New Laws and Volunteer Fire Relief Associations

By Rebecca Otto, State Auditor

The Omnibus Retirement Bill signed into law on May 23, 2013, contains a number of provisions that affect volunteer fire relief associations. Many of the changes were recommended by the Volunteer Fire Relief Association Working Group, which was convened by the Office of the State Auditor (OSA). The Working Group recommendations included technical recommendations to correct or clarify statutory references and recommendations to update the language to current drafting standards. Additional changes to law occurred that impact relief associations and were not developed by the Working Group. Both the Working Group recommendations and these other changes will be discussed in this Article.

Will We Need to Make Changes to Our Bylaws?

These technical changes may not require changes to your relief association’s bylaws, unless your bylaws reference the specific statutory citations or use language that has been changed. We will update our Selected Relevant Statutes booklet once the 2013 statutes are officially published. The booklet will allow relief associations to compare their bylaw language with the new statutory language to determine if changes are needed.

The OSA’s Sample Bylaw Guides, which can also be helpful as a reference, have been updated to reflect the recent law changes. The bylaw guides are available in both MS Word and Adobe PDF formats on our website. To view the Guides, go to www.auditor.state.mn.us: once there, select the menu item “For Local Officials” and click on “Pension Documents.” You will find the Guides under the “Sample Bylaw Guides” heading.

Changes to Deferred Interest Rates

Defined-benefit lump-sum and monthly/lump-sum combination plans have the option of paying interest to deferred members at a rate of interest, up to five percent. The rate of interest is set by the relief association’s board of trustees. Two important changes were passed into law that relate
to 1) ratification requirements for deferred interest rates set by a board of trustees, and 2) the timing of when the rates become payable.

Now, any change in the interest rate set by the board of trustees, up or down, must be ratified by the city council or town board of the municipality affiliated with the relief association before the new rate becomes effective. For relief associations affiliated with an independent nonprofit firefighting corporation, the interest rate must be ratified by the board of the independent nonprofit firefighting corporation.

Interest rates set by a relief association’s board of trustees become payable beginning on the January 1 next following the date on which the rate was ratified by the municipality or independent nonprofit firefighting corporation. For example, a relief association’s board of trustees sets an interest rate of three percent on February 15, 2014. The affiliated city council ratifies the interest rate at its council meeting on March 5, 2014. The interest rate will become payable on January 1, 2015.

Deferred Service Pension Payment Methods

Payment methods are defined for each deferred-interest option. Relief associations that elect to pay interest to a deferred member must decide on an interest payment method, including the interest payment starting date and ending date. Default payment methods for each deferred interest type are set in statute. A relief association may choose to define a different payment method in its bylaws, but if a method is not defined in the bylaws, or if the bylaw definition doesn’t include the payment starting date and ending date, the default established in state statute applies.

Survivor Supplemental Benefits

The payment of a supplemental benefit to an authorized recipient of a survivor benefit is now mandatory rather than optional, and language authorizing payment of the benefit is no longer required to be included in a relief association’s bylaws for the supplemental benefit to be paid. Supplemental survivor benefits are equal to 20 percent of the survivor benefit, up to a maximum of $2,000.

Supplemental survivor benefits may be paid only to the surviving spouse of a deceased active or deferred volunteer firefighter or, if none, to the surviving child or children of a deceased active or deferred volunteer firefighter. Relief associations are fully reimbursed by the State for qualified supplemental survivor benefit distributions after making an application for reimbursement to the Minnesota Department of Revenue.

Audit Threshold

The threshold at which a relief association is required to have an audit prepared has been increased from the current $200,000 threshold to $500,000. Beginning with financial reports covering the 2013 calendar year (reported in 2014), relief associations with assets or liabilities of
at least $500,000 must submit an audit report to the OSA. The audit report and annual reporting forms are due to the OSA by June 30.

Relief associations with assets and liabilities of $500,000 or less must submit annual reporting forms. These relief associations need not obtain an audit. The reporting forms are available on the OSA website and are due to the OSA by March 31. This change was pursued by an individual lawmaker.

**Withholding Membership Dues from Per-Call Payments**

The League of Minnesota Cities spearheaded a proposal to authorize withholding relief association membership dues from firefighters’ per-call payments, provided that the firefighter authorizes the deductions through a written contract. This proposal was not acted upon during the 2013 legislative session. The Legislature could decide to take action on the proposal when it reconvenes next year. We will continue to keep you informed of any action the Legislature takes regarding this proposal.

**Requirement to Report Evidence of Theft**

Legislation was signed into law on May 1 requiring local public pension plans, including volunteer fire relief associations, to report evidence of theft or misuse of public funds to the OSA. The legislation clarifies that local public pension plans have the same duty to report as local government employees and local officials currently have. This bill will help to safeguard pension plan assets and ensure accountability of pension plan administrators to their members and to the public.

**New State Fire Aid Program**

A new supplemental state aid program was established to provide additional funding for fire and police retirement plans. Effective for the fiscal year that begins July 1, 2013, an appropriation of $15,500,000 will be made annually to the new aid program. Of this appropriation, about $5.5 million will be allocated annually for volunteer fire relief associations and volunteer firefighters covered by the voluntary Statewide Plan administered by the Public Employees Retirement Association (PERA). The remaining amount will be allocated to the PERA police and fire fund and to the state patrol plan administered by the Minnesota State Retirement System.

The supplemental state aid amount that a relief association receives will be equal to the proportionate share that each association currently receives of fire state aid. A relief association becomes eligible to receive supplemental state aid when all reporting requirements are met with the OSA, and the association has satisfied its reporting requirements with other government offices.

**Investment Performance Information**

The OSA is now required annually to provide information to relief associations on the recent and historic investment performance results of the various accounts within the Minnesota State Board
of Investment (SBI)’s Supplemental Investment Fund in which associations are eligible to invest. The OSA must also provide relief associations with information about how to utilize the SBI’s Supplemental Investment Fund as an investment option. In addition, the OSA must provide basic information to relief associations on the voluntary Statewide Plan that is administered by the Public Employees Retirement Association. This change was pursued by an individual lawmaker.

**Additional Information**

Detailed information regarding the 2013 legislative changes can be found in the OSA’s 2013 Legislative Update. The Update includes links to Statements of Position and other helpful information, and references to specific applicable provisions within the Sample Bylaw Guides. The Update can be found on the OSA website by selecting the “For Local Officials” menu item and then clicking on “Newsletters,” and then on “Pension Division Newsletters.” You will find the Update under the “2013 Legislative Update” heading.