

**Minnesota Volunteer Fire Relief Association**  
**Working Group Meeting**

Office of the State Auditor  
Tuesday, December 2, 2014  
11 a.m. to 1 p.m.

- I. Call to Order**  
*Chair Auditor Otto.*
- II. Review and Approval of Working Group Meeting Minutes**  
Exhibit A. Draft November 13, 2014 Meeting Minutes
- III. Review of Draft Language Requiring Multiple Signatures on Checks**  
Exhibit B.
- IV. Discussion of Maximum Benefit Levels and Penalty**  
Exhibit C.
- V. Other Business**
  - Schedule January Meeting
- VI. Next Meeting**  
Monday, December 8, 2014  
11 a.m. to 1 p.m.  
Office of the State Auditor
- VII. Adjournment**

Individuals with disabilities who need a reasonable accommodation to participate in this event, please contact Rose Hennessy Allen at (651) 296-5985 or (800) 627-3529 (TTY) by December 1, 2014.

# **Volunteer Fire Relief Association Working Group**

Office of the State Auditor  
Thursday, November 13, 2014  
11 a.m. to 1 p.m.

## **Members Present**

Steve Donney, City of Harmony Mayor  
Dennis Feller, City of Lakeville Finance Director  
Dave Ganfield, Apple Valley Fire Relief Association President (defined benefit monthly/lump sum combination plans)  
Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)  
Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)  
Larry Martin, Legislative Commission on Pensions and Retirement Director  
Rebecca Otto, State Auditor  
Mark Rosenblum, Minnesota State Fire Department Association Representative (defined benefit lump sum plans)  
Kevin Wall, Lower Saint Croix Valley Fire Relief Association President (defined benefit lump sum plans)  
Nyle Zikmund, Minnesota State Fire Chiefs Association Representative (defined benefit monthly plans)

## **Members Excused**

Dave Jaeger, Mahnommen Fire Relief Association Vice President (defined benefit lump sum plans)  
Bruce Roed, Mentor Fire Relief Association Trustee (defined contribution plans)

## **Others Present**

Jim Bodsgard, Roseville Fire Relief Association Representative  
Mary Chamberlain, Abdo, Eick & Meyers Representative  
George Esbensen, Eden Prairie Fire Department Representative  
Celeste Grant, Deputy State Auditor/General Counsel  
Veronika Gutsalyuk, Wells Fargo Advisors Representative  
Rose Hennessy Allen, Office of the State Auditor Pension Director  
Jim Jensen, Office of the State Auditor Pension Analyst  
Brian McKnight, Wells Fargo Advisors Representative  
Blake Pekkala, Office of the State Auditor Pension Intern  
Jeff Reed, Office of the State Auditor Supervisor of Special Investigations

The following motions were duly made, seconded and approved:

- RESOLVED to approve the October 22, 2014, Working Group Meeting Minutes;
- RESOLVED to adopt draft language for Technical Changes #1 and #2, that clarify authorized special fund expenses and that postretirement increases can be provided only to monthly benefit recipients;
- RESOLVED to adopt draft language, as amended, for Technical Change #3, that updates state aid references to include the new supplemental state aid program;
- RESOLVED to adopt draft language clarifying the attestation requirements and that the requirement to report evidence of theft or other misconduct does apply to accountants performing an attestation; and

RESOLVED to create a Sub-Group to identify and work through issues regarding joint-powers fire departments and their affiliated relief associations.

**I. Call to Order**

Auditor Otto called the meeting to order.

**II. Review and Approval of Working Group Meeting Minutes**

The members reviewed the October 22, 2014, meeting minutes that had been provided in advance. Ganfield made a motion to approve the meeting minutes. Jaeger seconded the motion that then was adopted unanimously.

**III. Presentation of “Empty Boots, Quiet Sirens: The State of Non-Career Firefighting in Minnesota” Report**

Esbensen, Fire Chief/Director of Emergency Preparedness with the City of Eden Prairie, provided an overview of the report and answered questions. The report was by the University of Minnesota’s Humphrey School of Public Affairs to the Minnesota State Fire Chiefs Association.

