

# Pension Division Newsletter

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## New Statement of Position

A new Statement of Position for volunteer fire relief associations entitled “Service Credit Determinations” has been released. The Statement explains the flexibility that fire departments have in defining active service requirements, and that fire relief associations must operate within a structure defined by state law and by their own bylaws when awarding service credit for pension purposes. The Statement provides some options on how fire departments and fire relief associations can work together to implement a process for determining service credit that works for both entities.

The new Statement can be viewed at:

<http://www.auditor.state.mn.us/default.aspx?page=20120709.000>.

Additional Statements that pertain to volunteer fire relief associations can be viewed at the link provided below, under the “Pensions” heading:

<http://www.osa.state.mn.us/default.aspx?page=statements>.



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## Newsletter Index Feature

A new feature, an index, has been added to the Office of the State Auditor (OSA) website which allows you to search alphabetically by topic through our 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 on the website, or by going to:

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

**What’s Ahead:**

**August 1:** Schedule Form for lump-sum relief associations must be certified to the affiliated municipality. Maximum Benefit Worksheets must be certified for lump-sum, monthly, and monthly/lump-sum relief associations.

**September 15:** First certification deadline for 2012 state fire aid.

**October 1:** State fire aid is disbursed for relief associations certified as eligible to receive their aid in the first round of payments.

**November 30:** Final deadline for submitting 2011 reporting-year forms to avoid forfeiture of state fire aid.

## Corporate Registration Reminder

Every volunteer fire relief association must annually register as a nonprofit corporation with the Minnesota Secretary of State. If a relief association fails to register or to notify the Secretary of State of corporate name or address changes, the Secretary of State may reject the registration and dissolve the relief association’s nonprofit corporation status.

The “renewal due date” displayed for a relief association on the Secretary of State’s website will be 12/31/2013 if the association has completed its registration for this calendar year. Relief associations with a “renewal due date” of 12/31/2012 must complete the registration before December 31, 2012, or face dissolution of the association’s nonprofit corporation status.

The annual registration can be completed online at the Secretary of State’s website at:

<http://mblsportal.sos.state.mn.us/>

## Municipal Contributions and the Schedule Form

The OSA regularly receives questions about municipal contributions and when they must be paid to a relief association. For lump-sum plans, municipal contribution requirements are calculated each year using the Schedule Form. Relief associations are to complete the Schedule Form during the month of July, and must certify the Form to the affiliated municipality by August 1. If the relief association is affiliated with an independent nonprofit firefighting corporation rather than a city or town fire department, the Form should be certified to the independent board.

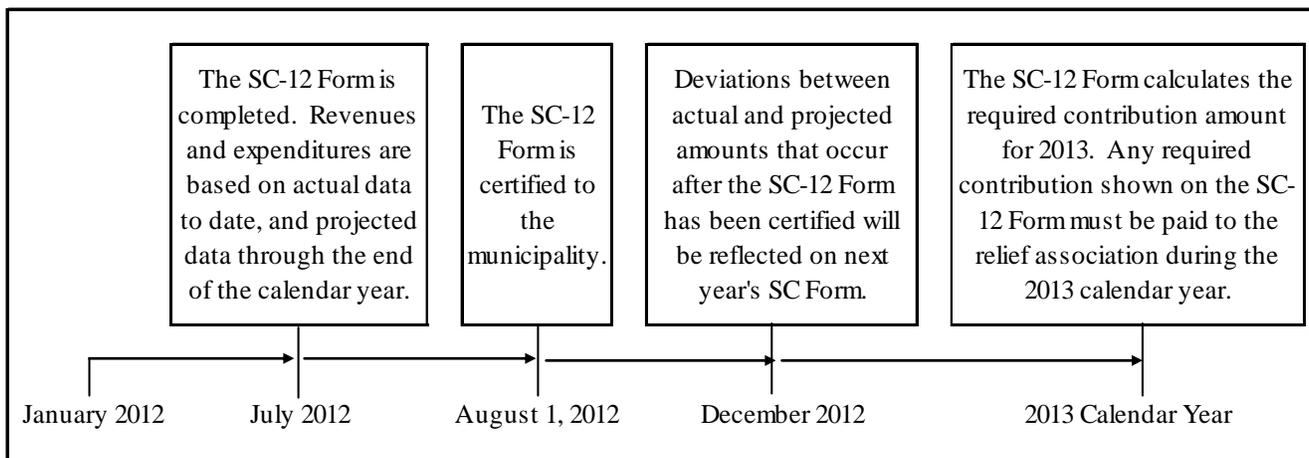
For monthly and monthly/lump-sum plans, municipal contribution requirements are based on the most recent actuarial valuation. These relief associations must determine the minimum obligation of the municipality for the following calendar year and must certify the financial requirements and the minimum obligation of the municipality to the municipal governing body by August 1 of each year. The OSA does not require that a specific form be used to make the certification. Relief association trustees usually work with their actuary to prepare the certification.

## Municipal Contributions and the Schedule Form — continued

Because the Schedule Form is required to be completed in July, and to be certified by August 1, revenue and expenditure amounts for the year must be projections made based on the available mid-year information. In July, relief associations should determine their investment returns to date, as well as revenues received and expenses paid. Based on this actual experience, the relief association should project investment, revenue, and expense amounts that seem reasonable for the remaining portion of the year. Many relief associations work with their investment advisors, brokers, and auditors when making these projections.

The Schedule Form is intended to provide estimates of a relief association's assets and liabilities, and to calculate contribution requirements based on those estimates. Revenue and expenditure amounts that are projected on the Schedule Form will almost always differ from the final year-end amounts. The Schedule Form is completed annually, so any deviations between projected amounts and the actual year-end amounts will be reflected on the next year's Form. Relief associations should not make changes to the projections after the Schedule Form has been certified.

