

Minnesota Volunteer Fire Relief Association Working Group Meeting

Office of the State Auditor
Tuesday, November 16, 2010
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 October 14, 2010 Meeting Minutes
- III. Review of Topic Rankings**
Exhibit B.
- IV. Review of Technical Changes**
Exhibit C.
- V. Discussion of Special Fund Administrative Expenses**
Exhibit D.
- VI. Discussion of Form Signature Requirement Changes**
Exhibit E
- VII. Discussion of Return-to-Service Suggested Changes**
Exhibit F.
- VIII. Other Business**
 - Additional Meetings – Proposed Dates
- IX. Next Meeting**
Tuesday, December 7, 2010
11 a.m. to 1 p.m.
Office of the State Auditor
- X. 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 November 15, 2010.

Volunteer Fire Relief Association Working Group

Office of the State Auditor
Thursday, October 14, 2010
11 a.m. to 1 p.m.

Members Present

Wayne Anderson, Coon Rapids Fire Department Inspector (defined contribution plans)
Bruce Duncan, Excelsior Fire Relief Association President (defined benefit lump sum plans)
Dave Ganfield, Apple Valley Fire Relief Association Administrator (defined benefit monthly/lump sum combination plans)
Jim Hansen, Minnesota Area Relief Association Coalition Representative
Dave Jaeger, Mahnommen Fire Relief Association Treasurer (defined benefit lump sum plans)
John King, Minnesota State Fire Department Association Representative
Larry Martin, Legislative Commission on Pensions and Retirement Director
Rebecca Otto, State Auditor
Bruce Roed, Mentor Fire Relief Association Trustee (defined contribution plans)
Tim Simon, Elk River City Finance Director
Steven Wallner, Watertown City Finance Director
Nyle Zikmund, Minnesota State Fire Chiefs Association Representative (defined benefit monthly plans)

Members Excused

Others Present

Jeff Bailey, Excelsior Fire District Representative
Colleen Bollom, Minnesota Firefighter Pension Consultants Representative
Aaron Casper, National Insurance Services Representative
Aaron Dahl, Pension Analyst
Celeste Grant, Deputy State Auditor/General Counsel
Rose Hennessy Allen, Pension Director
Lucas Hinz, Pension Analyst
Jeff Legge, Fergus Falls Fire Department Representative
Brian McKnight, Wells Fargo Advisors Representative
Kent Zoya, Inver Grove Heights Fire Relief Association Representative

The following motions were duly made, seconded and approved:

- RESOLVED to approve the January 12, 2010, Working Group Meeting Minutes;
- RESOLVED to adopt the Working Group Purpose Statement;
- RESOLVED to adopt the Working Group Process Statement;
- RESOLVED to support the concept of the general record retention schedule and to continue work on the draft document;
- RESOLVED to have language drafted for the topic suggestions that are technical changes (topics 31, 33, and 36 on Exhibit G);
- RESOLVED to allow the Defined Contribution Plan Sub-Group to work on the defined contribution plan return-to-service topics and report back to the full Working Group.

I. Call to Order

Chair Auditor Otto called the meeting to order.

II. Introductions

The Working Group members and others in attendance introduced themselves and identified the community that they are representing.

III. Review and Approval of Working Group Meeting Minutes

The members reviewed the January 12, 2010, meeting minutes that had been provided in advance. Ganfield made a motion to adopt the meeting minutes. Wallner seconded the motion that was adopted unanimously.

IV. Working Group Process Discussion

- Working Group Meeting Schedule

The members reviewed the Working Group meeting schedule and agreed to change the meeting that had been scheduled for November 9 to November 16, instead. It was noted that additional meetings can be scheduled in December and January, if needed.

- Working Group Purpose Statement

The members reviewed the Working Group Purpose Statement, which is the same as the Statement agreed upon last year. Roed made a motion to adopt the Purpose Statement. Jaeger seconded the motion, which was adopted unanimously.

- Working Group Process Statement

The members reviewed the Working Group Process Statement, which is the same as the Statement agreed upon last year. The members agreed that unanimous consent be required for a proposal to move forward. A topic can be reconsidered if there's only one dissenting member. Simon made a motion to adopt the Process Statement. Anderson seconded the motion that was adopted unanimously.

- Working Group Membership List

The members reviewed the Working Group Membership List and forwarded contact information changes to Hennessy Allen. Auditor Otto reminded the members that the Membership List is posted on the Office of the State Auditor's website.

V. Review of Draft Record Retention Schedule

Last year, the Working Group agreed to form a sub-group to draft a general record retention schedule that relief associations could adopt. Auditor Otto reminded the Group that because relief associations are defined by state statute to be "governmental entities" their records are seen as "government records." Government records can only be destroyed as allowed in an approved record retention schedule or upon the approval of the Records Disposition Panel. This means that relief associations currently don't have

authority to destroy any records unless they have gotten approval from the Records Disposition Panel or have created their own record retention schedule that's been approved by the Panel.

The sub-group that was formed by the Working Group identified types of records that a relief association may have and a record retention schedule was drafted. After the Working Group adopts the record retention schedule it will be provided to the Records Disposition Panel for review. Grant explained that if the Panel approves this general record retention schedule relief associations could adopt it and retain records according to the schedule. A relief association only would need to get approval from the Records Disposition Panel if the association modifies the general schedule or creates its own record retention schedule instead of using the general schedule.

Simon recommended that the Working Group clarify in the schedule how duplicate records should be treated. There is concern that relief associations would be required to keep all copies of meeting agendas, for example. Grant reminded the Group that the general record retention schedule is intended to help relief associations, since without an approved schedule, an association can't destroy any of its records. She also confirmed that electronic records are treated in the same way as paper records. Legge suggested that entity records be permanent, but that member records be destroyed after a certain length of time (e.g., ten years after the member's death).

