visit its website at www.gcb.state.mn.us.

Calculating Months of Active Service

Relief associations have authority under Minnesota law to either (1) pro-rate service credit on a monthly basis, or (2) require a full year of service to get service credit for a year.

Prior to the Working Group's 2009 legislative change, relief associations that elected to pro-rate service credit on a monthly basis were required to calculate the service credit based on completed calendar months of service. This meant that a member needed to be active from January 1 through January 31, for example, to receive service credit for the month of January.

The 2009 legislative change provides greater flexibility in two ways to relief associations when calculating monthly service credit. First, relief associations may now define a "month," but the definition must require a calendar month to have at least 16 days of active service. Second, if a relief association pro-rates service credit monthly but chooses not to define a "month," a "month" is now defined as a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent month.

Relief associations should review how they calculate years or months, if applicable, of service credit to ensure compliance with the statutory requirements and to determine whether they want to take advantage of the new statutory authority. Sample bylaw language that defines a "month" for calculating service credit was included with our 2009 Legislative Update, which is available on our website at the link provided below.

http://www.auditor.state.mn.us/other/PensionDocs/2009_Legislative_Update.pdf

If you have questions please contact us:

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