**IV. Review of Draft Language for Technical Changes**

The members reviewed draft language for three technical changes. Technical Change #1 clarifies that audit-related services, and accounting and accounting-related services, are authorized special fund disbursements. Auditor Otto explained that some relief associations hire accountants to do bookkeeping work or to help prepare tax forms. This change would make it clear that these types of accounting or auditing services could be paid from a relief association’s special fund. Technical Change #2 clarifies that postretirement increases can be provided only to monthly benefit recipients. Zikmund made a motion to adopt Technical Changes #1 and #2. Ganfield seconded the motion that was then adopted unanimously.

Technical Change #3 updates state aid references in various statutes to include both the regular fire state aid and the new supplemental state aid. The changes would make it clear that supplemental state aid: 1) must be allocated to defined contribution plan members in the same manner as fire state aid; 2) is included in the calculation that determines a relief association’s maximum allowable benefit level; 3) must be deposited into a relief association’s special fund; and 4) is used with fire state aid to reduce a municipality’s required contribution amount. Martin explained to the members that the supplemental state aid amount is a set appropriation, so the amounts each relief association receives will not change much from year to year. It therefore is not appropriate to project an increase to the supplemental state aid in sections 424A.092, subd. 3 and 424A.093, subd. 5. The members agreed to strike the draft language that would have allowed relief association to project an increase in supplemental state aid when determining minimum municipal obligations. Hemstad made a motion to adopt

Technical Change #3, as amended. Donney seconded the motion that was then adopted unanimously.

#### **V. Review of Draft Language for Attestation Requirements**

Auditor Otto explained that the Office of the State Auditor (OSA) would like to clarify in statute the accounting procedures required for relief associations with assets below the audit threshold. The members reviewed draft language that would require relief associations that are not audited to annually have an Agreed-Upon Procedures engagement. Procedures will be developed for certified public accountants to use when performing the attestation. Defining and clarifying the attestation requirements will provide for a consistent procedure and ensure that certain specific minimum steps are performed during the engagement.

Auditor Otto also explained that the statute requiring accountants to report evidence of theft or other misconduct discovered during the course of auditing a relief association has been interpreted to mean it does not apply to certified public accountants who review a relief association's detailed financial statement but do not perform an audit. The members reviewed draft language that clarifies the reporting requirement does apply.

Feller made a motion to adopt the draft language clarifying the attestation requirements and that the requirement to report evidence of theft or other misconduct does apply to accountants performing an attestation. Hemstad seconded the motion that was then adopted unanimously.

#### **VI. Discuss the Creation of a Joint-Powers Sub-Group**

The members discussed forming a Sub-Group to identify and work through issues regarding joint-powers fire departments and their affiliated relief associations. Rosenblum made a motion to create the Sub-Group. Donney seconded the motion that was then adopted unanimously. Suggestions for the Sub-Group membership included representatives from the League of Minnesota Cities, the Minnesota Association of Townships, and the Shared Services Group within the State Fire Marshal's Office. Hemstad, Johnston, Martin, Otto, Wall, and Zikmund also agreed to participate. Zikmund suggested that Chris Smith with the League of Minnesota Cities may be a good resource, and also suggested that representatives with the Centennial and Cloquet Fire Districts be consulted.

#### **VII. Other Business**

- During the February 2014 Working Group meeting the members discussed offering training to relief association trustees and considered an all-day training conference. Auditor Otto shared that, after the February meeting, the OSA conducted a survey and found that relief association trustees are most interested in attending regional

training sessions or viewing recorded online training videos. The OSA plans to provide some regional training sessions in the early spring. The members agreed to discuss during the January 2015 Working Group meeting topics that are important to cover during the training sessions.

- Bodsgard explained that the Roseville Fire Relief Association is seeking special legislation regarding its board of trustees composition during the upcoming session. Zikmund assured Bodsgard that the Working Group has no concerns regarding the relief association's special legislation.