Roed made a motion to support the concept of the general record retention schedule and to continue working on the draft document. Ganfield seconded the motion that was adopted unanimously.

VI. Discussion of Working Group Topic Suggestions

Auditor Otto explained that because the Investment Study Group is working on substantive changes to the investment statutes, the intent for the Working Group is to focus on technical changes and clean-up work. Hennessy Allen provided a walk-through of the topic suggestions and technical changes that had been submitted to the Working Group for consideration. Wallner made a motion to allow Martin, Grant, and Hennessy Allen to draft language for the technical changes (topics 31, 33, and 36 on Exhibit G). Ganfield seconded the motion that was adopted unanimously.

The Working Group members shared additional topic suggestions that they would like added to the topic list for consideration by the Group. The suggestions were:

- Allow salaries to be paid from the special fund to all relief association trustees if permitted by the association's bylaws (Zikmund);
- Review reporting requirements and consider increasing the audit threshold or only requiring an audit if a relief association's membership exceeds a certain number (King);

- Clarify that IRS filing fees and other required government fees may be paid from a relief association's special fund (Hennessy Allen);
- Review the timing of the annual Schedule Form and consider changing when the calculated municipal contribution would be required to be paid, or allow projections on the Form to be revised after its certified to the municipality (Duncan);
- Require that an assumed rate of return be used when projecting investment returns on the Schedule Form (Bailey);
- Review the process for unclaimed benefits in defined contribution plans (Bollom);

Zikmund said that the fire service organizations would pursue topic 39 on the list. Auditor Otto said that the Office of the State Auditor would pursue the 609 reporting change (topic 18) in legislation separate from the Working Group bill. The Working Group members agreed that a review of authorized special fund administrative expenses should be on the agenda for the next meeting, and that clean-up work is needed on the return-to-service law. The Working Group members will review and rank the other topic suggestions to decide which topics are considered this year.

Zikmund made a motion to allow the Defined Contribution Plan Sub-Group to work on the defined contribution plan return-to-service topics. Wallner seconded the motion that was adopted unanimously.

VII. Other Business

There was no other business.

VIII. Next Meeting

Tuesday, November 16, 2010

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

Office of the State Auditor

IX. Adjournment

The meeting was adjourned shortly before 1:00.

Volunteer Fire Relief Association Working Group

2010/2011 Topic List

<u>Topic</u>	<u>Description</u>
Administrative Expenses (69.80)	1. Consider allowing vice presidents to be paid salaries from the special fund.
	2. Consider allowing deductibles for treasurer bonds to be paid from the special fund.
	3. Allow IRS fees and other government filing fees to be paid from the special fund.
	4. Allow all trustees to be paid from the special fund if permitted by the bylaws.
Contribution Calculations/Payment Requirements (69.772, 69.773)	5. Consider increasing the amortization period for lump sum plans to 20 years. Consider changing the amortization period for monthly and monthly/lump sum combination plans to 20 years for both investment and experience losses.
	6. Review the timing of the Schedule Form and consider changing when the calculated municipal contribution would be required to be paid, or allow projections to be revised on the form after it's been certified to the municipality
Defined Contribution Plans (424A.016)	7. Allow defined benefit plans to create a defined contribution plan that will provide retirement coverage for new members, while maintaining the defined benefit plan for current and retired members.
	8. Update installment payment language for defined contribution plans so that recipients of service pensions and survivor benefits may elect to receive the benefit in installments. Defined benefit plans currently have this authority, while only recipients of a defined contribution plan service pension may elect installment payments.
	9. Review the process for unclaimed benefits in defined contribution plans.
OSA-Related Changes	10. Consider adding language to 69.051, subd. 1b that is similar to 6.50, giving the OSA authority to withhold just a portion of state aid or to certify eligibility for state aid even if certain requirements have not been met (e.g., as the State Auditor may deem the public interest to demand).
Reporting Requirements	11. Allow an official with the joint powers board to sign the Schedule Form in place of the city clerk, if the joint powers board is the fiscal agent for the fire department.
	12. Change signature requirement on the RF so that any municipal official can sign. Consider what the signature requirement should be for relief associations affiliated with an unorganized territory and there is no affiliated municipality.
	13. Review reporting requirements and consider increasing the audit threshold or only requiring an audit if a relief association's membership exceeds a certain number.

<u>Topic</u>	<u>Description</u>
Return to Service (424A.01, subd. 6)	14. Add language to the return to service provision that clarifies how pensions would be calculated for defined contribution plan members. Clarify how long accounts need to be kept intact for members who return to service and don't meet the minimum period of resumption service requirement (i.e., can the second account be forfeited immediately, or after five years).
	15. Consider allowing members who don't meet the minimum period of resumption service requirement to receive service credit for time served after the break.
	16. Consider whether language should be added to the return to service provision so that there isn't a conflict with the the requirement that credit be given for all years of active service.
Revenues	17. Allow fundraising revenue from independent nonprofit firefighting corporations to be deposited into the relief association's special fund.
	18. Allow member contributions/member dues to be deposited into the special fund.
Service Credit	19. Clarify that all pensions and benefits must be calculated at the rate in effect on the date of the member's separation from active service and membership. Consider including a specific formula for calculating a service pension.
	20. Define how service credit should be calculated, documented, and credited.
Technical Changes	21. Correct language in 424A.02, subd. 9(3)(i)(D) so that it reads: "...as a death benefit to the estate of the deceased active or deferred firefighter if <i>no surviving spouse</i> , no surviving children, and no beneficiary designated."
	22. Update the phrase "licensed public accountant" to "certified public accountant" in 69 and 424A (424A.04 - conditions on consultants). Note that this may have been resolved during the 2010 session.
	23. Add language adopted by the Working Group last year that was inadvertently omitted from the bill. The omission was a technical change that clarifies which plans are governed by Chapter 424A.
OSA Will Pursue	<ol style="list-style-type: none"> 1. Update the requirement in Chapter 609 that requires local units of government to report unlawful actions to include local public pension plans. 2. Include the HCMC retirement plan in the Alternative Reporting section. 3. Discuss reporting requirements for the alternative reporting plans. The plans only provide limited investment data to the OSA. Consider eliminating the reporting requirements for these plans, increasing the reporting requirements so that meaningful data is provided, or change to whom the reports should be filed if the data is just for informational purposes. (356.219, subd. 4.)
Fire Service Organizations Will Pursue	1. Update 471.88, subd. 6a - an exception to the conflict of interest statute for fire departments that contract to provide fire services. The language is unclear.

