



# Pension Division Newsletter

February 2021

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## 2021 Schedule Form Liability Change

When completing the 2021 Schedule Form this year, you may notice that the accrued liability amounts calculated for active members are different than the amounts calculated in prior years. Now that the threshold for full vesting can be as low as 10 years of active service, the previous methodology could understate plan liabilities for members who are hired at older ages in relief associations with shorter vesting requirements. To accommodate shorter vesting schedules without systemically understating liability estimates, a new method for calculating the liabilities was proposed.

The new method is based on the current age and length of service of each member, and the requirement for full-vesting defined in the relief association's bylaws. Liabilities for members who are younger than 50 are discounted, using an assumption that the relief association will earn three percent on its investments each year. Investment returns help fund the future benefit payable to each member.

## Relief Association Reporting Reminder

Relief associations with assets and liabilities that are both less than \$500,000 have a March 31 reporting deadline and must submit an agreed-upon procedures report with the reporting forms.

The Office of the State Auditor (OSA) has developed minimum procedures and a reporting format for agreed-upon procedures engagements for relief associations. A sample client representation letter is also provided. Click [here](#) to access these agreed-upon procedures documents.

Reporting forms for relief associations with assets or liabilities of at least \$500,000 are required to be submitted to the OSA by June 30. Relief associations with assets or liabilities above this statutory threshold must also submit an annual audit to the OSA. Auditors are required to follow the [Legal Compliance Audit Guide](#) for Relief Associations, which prescribes the minimum procedures and audit scope for legal compliance audits.

Whether a relief association has exceeded the statutory threshold is determined using end of year asset and liability amounts, and is based on Special Fund amounts, only. After a relief association exceeds the threshold in either assets or liabilities, an audit is required beginning with the next reporting year's reports.

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**What's Ahead:**

**March 15:**

Fire Equipment Certification Form (FA-1) is due to the Department of Revenue

**March 31:**

Reporting forms for relief associations with assets and liabilities of less than \$500,000 are due to the OSA

**March 31:**

Investment Business Recipient Disclosure Form is due to the Legislative Commission on Pensions and Retirement

## 2020 Reporting-Year Forms

The OSA announced earlier this month that the 2020 FIRE Form and 2021 Schedule Form are available for completion. The reporting forms are accessed through the [State Auditor's Form Entry System \(SAFES\)](#).

An informational document is available on the [OSA website](#) that provides detailed instructions for accessing, submitting and electronically signing the reporting forms.

Also on our website is the [Key Reporting Requirements](#) calendar, which identifies required relief association reporting forms and their due dates.

Finally, if your relief association has not already done so, please complete the [2021 User Authorization Form](#) to provide the relief association's auditor with access to this year's reporting forms.

## Management of Records

All government entities, including relief associations, create and possess records (electronic and paper). Records collected, created, received, maintained, or disseminated by a relief association regardless of their physical form are "government data." As governmental entities that receive and manage public money, relief associations are subject to Minnesota Statutes, section 138.17, which states that records cannot be destroyed except at the direction of the state's Records Disposition Panel.

A relief association has options for the retention of its records. A relief association's board of trustees may choose to adopt the General Records Retention Schedule for Volunteer Fire Relief Associations in its entirety and notify the Minnesota Historical Society of its adoption. Relief associations choosing this option may destroy certain types of records after they have been maintained for a specified length of time as detailed in the schedule.

Alternatively, a relief association may choose to modify the General Records Retention Schedule or to create its own schedule. Relief associations choosing these options must submit the proposed schedule to the State Records Disposition Panel for approval before the customized schedule can be used and any records destroyed.

If a relief association does not choose and implement one of these options, the relief association must permanently retain all of its records.

The OSA's [Statement of Position](#) on management of records for relief associations includes a link to the General Records Retention Schedule, and information about how to use the schedule and notify the Minnesota Historical Society that the schedule has been adopted.

## Investment Performance Information

### Statements of Position:

Minnesota law requires the OSA to annually provide information to volunteer fire relief associations on the investment performance of the Minnesota State Board of Investment and on the voluntary Statewide Volunteer Firefighter Plan administered by the Public Employees Retirement Association (PERA).

### Considerations When Making Benefit Changes

Investment performance for the 2020 calendar year is provided in the 2021 Investment Performance Information document that can be found on the [OSA website](#).

## Broker Certification Form

### Required Municipal Contributions

Volunteer fire relief associations using the services of a broker must complete a uniform Broker Certification Form that is provided by the OSA. The Broker Certification Form must be completed before a relief association may enter into a business arrangement with a broker, and must be completed annually thereafter. A copy of each completed form should be submitted to the OSA with the relief association’s annual reporting forms.

### Municipal Contributions for Monthly Plans

If any portion of the relief association’s assets are held by a security broker or its agent, the security broker or its agent must acknowledge in writing annually that sufficient insurance has been obtained from the Securities Investor Protection Corporation (SIPC), supplemented by additional insurance, if necessary, to cover the full amount of the relief association’s assets held by the security broker or its agent.

### Governance for Relief Association

*Note that the State Board of Investment (SBI) is not considered a broker for purposes of this reporting requirement. A relief association that invests with the SBI is therefore not required to have the SBI complete a Broker Certification Form.*

The Broker Certification Form for volunteer fire relief associations is available on the [Pension Forms](#) page of the OSA website, under “Current Forms.”

## Pension Division Staff

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