

Minnesota Volunteer Fire Relief Association

Working Group Meeting

Office of the State Auditor
Thursday, January 15, 2015
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 December 8, 2014 Meeting Minutes
- III. Final Review and Approval of Draft Language**
Exhibits B through G.
 - Technical Changes (B)
 - Multiple Signatures on Checks (C)
 - Attestation Requirements (D)
 - Maximum Benefit Level Penalty (E)
 - Definition of Membership Start Date (F)
 - Limiting One Relief Association per Fire Department (G)
- IV. Discussion of Allowing Benefit Increases to be Prospective Only**
- V. Continue Discussion of Maximum Lump-Sum Benefit Level**
- VI. Continue Discussion of Permitting Membership for Emergency Medical Personnel**
Exhibit H.
- VII. Discussion of Potential Training Topics and Format**
- VIII. Other Business**
- IX. 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 January 12, 2015.

Volunteer Fire Relief Association Working Group

Office of the State Auditor

Monday, December 8, 2014

11 a.m. to 1 p.m.

Members Present

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)

Dave Jaeger, Mahnomon Fire Relief Association Vice President (defined benefit lump sum plans)

Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)

Rebecca Otto, State Auditor

Bruce Roed, Mentor Fire Relief Association Trustee (defined contribution 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

Steve Donney, City of Harmony Mayor

Dennis Feller, City of Lakeville Finance Director

Larry Martin, Legislative Commission on Pensions and Retirement Director

Mark Rosenblum, Minnesota State Fire Department Association Representative (defined benefit lump sum plans)

Others Present

Mary Chamberlain, Abdo, Eick & Meyers Representative

Aaron Dahl, Office of the State Auditor Pension Analyst

Candace Gislason, VanIwaarden Associates Representative

Celeste Grant, Deputy State Auditor/General Counsel

Rose Hennessy Allen, Office of the State Auditor Pension Director

Brian McKnight, Wells Fargo Advisors Representative

Jeff Reed, Office of the State Auditor Supervisor of Special Investigations

The following motions were duly made, seconded and approved:

RESOLVED to approve the December 2, 2014, Working Group Meeting Minutes; and

RESOLVED to approve draft language, as amended, that clarifies a fire department may have only one affiliated volunteer fire relief association at one time.

I. Call to Order

Auditor Otto called the meeting to order.

II. Review and Approval of Working Group Meeting Minutes

The members reviewed the December 2, 2014, meeting minutes that had been provided in advance. Jaeger made a motion to approve the meeting minutes. Johnston seconded the motion that then was adopted unanimously, with Ganfield abstaining.

III. Continuation of Discussion on Maximum Benefit Levels and Penalty

The members continued their discussion of maximum benefit levels and the penalty for paying a pension using a benefit level above the statutory maximum. Auditor Otto shared that the Office of the State Auditor (OSA) will provide education to help relief association trustees and municipal officials understand the purpose of the calculation and the importance of putting a plan in place to reach desired benefit levels. There was general agreement among the Group members to move forward with changing the penalty. The OSA will work to refine the draft language and will bring it back to the Group for review at its January meeting.

Auditor Otto explained that the other outstanding item to discuss is the request to increase the maximum lump sum benefit level of \$10,000. The Group reviewed data on current lump sum benefit levels. It does not appear that any relief association is currently operating at the \$10,000 maximum. It was agreed that no action would be taken by the Group at this time and that the topic could be revisited if there is a desire to do so.

IV. Review of Draft Language Clarifying Relief Association Affiliation Requirements

Auditor Otto explained the relief association statutes anticipate that a fire department has only one affiliated volunteer fire relief association. Administrative problems, including the division of fire state aid, would arise if a fire department were to have multiple affiliated relief associations. The Group was unaware of any fire department ever having more than one affiliated volunteer fire relief association. The Group reviewed draft language that would clarify the legislative intent that a fire department may have only one affiliated relief association at one time. The Group agreed that “at one time” should be added to the draft language. Jaeger made a motion to adopt the draft language as amended. Hemstad seconded the motion that then was adopted unanimously.

V. Review of Draft Language Defining When Membership Begins

Auditor Otto shared that the OSA regularly receives questions on when membership in a relief association begins. Relief association trustees have wondered whether membership begins on the date a firefighter is hired, for example, or following completion of any probationary or training period. The Group members shared when membership begins in their relief associations and whether the association bylaws or fire department policies define the start date. Generally, when a firefighter is considered to be “active” with the fire department is when the firefighter’s membership in the relief association begins. The Group agreed that the membership start date should be the date of hire with the municipality or independent nonprofit firefighting corporation, unless the bylaws specify otherwise. Language reflecting the Group’s intent will be drafted for review at the January meeting.