Exhibit C

Technical Changes

Technical Change #1:

424A.02 DEFINED BENEFIT RELIEF ASSOCIATIONS; SERVICE PENSIONS.

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Subd. 9. Limitation on ancillary benefits.

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(3)(i) If a lump sum survivor or death benefit is payable under the articles of incorporation or bylaws, the benefit must be paid:

(A) as a survivor benefit to the surviving spouse of the deceased firefighter;

(B) as a survivor benefit to the surviving children of the deceased firefighter if no surviving spouse;

(C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no surviving spouse or surviving children; or

(D) as a death benefit to the estate of the deceased active or deferred firefighter if no surviving spouse, no surviving children and no beneficiary designated.

(ii) If there are no surviving children, the surviving spouse may waive, in writing, wholly or partially, the spouse's entitlement to a survivor benefit.

(4)(i) If a monthly benefit survivor or death benefit is payable under the articles of incorporation or bylaws, the benefit must be paid:

(A) as a survivor benefit to the surviving spouse of the deceased firefighter;

(B) as a survivor benefit to the surviving children of the deceased firefighter if no surviving spouse;

(C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no surviving spouse or surviving children; or

(D) as a death benefit to the estate of the deceased active or deferred firefighter if no surviving spouse, no surviving children, and no beneficiary designated.

(ii) If there are no surviving children, the surviving spouse may waive, in writing, wholly or partially, the spouse's entitlement to a survivor benefit.

(iii) For purposes of this clause, if the relief association bylaws authorize a monthly survivor benefit payable to a designated beneficiary, the relief association bylaws may limit the total survivor benefit amount payable.

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Technical Change #2:

424A.04 VOLUNTEER RELIEF ASSOCIATIONS; BOARD OF TRUSTEES.

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Subd. 3. Conditions on relief association consultants.

(a) If a volunteer firefighter relief association employs or contracts with a consultant to provide legal or financial advice, the secretary of the relief association shall obtain and the consultant shall provide to the secretary of the relief association a copy of the consultant's certificate of insurance.

(b) A consultant is any person who is employed under contract to provide legal or financial advice and who is or who represents to the volunteer firefighter relief association that the person is:

- (1) an actuary;
- (2) ~~a licensed public accountant~~ or a certified public accountant;
- (3) an attorney;
- (4) an investment advisor or manager, or an investment counselor;
- (5) an investment advisor or manager selection consultant;
- (6) a pension benefit design advisor or consultant; or
- (7) any other financial consultant.

Technical Change #3:

424A.001 DEFINITIONS.

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Subd. 11. Volunteer firefighter relief association. (a) "Volunteer firefighter relief association" means a nonprofit corporation that provides service pensions to volunteer firefighters and that is governed by sections 69.771 to 69.775.

(b) "Volunteer firefighter relief association" does not mean the Bloomington Fire Department Relief Association governed by section 69.77; Minnesota Statutes 2000, chapter 424; and Laws 1965, chapter 446, as amended, the Minneapolis Firefighters Relief Association governed by section 69.77 and chapter 423C, the Virginia Fire Department Relief Association governed by section 69.77, and Laws 1953, chapter 399, as amended, or the voluntary statewide lump-sum volunteer firefighter retirement plan governed by Minnesota Statutes, chapter 353G.

Exhibit D

Special Fund Authorized Administrative Expenses

Issue:

The list of authorized special fund administrative expenses has not been thoroughly reviewed recently. There appears to be a general interest in expanding the list so that some additional necessary and reasonable expenses that a relief association may incur could be paid from the special fund.

Current Law:

424A.05 RELIEF ASSOCIATION SPECIAL FUND.

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Subd. 3. Authorized disbursements from special fund.

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 Area Relief Association Coalition 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.

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69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.

(a) Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable and direct expenses of maintaining, protecting and administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, constitutes authorized administrative expenses of a police, salaried firefighters', or volunteer firefighters' relief association organized under any law of this state:

(1) office expense, including, but not limited to, rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;

(2) salaries of the president, secretary, and treasurer of the association, or their designees, and any other official of the relief association to whom a salary is payable under bylaws or articles of incorporation in effect on January 1, 1986, and their itemized expenses incurred as a result of fulfilling their responsibilities as administrators of the special fund;

(3) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;

(4) audit, actuarial, medical, legal, and investment and performance evaluation expenses;

(5) reimbursement to the officers and members of the board of trustees, or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and

(6) premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

(b) Any other expenses of the relief association must be paid from the general fund of the association, if one exists. If a relief association has only one fund, that fund is the special fund for purposes of this section. If a relief association has a special fund and a general fund, and any expense of the relief association that is directly related to the purposes for which both funds were established, the payment of that expense must be apportioned between the two funds on the basis of the benefits derived by each fund.

Options:

1. Allow special fund salaries to be paid to any or all trustees of a relief association's board, as permitted by the bylaws.
2. Allow IRS filing fees and other government fees to be paid from a relief association's special fund.
3. Allow bond deductibles to be paid from a relief association's special fund.
4. Others?

Optional Changes:

69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.