The following chart shows when the 2012 Schedule Form (SC-12) is to be completed and certified, and when any required contributions must be paid.



## Municipal Contributions and the Schedule Form — continued

Answers to some frequently asked questions are provided below.

**Q:** Our Schedule Form shows that a municipal contribution is required. When must the contribution be paid to our relief association?

**A:** The Schedule Form calculates required contribution amounts that must be paid during the upcoming calendar year. For example, the 2012 Schedule Form calculates the required contribution amount for 2013. The contribution must be paid in full during the 2013 calendar year.

**Q:** What happens if the municipality doesn't pay the required contribution amount?

**A:** If the benefit level that your relief association is operating at was properly established and approved by your affiliated municipality, the municipality is required under state law to make any contributions that become due at that benefit level. If the municipality does not include the full required contribution amount in its levy for any year, the officers of your relief association must certify the unpaid amount to the county auditor, who will spread a levy for that amount on the taxable property of the municipality.

**Q:** I've heard that deficits are amortized over a ten-year period. What does that mean?

**A:** If your relief association has a deficit, at least ten percent of that deficit is retired each year. (Note that some deficits for monthly and monthly/lump-sum combination plans are amortized over a 20-year period instead of a ten-year period.) The amount retired, or amortized, is included as a charge when the required municipal contribution is calculated. The deficit amortization payment is only one component in the formula used to calculate municipal contribution requirements. While deficits are amortized over a ten-year period, any required municipal contributions that are calculated must be paid in full during the calendar year for which they are due.

## Municipal Contributions and the Schedule Form — continued

**Q:** Our relief association projected on the Schedule Form that we would earn \$10,000 on our investments for the year. At the end of the year we found that we actually earned \$15,000 on our investments. Can we change the amount we projected on the Form to reflect the higher earnings?

**A:** No. The Schedule Form is required to be completed during July and be certified to the municipality or independent nonprofit fire-fighting corporation by August 1. After it's been certified, the Form should not be revised to update revenue or expenditure amounts that deviated from the projected amounts. Any deviations between forecasted and actual revenues and expenditures will be reflected on the next year's Schedule Form.

In addition, the OSA has received questions about what it means when the municipal clerk signs the Schedule Form. By signing the form, the municipal clerk is simply acknowledging receipt of the form and certifying that the city council or town board will be advised of any contribution requirement. When the form is signed, the municipal clerk is not ratifying the benefit level shown on the form.

If your relief association is making a benefit level change, your association must bring the bylaw amendment that includes the benefit level change to the city council or town board. The city council or town board can choose to ratify the change or choose not to ratify it. This is a different process from the Schedule Form certification. Finally, please remember that a city council or a town board cannot unilaterally change, or establish, your relief association's benefit level.

The Schedule Form is available for download from the OSA website at <https://www.auditor.state.mn.us/safes/>.

For more 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>.

Relief associations are encouraged to submit their Schedule Form to the OSA following certification so that a preliminary review of the data can be conducted.

**Online Trainings:**

[Completing the Schedule Form](#)

[Completing the Maximum Benefit Worksheet](#)

[Completing the Reporting Form](#)

[Completing the Investment Disclosure Report Form](#)

[Relief Association Reporting Requirements](#)

## Maximum Benefit Worksheet Reminder

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 a form, called the Maximum Benefit Worksheet, for performing this calculation. The calculation determines the maximum lump-sum and monthly benefit levels that the relief association is authorized under State law 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.

Some relief associations are finding that their maximum benefit level fell for 2012, and the relief associations may now be operating at a benefit level that is higher than the allowable maximum. There is authority for relief associations to continue operating at a benefit level higher than the allowable maximum if the benefit level was properly adopted and was within the allowable maximum when it was established, and if the decrease to the calculated maximum was due to either a decrease in state fire aid or an increase in the number of active members during the three-year period on which the calculation is based.

Most relief associations have seen a decrease in state fire aid during the past three years, so will qualify to be "grandfathered in" and allowed to continue operating at their current benefit level so long as it was within the maximum when established. 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 on the OSA website at: <https://www.auditor.state.mn.us/safes/>.

A Statement of Position that provides additional information about maximum benefit levels can be viewed at:

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

There is also a six-minute long recorded online training on completing the form at:

<https://www2.gotomeeting.com/register/932392914>.

## Data Practices

In general, local government information, including information for a volunteer fire relief association, is covered by the Minnesota Government Data Practices Act. Access to relief association data depends to some extent on whether the data concerns the association’s Special Fund or its General Fund.

Most of the financial and investment records documenting Special Fund transactions are public records and they must be accessible to the public. However, relief associations most likely have membership files in their possession that contain personnel information on individual firefighters. Some of the information contained on the Schedule Form, for example, is considered personnel information. Personnel data is private data unless the law provides a different classification for it. If a relief association receives a request for a Schedule Form, for example, some data must be redacted (covered up) before the form is released.

In contrast, records documenting General Fund transactions need only be “open for inspection by any member of the relief association at reasonable times and places.” However, audits, financial statements, and reports containing information obtained from these records of the General Fund and submitted to the OSA are public, even though the underlying records themselves are not public.

Relief associations should contact the Information Policy Analysis Division (IPAD) of the Minnesota Department of Administration for more detailed information about access to public data. IPAD has the authority to issue advisory opinions on data access questions. Representatives with IPAD can be reached at (651) 296-6733 or (800) 657-3721, or by e-mail at [info.ipad@state.mn.us](mailto:info.ipad@state.mn.us).

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