VI. Discussion of Requirements that Relief Association Service Credit be Limited to Volunteer Firefighter Service

The Group members shared their experiences with relief association membership issues related to individuals who perform full-time firefighting duties or emergency medical duties. The consensus of the Group was that issues regarding full-time firefighters who are also employed as volunteer firefighters appear to be adequately previously addressed.

The belief of the Group is that the bigger issue, especially in Greater Minnesota, is the desire to allow individuals who perform volunteer emergency medical services to be members of the relief association. Medical calls now represent the majority of calls a fire department receives. Efforts to recruit and retain fire department personnel would be aided by providing pension coverage for persons who solely perform volunteer emergency medical services. The Group agreed that, if relief association membership were broadened to permit volunteer emergency medical personnel, membership should be permissible rather than mandatory, and require local approval. Wall shared how the responsibilities of emergency medical personnel have changed over the years but their ability to receive a service pension for their volunteer work has not. Zikmund added that the Legislature created relief associations to address a public need, and that those needs change over time. The Group agreed to continue the discussion at its January meeting.

VII. Other Business

There was no other business.

VIII. Next Meeting

Thursday, January 15, 2015
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 Technical Changes

Technical Change #1: Clarifying Authorized Administrative Expenses

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 volunteer firefighters' relief association organized under any law of this state or the Bloomington Fire Department Relief Association:

(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 officers of the association, or their designees, and salaries of the members of the board of trustees of the association if the salary amounts are approved by the governing body of the entity that is responsible for meeting any minimum obligation under section 424A.092 or 424A.093, or Laws 2013, chapter 111, article 5, sections 31 to 42, and the itemized expenses of relief association officers and board members that are 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 and audit-related services, accounting and accounting-related services, actuarial, medical, legal, and investment and performance evaluation expenses;

(5) filing and application fees payable by the relief association to federal or other governmental entities;

(6) 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

(7) 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.

Technical Change #2: Clarifying Postretirement Increases

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

Subd. 9a. Postretirement increases. Notwithstanding any provision of general or special law to the contrary, a defined benefit relief association paying a monthly service pension may provide a postretirement increase to retired members and ancillary benefit recipients of the relief association if (1) the relief association adopts an appropriate bylaw amendment; and (2) the bylaw amendment is approved by the municipality pursuant to subdivision 10 and section 424A.093, subdivision 6. The postretirement increase is applicable only to retired members and ancillary benefit recipients receiving a monthly service pension or monthly ancillary benefit as of the effective date of the bylaw amendment. The authority to provide a postretirement increase to retired members and ancillary benefit recipients of a relief association contained in this subdivision supersedes any prior special law authorization relating to the provision of postretirement increases.

Technical Change #3: Updating State Aid References to Include Supplemental State Aid

424A.016 DEFINED CONTRIBUTION VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION SPECIFIC REGULATION.

Subd. 4. Individual accounts. (a) An individual account must be established for each firefighter who is a member of the relief association.

(b) To each individual active member account must be credited an equal share of:

(1) any amounts of fire state aid and police and firefighter retirement supplemental state aid received by the relief association;

(2) any amounts of municipal contributions to the relief association raised from levies on real estate or from other available municipal revenue sources exclusive of fire state aid; and

(3) any amounts equal to the share of the assets of the special fund to the credit of:

(i) any former member who terminated active service with the fire department to which the relief association is associated before meeting the minimum service requirement provided for in subdivision 2, paragraph (b), and has not returned to active service with the fire department for a period no shorter than five years; or

(ii) any retired member who retired before obtaining a full nonforfeitable interest in the amounts credited to the individual member account under subdivision 2, paragraph (b), and any applicable provision of the bylaws of the relief association. In addition, any investment return on the assets of the special fund must be credited in proportion to the share of the assets of the special fund to the credit of each individual active member account. Administrative expenses of the relief association payable from the special fund may be deducted from individual accounts in a manner specified in the bylaws of the relief association.

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

Subd. 3. Flexible service pension maximums. (a) Annually on or before August 1 as part of the certification of the financial requirements and minimum municipal obligation determined under section 424A.092, subdivision 4, or 424A.093, subdivision 5, as applicable, the secretary or some other official of the relief association designated in the bylaws of each defined benefit relief association shall calculate and certify to the governing body of the applicable qualified municipality the average amount of available financing per active covered firefighter for the most recent three-year period. The amount of available financing includes any amounts of fire state aid and police and firefighter retirement supplemental state aid received or receivable by the relief association, any amounts of municipal contributions to the relief association raised from levies on real estate or from other available revenue sources exclusive of fire state aid, and one-tenth of the amount of assets in excess of the accrued liabilities of the relief association calculated under section 424A.092, subdivision 2; 424A.093, subdivisions 2 and 4; or 424A.094, subdivision 2, if any.