(a) Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable and direct expenses of maintaining, protecting and administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, constitutes authorized administrative expenses of a police, salaried firefighters', or volunteer firefighters' relief association organized under any law of this state:

(1) office expense, including, but not limited to, rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;

(2) [Option #1] salaries of the ~~president, secretary, and treasurer of the association's board of trustees~~, or their designees, as permitted by the association's bylaws, and any other official of the relief association to whom a salary is payable under bylaws or articles of incorporation in effect on January 1, 1986, and their itemized expenses incurred as a result of fulfilling their responsibilities as administrators of the special fund;

(3) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;

(4) audit, actuarial, medical, legal, and investment and performance evaluation expenses;

(5) [Option #2] filing and application fees that are payable to a federal or state governmental entity;

(~~5~~) reimbursement to the officers and members of the board of trustees, or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and

(~~6~~) [Option #3] premiums and deductibles on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

(b) Any other expenses of the relief association must be paid from the general fund of the association, if one exists. If a relief association has only one fund, that fund is the special fund for purposes of this section. If a relief association has a special fund and a general fund, and any expense of the relief association that is directly related to the purposes for which both funds were established, the payment of that expense must be apportioned between the two funds on the basis of the benefits derived by each fund.

Exhibit E

Reporting Requirement Changes – Form Signatures

Issue #1:

The Reporting Form (RF) that is annually submitted to the Office of the State Auditor is required to be signed by the municipal clerk or clerk treasurer. Municipalities from across Minnesota have expressed a desire for more flexibility in meeting this signature requirement so that the individual most familiar with the relief association's operations may sign. In addition, some relief associations are not affiliated with an organized municipality, so there is no municipal clerk or clerk-treasurer who may sign. The Optional Change #1 below would allow the chief financial official or chief administrative official to sign the RF, and would require the chief financial official or the treasurer of the applicable county sign in cases where the relief association is not affiliated with a municipality.

Optional Change #1:

69.051 FINANCIAL REPORT, BOND, EXAMINATION.

Subdivision 1. Financial report and audit.

The board of each salaried firefighters relief association, police relief association, and volunteer firefighters relief association as defined in section 424A.001, subdivision 4, with assets of at least \$200,000 or liabilities of at least \$200,000 in the prior year or in any previous year, according to the applicable actuarial valuation or financial report if no valuation is required, shall:

(1) prepare a financial report covering the special and general funds of the relief association for the preceding fiscal year on a form prescribed by the state auditor. The financial report must contain financial statements and disclosures which present the true financial condition of the relief association and the results of relief association operations in conformity with generally accepted accounting principles and in compliance with the regulatory, financing and funding provisions of this chapter and any other applicable laws. **The financial report must be countersigned by:**

(i) ~~the municipal clerk or clerk treasurer~~ chief financial official or chief administrative official of the municipality in which the relief association is located if the relief association is a firefighters relief association which is directly associated with a municipal fire department or is a police relief association; or

(ii) ~~countersigned by the secretary of the independent nonprofit firefighting corporation and by the municipal clerk or clerk treasurer~~ chief financial official or chief administrative official of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the volunteer firefighter relief association is a subsidiary of an independent nonprofit firefighting corporation and by the secretary of the independent nonprofit firefighting corporation; or

(iii) the chief financial official or treasurer of the county in which the volunteer firefighter relief association is located if the association lacks municipal officials because the associated fire department is not located in or associated with an organized municipality;

(2) file the financial report in its office for public inspection and present it to the city council after the close of the fiscal year. One copy of the financial report must be furnished to the state auditor after the close of the fiscal year; and

(3) submit to the state auditor audited financial statements which have been attested to by a certified public accountant, public accountant, or the state auditor within 180 days after the close of the fiscal year. The state auditor may accept this report in lieu of the report required in clause (2).

Subd. 1a. Financial statement.

(a) The board of each volunteer firefighters relief association, as defined in section 424A.001, subdivision 4, that is not required to file a financial report and audit under subdivision 1 must prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show the sources and amounts of all money received; all disbursements, accounts payable and accounts receivable; the amount of money remaining in the treasury; total assets including a listing of all investments; the accrued liabilities; and all items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement required under paragraph (a) must be certified by an independent public accountant or auditor or by the auditor or accountant who regularly examines or audits the financial transactions of the municipality. In addition to certifying the financial condition of the special and general funds of the relief association, the accountant or auditor conducting the examination shall give an opinion as to the condition of the special and general funds of the relief association, and shall comment upon any exceptions to the report. The independent accountant or auditor must have at least five years of public accounting, auditing, or similar experience, and must not be an active, inactive, or retired member of the relief association or the fire or police department.

(c) The detailed statement required under paragraph (a) must be countersigned by the ~~municipal clerk or clerk-treasurer~~ chief financial official or chief administrative official of the municipality, or, where applicable, by the secretary of the independent nonprofit firefighting corporation and by the ~~municipal clerk or clerk-treasurer~~ chief financial official or chief administrative official of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation and by the secretary of the independent nonprofit firefighting corporation. If a relief association lacks municipal officials because the associated fire department is not located in or associated with an organized municipality, the financial report must be countersigned by the chief financial official or treasurer of the applicable county.

(d) The volunteer firefighters' relief association board must file the detailed statement required under paragraph (a) in the relief association office for public

inspection and present it to the city council within 45 days after the close of the fiscal year, and must submit a copy of the detailed statement to the state auditor within 90 days of the close of the fiscal year.

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Issue #2:

The Schedule Form (SC) that is annually submitted to the Office of the State Auditor must be certified to the governing body of the municipality. In many communities, the municipality is not the entity responsible for satisfying contribution requirements to the relief association. In some cases, a joint powers board is required to make contributions to the relief association, while in other cases the independent nonprofit firefighting corporation must pay required contribution amounts. Relief associations have asked that the reporting requirements be changed so that the SC form is certified to the entity that is responsible for satisfying the contribution requirements. Optional Change #2 below would require that the SC form be certified to the entity responsible for satisfying the minimum obligation, or as specified in the joint powers agreement, as applicable.