**VIII. Next Meeting**

Tuesday, December 2, 2014

11:00 a.m. to 1:00 p.m.

Office of the State Auditor

**IX. Adjournment**

The meeting was adjourned at 1:00.

## **Exhibit B**

# **Multiple Signatures on Checks**

### **Topic:**

Minnesota law generally requires multiple signatures on checks written by cities, towns, or counties. In addition to being required by statute, multiple signatures are part of an entity's system of internal controls. When more than one person signs a check, each person is verifying that the governing body has approved the check for payment.

Relief associations are not required by law to have multiple signatures on their checks. Draft language is provided below that would require special fund disbursements paid by check to be signed by the treasurer and at least one other trustee who is designated by the board of trustees. The draft language also permits disbursement by electronic or wire funds transfer if internal control policies and procedures are established and approved by the board of trustees. The policies and procedures must provide for authentication of the electronic disbursement by the relief association treasurer and at least one other trustee.

### **Optional Change:**

#### **424A.05 RELIEF ASSOCIATION SPECIAL FUND.**

**Subdivision 1. Establishment of special fund.** Every volunteer firefighters relief association shall establish and maintain a special fund within the relief association.

**Subd. 2. Special fund assets and revenues.** The special fund must be credited with all fire state aid moneys received under sections 69.011 to 69.051, all taxes levied by or other revenues received from the municipality under sections 424A.091 to 424A.096 or any applicable special law requiring municipal support for the relief association, any moneys or property donated, given, granted or devised by any person which is specified for use for the support of the special fund and any interest or investment return earned upon the assets of the special fund. The treasurer of the relief association is the custodian of the assets of the special fund and must be the recipient on behalf of the special fund of all revenues payable to the special fund. The treasurer shall maintain adequate records documenting any transaction involving the assets or the revenues of the special fund. These records and the bylaws of the relief association are public and must be open for inspection by any member of the relief association, any officer or employee of the state or of the municipality, or any member of the public, at reasonable times and places.

**Subd. 3. Authorized disbursements from special fund.** (a) Disbursements from the special fund may not be made for any purpose other than one of the following:

(1) for the payment of service pensions to retired members of the relief association if authorized and paid under law and the bylaws governing the relief association;

(2) for the purchase of an annuity for the applicable person under section 424A.015, subdivision 3, for the transfer of service pension or benefit amounts to the applicable person's individual retirement account under section 424A.015, subdivision 4, or to the applicable person's account in the Minnesota deferred compensation plan under section 424A.015, subdivision 5;

(3) for the payment of temporary or permanent disability benefits to disabled members of the relief association if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(4) for the payment of survivor benefits or for the payment of a death benefit to the estate of the deceased active or deferred firefighter, if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(5) for the payment of the fees, dues and assessments to the Minnesota State Fire Department Association and to the Minnesota State Fire Chiefs Association in order to entitle relief association members to membership in and the benefits of these associations or organizations;

(6) for the payment of insurance premiums to the state Volunteer Firefighters Benefit Association, or an insurance company licensed by the state of Minnesota offering casualty insurance, in order to entitle relief association members to membership in and the benefits of the association or organization; and

(7) for the payment of administrative expenses of the relief association as authorized under section 69.80.

(b) If paid by check, disbursements authorized under paragraph (a) must be signed by the relief association treasurer and at least one other trustee designated by the board of trustees. A relief association may make disbursements authorized under paragraph (a) by electronic or wire funds transfer if the specific method of payment and internal control policies and procedures regarding the method are approved by the board of trustees. All policies and procedures regarding disbursements by electronic or wire funds transfer must provide for authentication of disbursements by the relief association treasurer and at least one other trustee designated by the board of trustees.

**Subd. 3a. Corrections of erroneous special fund deposits.** Upon notification of funds deposited in error in the special fund and after presentation of evidence that the error occurred in good faith, the state auditor may require the relief association to provide a written legal opinion concluding that the transfer of funds from the special fund is consistent with federal and state law. Taking into consideration the evidence of good faith presented and the legal opinion, if any, provided, the state auditor may order the transfer from the special fund to the appropriate fund or account an amount equal to the funds deposited in error.

