



July 2006

Pension Division Newsletter

-
- *Legislative Changes*
 - *FRPAS Version 1.1.9*
-

Legislative Changes

Several law changes were passed this session that pertain to volunteer fire relief associations. Some highlights are provided below. If you have questions regarding any of these changes please contact Pension Director Jared Jordal at (651) 296-5985 or Jared.Jordal@state.mn.us.

Investment Authority

- Relief associations that have assets with a book value in excess of \$1,000,000, use an investment advisor for at least 60 percent of book value of assets, or use a combination of the State Board of Investment and an investment advisor for 75 percent of book value of assets may now invest up to 100 percent of their assets in mutual funds, as long as the mutual funds hold only investments that are allowed under Minn. Stat. § 356A.06, subd. 7 (the long list), however to be eligible the mutual funds can't invest in securities in the "Other Investments" section of the long list.
- "Other Investments" include venture capital, real estate through limited partnerships or bank sponsored collective funds, resource investments, certain mutual funds, international debt and emerging market equity.
- The total of all "Other Investments" must not exceed 20 percent of relief association assets. The most common relief association investment that falls under the "Other Investments" category would be mutual funds that hold high yield bonds, emerging market equity, or international debt.
- Investments in corporate stock include investments through mutual funds, exchange traded funds, real estate investment trusts, and direct ownership of stock.
- The total of investments in corporate stock and any "Other Investments" must not exceed 85 percent of assets.

Working Group Proposals

- The term "Volunteer Firefighter" was defined as a person who is engaged in providing emergency response services or delivering fire education or prevention services, is trained in or is qualified to provide fire suppression duties or to provide fire prevention duties, and meets any other minimum firefighter and service standards established by the applicable fire department or firefighting corporation or specified in the bylaws or articles of incorporation of the relief association.

- Authority is now provided for relief associations that pay a lump sum service pension to transfer survivor or funeral benefits to a surviving spouse's individual retirement account.
- State law was clarified to allow for the payment of a death benefit to the estate of a deceased active firefighter if there is no designated beneficiary, if authorized in the relief association's bylaws.
- The State Auditor's Office was given more flexibility in how its annual report on the finances of Minnesota's volunteer fire relief associations may be presented.

Survivor Supplemental Benefits

- Relief associations now have the option of paying an increased supplemental benefit to the survivor of a deceased active or deferred firefighter. The supplemental benefit to survivors can be equal to 20 percent of the member's base pension amount, up to \$2,000. The law change was made retroactive to August 1, 2005. To pay this increased benefit the relief association must amend its bylaws.

Additional detail on 2006 legislative changes related to fire relief associations will be posted in the future on the State Auditor's website.

FRPAS Version 1.1.9

An updated version of FRPAS, the Fire Relief Pension Accounting System, is now available for download from the State Auditor's website. The new version corrects problems that were identified when running the 2006 Schedule. If you are already using FRPAS, download just the patch. Otherwise, download the full version of the program. Since the file size is large please contact Gail Richie with the Pension Division at (651) 282-6110 or Gail.Richie@state.mn.us if you would like a copy of the program mailed to you on CD.

If you have questions please contact us:

Brian Martenson, Pension Analyst
(651) 297-2765 Brian.Martenson@state.mn.us

Rose Hennessy Allen, Pension Analyst
(651) 284-3423 Rose.Hennessy-Allen@state.mn.us

Jared Jordal, Pension Director
(651) 296-5985 Jared.Jordal@state.mn.us

Paul Rosen, Pension Analyst
(651) 282-5430 Paul.Rosen@state.mn.us

Gail Richie, Office Specialist
(651) 282-6110 Gail.Richie@state.mn.us