Optional Change #2:

69.772 RELIEF ASSOCIATIONS PAYING LUMP-SUM SERVICE PENSIONS.

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Subd. 4. Certification of financial requirements and minimum municipal obligation; levy.

(a) The officers of the relief association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined under subdivision 3 ~~to the governing body of the municipality~~ on or before August 1 of each year. **The certification shall be made to the entity responsible for satisfying the minimum obligation with respect to the special fund; except if the entity is a joint powers entity, the certification shall be made as specified in the joint powers agreement, or if the agreement does not so specify, the certification shall be made to the chair of the joint powers board.**

(b) The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section 69.051. The schedule forms related to the determination of the financial requirements must be filed with the state auditor by March 31, annually, if the relief association is required to file a financial statement under section 69.051, subdivision 1a, or by June 30, annually, if the relief association is required to file a financial report and audit under section 69.051, subdivision 1.

(c) The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue.

(d) The municipality may levy taxes for the payment of the minimum municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law upon the rate or amount of

taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied under this section must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.

(~~d~~e) If the municipality does not include the full amount of the minimum municipal obligations in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the certified minimum municipal obligation on the taxable property of the municipality.

(~~e~~f) If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 69.771, subdivision 3, paragraph (c), clause (5), the state auditor may request a copy of the certifications under this subdivision from the relief association or from the city. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.

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Exhibit F

Return-to-Service Changes

Issue:

Relief association trustees who have begun implementing the new return-to-service law have asked the Working Group to consider several changes, based on their experience. The suggested changes are listed below. Please note that updates to the return-to-service law that are specific to defined contribution plans will be handled separately.

Options:

1. Allow retirees receiving a monthly service pension to continue collecting the monthly pension if they rejoin the fire department but don't rejoin the relief association. Currently, a retiree may only continue collecting the monthly service pension if the member rejoins both the fire department and the relief association, and the association's bylaws allow for the continuation of payments.
2. Allow members who don't meet the minimum period of resumption service requirement to receive service credit for time served after the break. Currently, if a member doesn't meet the minimum period of resumption service requirement in the bylaws the member is not eligible to receive credit for any time served after returning from the break. The relief association defines in its bylaws whether or not members who don't meet the minimum period of resumption service requirement are eligible for any benefit increases that occurred during the break.
3. Allow only those members who have not received a benefit payment to return to active service and membership.
4. Others?

Current Law:

424A.01 MEMBERSHIP IN A VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION.

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Subd. 6. Return to active firefighting after break in service.

(a) The requirements of this section apply to all breaks in service, except breaks in service mandated by federal or state law.

(b)(1) If a firefighter who has ceased to perform or supervise fire suppression and fire prevention duties for at least 60 days resumes performing active firefighting with the fire department associated with the relief association, if the bylaws of the relief association so permit, the firefighter may again become an active member of the relief association. A firefighter who returns to active service and membership is subject to the service pension calculation requirements under this section.

(2) A firefighter who has been granted an approved leave of absence not exceeding one year by the fire department or by the relief association is exempt from the minimum period of resumption service requirement of this section.

(3) A person who has a break in service not exceeding one year but has not been granted an approved leave of absence and who has not received a service pension or disability benefit may be made exempt from the minimum period of resumption service requirement of this section by the relief association bylaws.

(4) If the bylaws so provide, a firefighter who returns to active relief association membership under this paragraph may continue to collect a monthly service pension, notwithstanding the service pension eligibility requirements under chapter 424A.

(c) If a former firefighter who has received a service pension or disability benefit returns to active relief association membership under paragraph (b), the firefighter may qualify for the receipt of a service pension from the relief association for the resumption service period if the firefighter meets the service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2.

(d) If a former firefighter who has not received a service pension or disability benefit returns to active relief association membership under paragraph (b), the firefighter may qualify for the receipt of a service pension from the relief association for the resumption service period if the firefighter meets the minimum period of resumption service specified in the relief association bylaws and the service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2.

(e) A firefighter who returns to active lump-sum relief association membership and who qualifies for a service pension under paragraph (c) or (d) must have, upon a subsequent cessation of duties, any service pension for the resumption service period calculated as a separate benefit. If a lump-sum service pension had been paid to the firefighter upon the firefighter's previous cessation of duties, a second lump-sum service pension for the resumption service period must be calculated to apply the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of the resumption service. No firefighter may be paid a service pension twice for the same period of service. If a lump-sum service pension had not been paid to the firefighter upon the firefighter's previous cessation of duties and the firefighter meets the minimum service requirement of section 424A.016, subdivision 3, or 424A.02, subdivision 2, a service pension must be calculated to apply the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of service credit.

(f) A firefighter who had not been paid a lump-sum service pension returns to active relief association membership under paragraph (b), who does not qualify for a service pension under paragraph (d), but who does meet the minimum service requirement of section 424A.016, subdivision 3, or 424A.02, subdivision 2, based on the firefighter's previous years of active service, must have, upon a subsequent cessation of duties, a service pension calculated for the previous years of service based on the service pension amount in effect on the date of the firefighter's termination of the resumption service, or, if the bylaws so provide, based on the

service pension amount in effect on the date of the firefighter's previous cessation of duties.

(g) If a firefighter receiving a monthly benefit service pension returns to active monthly benefit relief association membership under paragraph (b), and if the relief association bylaws do not allow for the firefighter to continue collecting a monthly service pension, any monthly benefit service pension payable to the firefighter is suspended as of the first day of the month next following the date on which the firefighter returns to active membership. If the firefighter was receiving a monthly benefit service pension, and qualifies for a service pension under paragraph (c), the firefighter is entitled to an additional monthly benefit service pension upon a subsequent cessation of duties calculated based on the resumption service credit and the service pension accrual amount in effect on the date of the termination of the resumption service. A suspended initial service pension resumes as of the first of the month next following the termination of the resumption service. If the firefighter was not receiving a monthly benefit service pension and meets the minimum service requirement of section 424A.02, subdivision 2, a service pension must be calculated to apply the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of service credit.