**Subd. 4. Investments of assets of the special fund.** The assets of the special fund must be invested only in securities authorized by section 424A.095.

## 2014 Maximum Benefit Worksheet (MBW-14)

Plan Name: Frostbite Falls Fire Relief Association

Plan Type: Monthly/Lump Sum

Enter data in columns A, B, C and D for each year requested.

	A	B	C	D	E
	State Fire Aid (Received or Receivable)	Municipal Contribution	10% of Surplus *	Active Members in Relief Association	Per Year Average [ (A + B + C) / D ]
	(From RF-13)	(From RF-13)	(SC-13 or Actuarial)	(From RF-13)	
<b>2013</b>	28,972	750	1,792	17	1,854
	(From RF-12)	(From RF-12)	(SC-12 or Actuarial)	(From RF-12)	
<b>2012</b>	20,515	750	95	21	1,017
	(From RF-11)	(From RF-11)	(SC-11 or Actuarial)	(From RF-11)	
<b>2011</b>	20,785	750	2,623	19	1,271

\* If deficit for the year, leave blank.

Average available financing per active member for the most recent 3-year period:  
(sum of column E divided by 3)

1,381

Maximum Lump Sum Benefit Level under Minn. Stat. § 424A.02, subd. 3

2,500

Maximum Monthly Benefit Level under Minn. Stat. § 424A.02, subd. 3

17.00

### Relief Officer Certification

On or before August 1, the average amount of available financing per active member for the most recent three-year period was calculated in accordance with Minn. Stat. § 424A.02, subd. 3, and certified to the governing body of the applicable qualified municipality.

\_\_\_\_\_  
Signature of Relief Association Officer (President, Secretary, or Treasurer)

\_\_\_\_\_  
Date

\_\_\_\_\_  
First Name

\_\_\_\_\_  
Last Name

\_\_\_\_\_  
Officer Title

## 2014 Maximum Benefit Worksheet (MBW-14)

Plan Name: Frostbite Falls Fire Relief Association

Plan Type: Monthly/Lump Sum

Enter data in columns A, B, C and D for each year requested.

	A	B	C	D	E
	State Fire Aid (Received or Receivable)	Municipal Contribution	10% of Surplus *	Active Members in Relief Association	Per Year Average [ (A + B + C) / D ]
	(From RF-13)	(From RF-13)	(SC-13 or Actuarial)	(From RF-13)	
<b>2013</b>	28,972	3,500	0	17	1,910
	(From RF-12)	(From RF-12)	(SC-12 or Actuarial)	(From RF-12)	
<b>2012</b>	20,515	5,500	0	21	1,239
	(From RF-11)	(From RF-11)	(SC-11 or Actuarial)	(From RF-11)	
<b>2011</b>	20,785	750	2,623	19	1,271

\* If deficit for the year, leave blank.

Average available financing per active member for the most recent 3-year period:  
(sum of column E divided by 3)

1,473

Maximum Lump Sum Benefit Level under Minn. Stat. § 424A.02, subd. 3

2,700

Maximum Monthly Benefit Level under Minn. Stat. § 424A.02, subd. 3

18.00

### Relief Officer Certification

On or before August 1, the average amount of available financing per active member for the most recent three-year period was calculated in accordance with Minn. Stat. § 424A.02, subd. 3, and certified to the governing body of the applicable qualified municipality.

\_\_\_\_\_  
Signature of Relief Association Officer (President, Secretary, or Treasurer)

\_\_\_\_\_  
Date

\_\_\_\_\_  
First Name

\_\_\_\_\_  
Last Name

\_\_\_\_\_  
Officer Title

## 2014 Maximum Benefit Worksheet (MBW-14)

Plan Name: Frostbite Falls Fire Relief Association

Plan Type: Monthly/Lump Sum

Enter data in columns A, B, C and D for each year requested.