(h) A firefighter who was not receiving a monthly benefit service pension returns to active relief association membership under paragraph (b), who does not qualify for a service pension under paragraph (d), but who does meet the minimum service requirement of section 424A.02, subdivision 2, based on the firefighter's previous years of active service, must have, upon a subsequent cessation of duties, a service pension calculated for the previous years of service based on the service pension amount in effect on the date of the firefighter's termination of the resumption service, or, if the bylaws so provide, based on the service pension amount in effect on the date of the firefighter's previous cessation of duties.



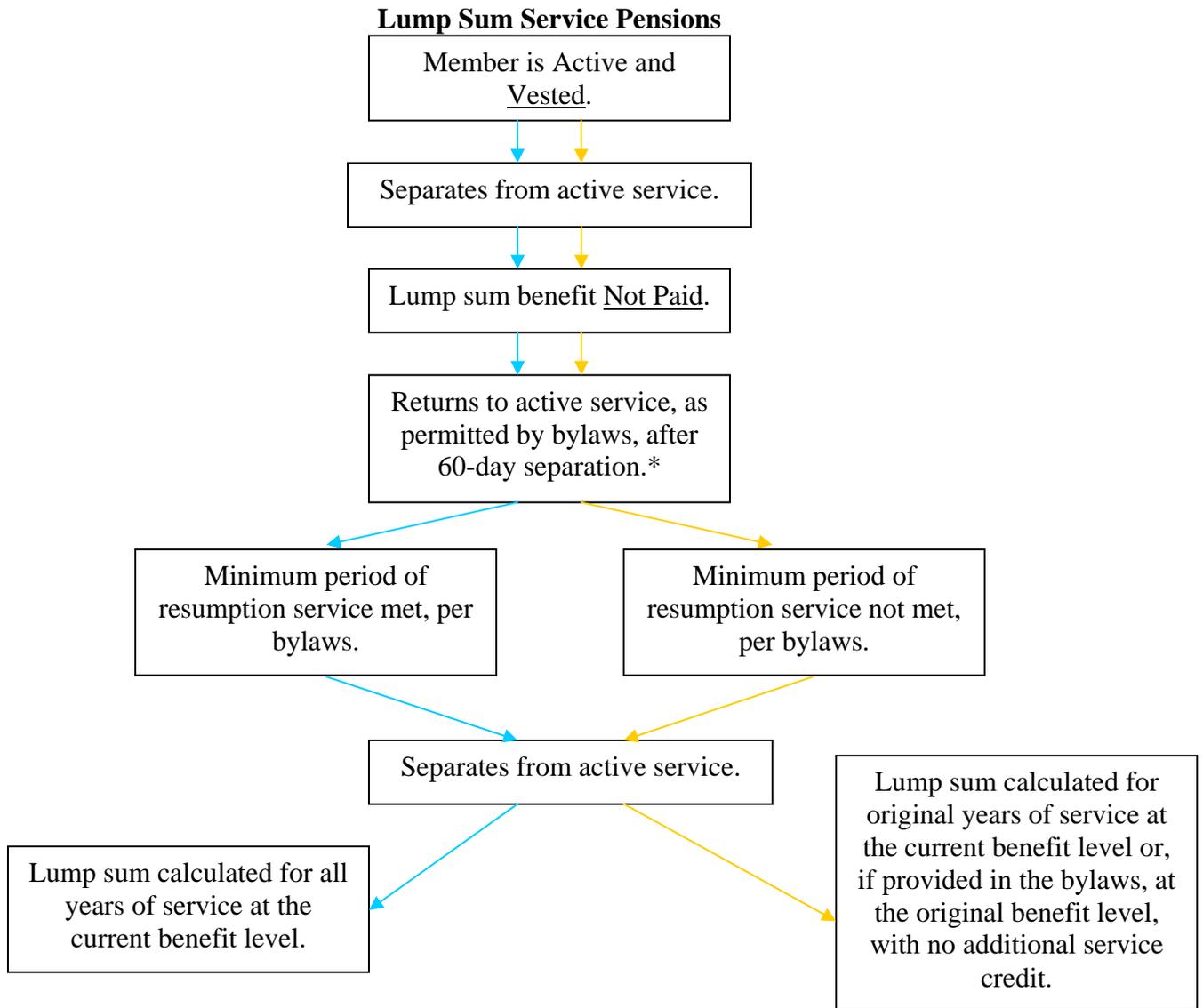
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Return to Service Flow Chart Lump Sum Benefit Recipient, Benefit Not Yet Paid



* Members with an approved leave of absence not exceeding one year are not subject to a minimum period of resumption service upon their return to service. Members with a break in service, other than an approved leave, that didn't exceed one year and who have not been paid a benefit may be exempt from the minimum period of resumption service requirement by the relief association bylaws.