	A	B	C	D	E
	State Fire Aid (Received or Receivable)	Municipal Contribution	10% of Surplus *	Active Members in Relief Association	Per Year Average [ (A + B + C) / D ]
	(From RF-13)	(From RF-13)	(SC-13 or Actuarial)	(From RF-13)	
<b>2013</b>	28,972	0	1,792	17	1,810
	(From RF-12)	(From RF-12)	(SC-12 or Actuarial)	(From RF-12)	
<b>2012</b>	20,515	0	95	21	981
	(From RF-11)	(From RF-11)	(SC-11 or Actuarial)	(From RF-11)	
<b>2011</b>	20,785	0	2,623	19	1,232

\* If deficit for the year, leave blank.

Average available financing per active member for the most recent 3-year period:  
(sum of column E divided by 3)

1,341

Maximum Lump Sum Benefit Level under Minn. Stat. § 424A.02, subd. 3

2,400

Maximum Monthly Benefit Level under Minn. Stat. § 424A.02, subd. 3

16.00

### Relief Officer Certification

On or before August 1, the average amount of available financing per active member for the most recent three-year period was calculated in accordance with Minn. Stat. § 424A.02, subd. 3, and certified to the governing body of the applicable qualified municipality.

\_\_\_\_\_  
Signature of Relief Association Officer (President, Secretary, or Treasurer)

\_\_\_\_\_  
Date

\_\_\_\_\_  
First Name

\_\_\_\_\_  
Last Name

\_\_\_\_\_  
Officer Title

## 2014 Maximum Benefit Worksheet (MBW-14)

Plan Name: Snowshoe Fire Relief Association

Plan Type: Monthly/Lump Sum

Enter data in columns A, B, C and D for each year requested.

	A	B	C	D	E
	State Fire Aid (Received or Receivable)	Municipal Contribution	10% of Surplus *	Active Members in Relief Association	Per Year Average [ (A + B + C) / D ]
	(From RF-13)	(From RF-13)	(SC-13 or Actuarial)	(From RF-13)	
<b>2013</b>	209,012	147,400	0	41	8,693
	(From RF-12)	(From RF-12)	(SC-12 or Actuarial)	(From RF-12)	
<b>2012</b>	147,754	164,263	0	41	7,610
	(From RF-11)	(From RF-11)	(SC-11 or Actuarial)	(From RF-11)	
<b>2011</b>	145,733	207,651	0	51	6,929

\* If deficit for the year, leave blank.

Average available financing per active member for the most recent 3-year period:  
(sum of column E divided by 3)

7,744

Maximum Lump Sum Benefit Level under Minn. Stat. § 424A.02, subd. 3

10,000

Maximum Monthly Benefit Level under Minn. Stat. § 424A.02, subd. 3

95.00

### Relief Officer Certification

On or before August 1, the average amount of available financing per active member for the most recent three-year period was calculated in accordance with Minn. Stat. § 424A.02, subd. 3, and certified to the governing body of the applicable qualified municipality.

\_\_\_\_\_  
Signature of Relief Association Officer (President, Secretary, or Treasurer)

\_\_\_\_\_  
Date

\_\_\_\_\_  
First Name

\_\_\_\_\_  
Last Name

\_\_\_\_\_  
Officer Title

## 2014 Maximum Benefit Worksheet (MBW-14)

Plan Name: Snowshoe Fire Relief Association

Plan Type: Monthly/Lump Sum

Enter data in columns A, B, C and D for each year requested.

	A	B	C	D	E
	State Fire Aid (Received or Receivable)	Municipal Contribution	10% of Surplus *	Active Members in Relief Association	Per Year Average [ (A + B + C) / D ]
	(From RF-13)	(From RF-13)	(SC-13 or Actuarial)	(From RF-13)	
<b>2013</b>	209,012	0	8,000	41	5,293
	(From RF-12)	(From RF-12)	(SC-12 or Actuarial)	(From RF-12)	
<b>2012</b>	147,754	0	6,000	41	3,750
	(From RF-11)	(From RF-11)	(SC-11 or Actuarial)	(From RF-11)	
<b>2011</b>	145,733	207,651	0	51	6,929

\* If deficit for the year, leave blank.