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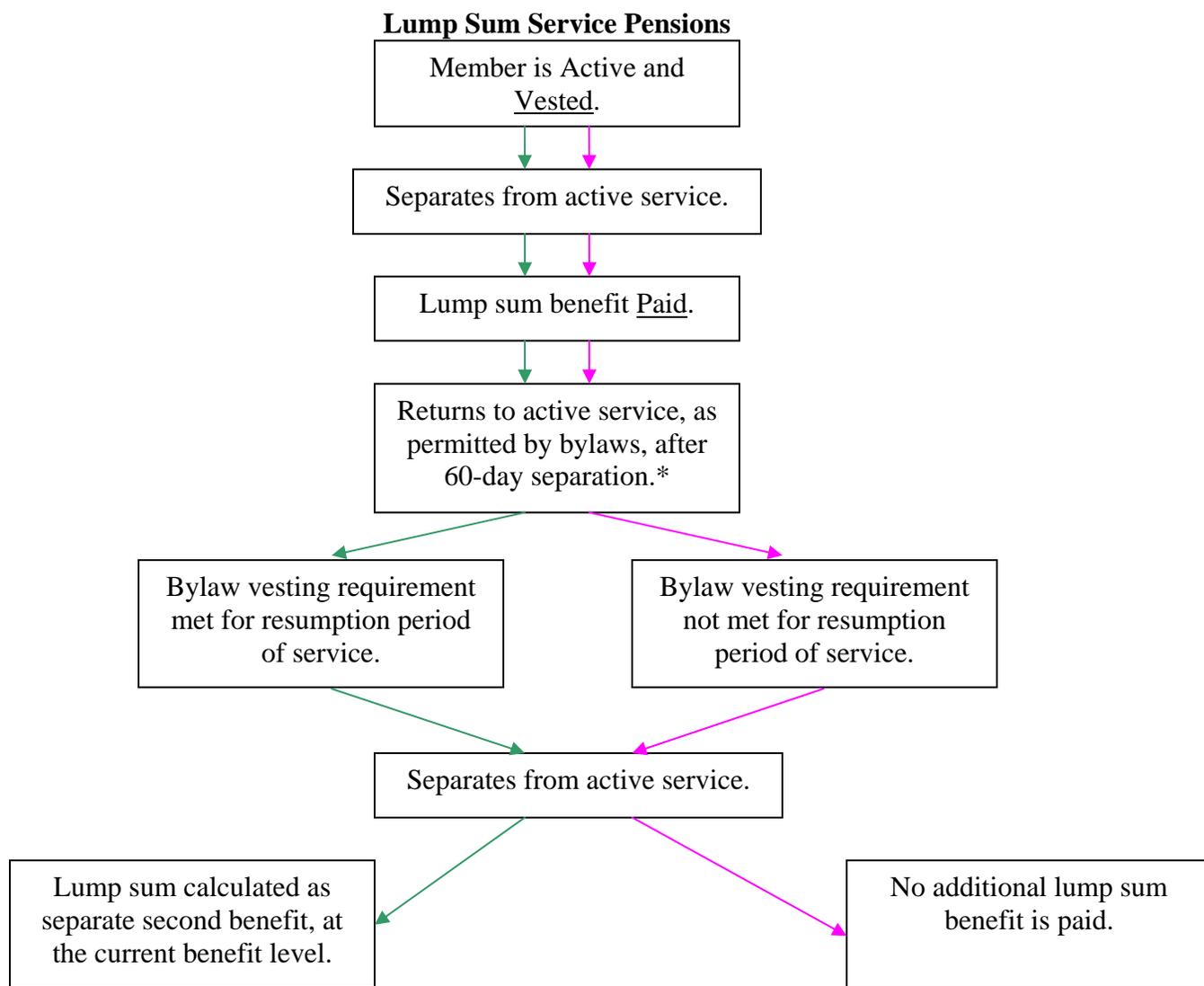
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Return to Service Flow Chart Lump Sum Benefit Recipient, Benefit Has Been Paid



* Members with an approved leave of absence not exceeding one year are not subject to a minimum period of resumption service upon their return to service. Members with a break in service, other than an approved leave, that didn't exceed one year and who have not been paid a benefit may be exempt from the minimum period of resumption service requirement by the relief association bylaws.



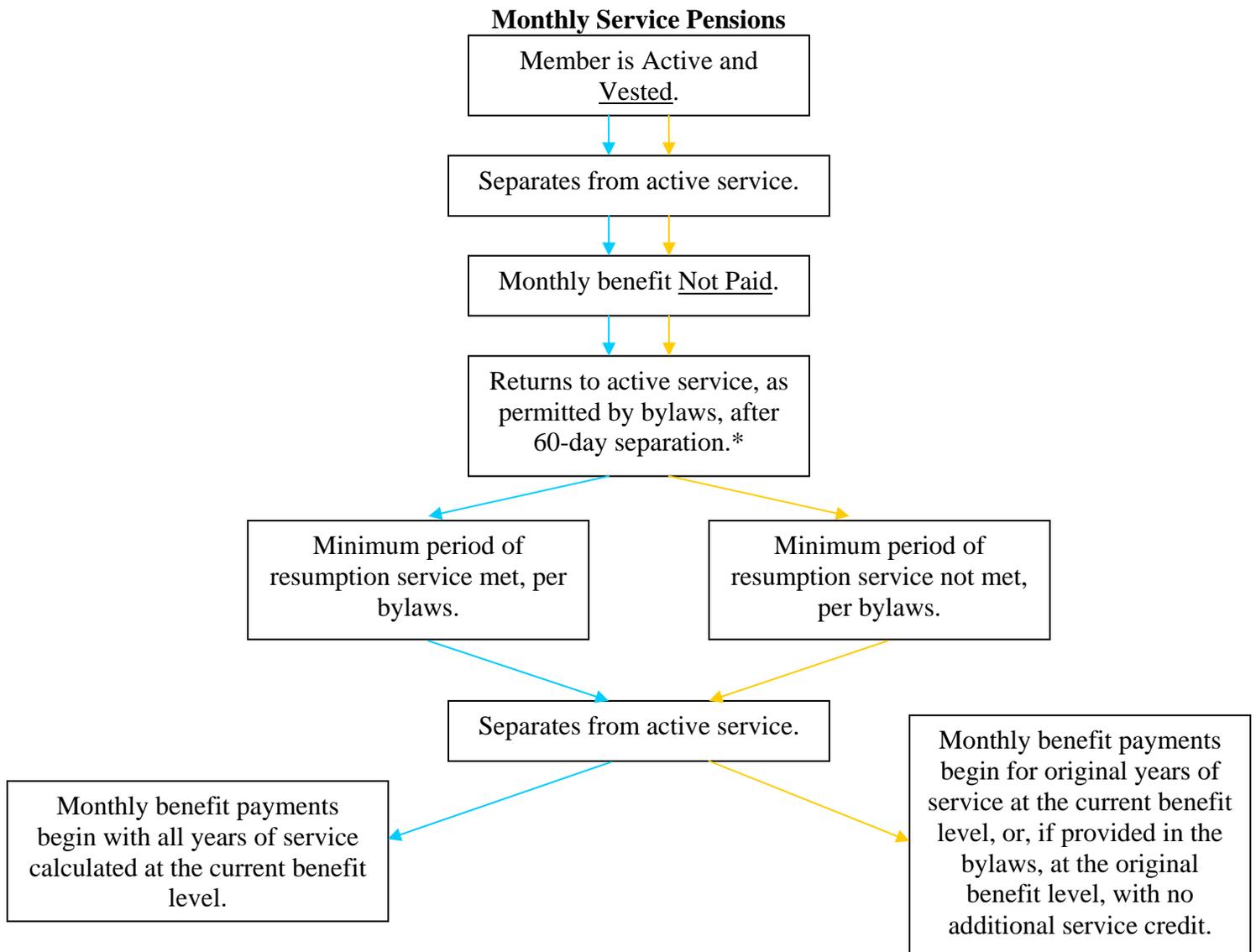
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Return to Service Flow Chart Monthly Benefit Recipient, Benefit Not Yet Paid



* Members with an approved leave of absence not exceeding one year are not subject to a minimum period of resumption service upon their return to service. Members with a break in service, other than an approved leave, that didn't exceed one year and who have not been paid a benefit may be exempt from the minimum period of resumption service requirement by the relief association bylaws.



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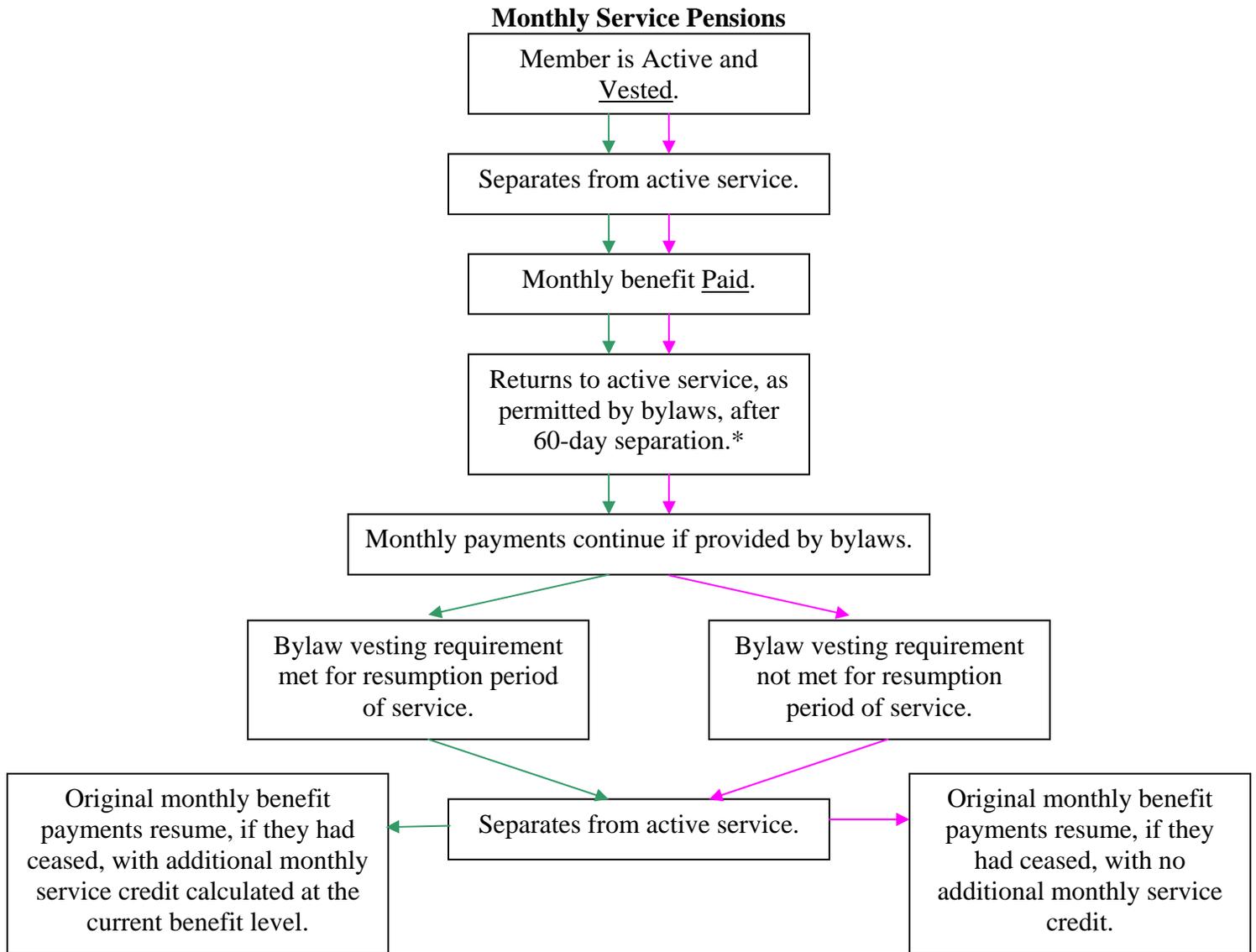
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Return to Service Flow Chart Monthly Benefit Recipient, Benefits Being Paid



* Members with an approved leave of absence not exceeding one year are not subject to a minimum period of resumption service upon their return to service. Members with a break in service, other than an approved leave, that didn't exceed one year and who have not been paid a benefit may be exempt from the minimum period of resumption service requirement by the relief association bylaws.