Average available financing per active member for the most recent 3-year period:  
(sum of column E divided by 3)

5,324

Maximum Lump Sum Benefit Level under Minn. Stat. § 424A.02, subd. 3

9,800

Maximum Monthly Benefit Level under Minn. Stat. § 424A.02, subd. 3

65.00

### Relief Officer Certification

On or before August 1, the average amount of available financing per active member for the most recent three-year period was calculated in accordance with Minn. Stat. § 424A.02, subd. 3, and certified to the governing body of the applicable qualified municipality.

\_\_\_\_\_  
Signature of Relief Association Officer (President, Secretary, or Treasurer)

\_\_\_\_\_  
Date

\_\_\_\_\_  
First Name

\_\_\_\_\_  
Last Name

\_\_\_\_\_  
Officer Title

## Exhibit C

# Maximum Benefit Levels

### **Topic:**

Statute requires that relief associations with defined-benefit plans (lump-sum, monthly, and monthly/lump-sum combination plans) calculate annually the maximum allowable benefit level. The Office of the State Auditor (OSA) provides relief associations with a form called the Maximum Benefit Worksheet (MBW) for performing the calculation.

The calculation is an average of a relief association's non-investment primary revenue sources for the prior three years on a per-member basis. The primary revenue sources included in the calculation are the amounts of state aid and municipal contributions received, and ten percent of the relief association's surplus.

If a relief association pays a service pension using a benefit level that exceeds the maximum allowable benefit level, statute requires that penalties be imposed. The penalties are disqualification from receiving fire state aid and a requirement that the relief association treasurer recover the amount of the overpaid service pension from any retired firefighter who received an overpayment.

### **Issues and Discussion Items:**

Three issues have been brought to the OSA's attention that are described below.

- 1) **Calculation.** Relief associations have questioned the appropriateness of the calculation used to determine the maximum allowable benefit level. In years when investment markets are performing poorly and a relief association has a deficit, the association may receive large required contributions from the municipality. These large municipal contributions increase the maximum allowable benefit level. Conversely, a relief association with a surplus may not be authorized to increase its benefit level, even though sufficient funds are available, because the association is limited by the calculated maximum.
- 2) **Penalty.** A relief association that pays a service pension in error using a benefit level above the maximum has no opportunity to fix the error before penalties are imposed. A relief association could lose thousands of dollars in fire state aid due to a good faith error that resulted in a service pension being paid just slightly in excess of the maximum. The State Auditor has no authority to exercise discretion.
- 3) **Maximums.** Interest has been expressed in increasing the maximums, which are currently at \$10,000 per year of service for lump sum benefits and \$100 payable per month for each year of service for monthly benefits.

**Examples:**

Five examples are attached. The examples are copies of the 2014 Maximum Benefit Worksheet, which calculates the maximum allowable benefit level for 2014, using different fact scenarios.

Examples one, two, and three show scenarios for the Frostbite Falls Fire Relief Association. The first example is a typical form for a relief association in Greater Minnesota. The relief association has a surplus and is receiving a voluntary contribution from its town of \$750 a year. The maximum allowable benefit level is \$2,500 per year of service, or \$17 payable per month if the relief association paid monthly benefits.

In example two, the relief association had a deficit during 2012 and 2013. Town contributions were required for both years. Receiving the higher contribution amounts resulted in the relief association's maximum allowable benefit level to increase to \$2,700.

In example three, the relief association has a surplus and the town makes no contributions. Even though the relief association is in a better financial situation than the last example, the association's maximum allowable benefit level is \$2,400.

Examples four and five show scenarios for the Snowshoe Fire Relief Association, a larger plan. In example four, the relief association has a deficit and is receiving large contributions from the city. The relief association's maximum allowable benefit level is \$10,000. Example five shows what happens if the relief association has a surplus, instead, and no longer receives the large city contributions. The maximum allowable benefit level falls to \$9,800.