424A.05 RELIEF ASSOCIATION SPECIAL FUND.

Subd. 2. Special fund assets and revenues. The special fund must be credited with all fire state aid and police and firefighter retirement supplemental state aid moneys received under sections 69.011 to 69.051 and section 423A.022, 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.

424A.092 RELIEF ASSOCIATIONS PAYING LUMP-SUM SERVICE PENSIONS.

Subd. 3. Financial requirements of relief association; minimum obligation of municipality.

...

(d) The minimum obligation of the municipality with respect to the special fund is the financial requirements of the special fund reduced by the amount of any fire state aid and police and firefighter retirement supplemental state aid payable under sections 69.011 to 69.051 and section 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund during the following calendar year, an amount of interest on the assets of the special fund projected to the beginning of the following calendar year calculated at the rate of five percent per annum, and the amount of any contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

Subd. 6. Municipal ratification for plan amendments. If the special fund of the relief association does not have a surplus over full funding under subdivision 3, paragraph (c), clause (5), and if the municipality is required to provide financial support to the special fund of the relief association under this section, the adoption of or any amendment to the articles of incorporation or bylaws of a relief association which increases or otherwise affects the retirement coverage provided by or the service pensions or retirement benefits payable from the special fund of any relief association to which this section applies is not effective until it is ratified by the governing body of the municipality in which the relief association is located and the officers of a relief

association shall not seek municipal ratification prior to preparing and certifying an estimate of the expected increase in the accrued liability and annual accruing liability of the relief association attributable to the amendment. If the special fund of the relief association has a surplus over full funding under subdivision 3, paragraph (c), clause (5), and if the municipality is not required to provide financial support to the special fund of the relief association under this section, the relief association may adopt or amend its articles of incorporation or bylaws which increase or otherwise affect the retirement coverage provided by or the service pensions or retirement benefits payable from the special fund of the relief association which are effective without municipal ratification so long as this does not cause the amount of the resulting increase in the accrued liability of the special fund of the relief association to exceed 90 percent of the amount of the surplus over full funding reported in the prior year and this does not result in the financial requirements of the special fund of the relief association exceeding the expected amount of the future fire state aid and police and firefighter retirement supplemental state aid to be received by the relief association as determined by the board of trustees following the preparation of an estimate of the expected increase in the accrued liability and annual accruing liability of the relief association attributable to the change. If a relief association adopts or amends its articles of incorporation or bylaws without municipal ratification under this subdivision, and, subsequent to the amendment or adoption, the financial requirements of the special fund of the relief association under this section are such so as to require financial support from the municipality, the provision which was implemented without municipal ratification is no longer effective without municipal ratification and any service pensions or retirement benefits payable after that date may be paid only in accordance with the articles of incorporation or bylaws as amended or adopted with municipal ratification.

424A.093 RELIEF ASSOCIATIONS PAYING MONTHLY SERVICE PENSIONS.

Subd. 5. Minimum municipal obligation. (a) The officers of the relief association shall determine the minimum obligation of the municipality with respect to the special fund of the relief association for the following calendar year on or before August 1 of each year in accordance with the requirements of this subdivision.

(b) The minimum obligation of the municipality with respect to the special fund is an amount equal to the financial requirements of the special fund of the relief association determined under subdivision 4, reduced by the estimated amount of any fire state aid and police and firefighter retirement supplemental state aid payable under sections 69.011 to 69.051 and section 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund of the relief association during the following year and the amount of any anticipated contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

...

Subd. 6. Municipal ratification for plan amendments. If the special fund of the relief association does not have a surplus over full funding under subdivision 4, and if the municipality is required to provide financial support to the special fund of the relief association under this section, the adoption of or any amendment to the articles of incorporation or bylaws of a relief association which increases or otherwise affects the retirement coverage provided by or the service pensions or retirement benefits payable from the special fund of any relief association to which this section applies is not effective until it is ratified by the governing body of the municipality in which the relief association is located. If the special fund of the relief association has a surplus over full funding under subdivision 4, and if the municipality is not required to provide financial support to the special fund of the relief association under this section, the relief association may adopt or amend its articles of incorporation or bylaws which increase or otherwise affect the retirement coverage provided by or the service pensions or retirement benefits payable from the special fund of the relief association which are effective without municipal ratification so long as this does not cause the amount of the resulting increase in the accrued liability of the special fund of the relief association to exceed 90 percent of the amount of the surplus over full funding reported in the prior year and this does not result in the financial requirements of the special fund of the relief association exceeding the expected amount of the future fire state aid and police and firefighter retirement supplemental state aid to be received by the relief association as determined by the board of trustees following the preparation of an updated actuarial valuation including the proposed change or an estimate of the expected actuarial impact of the proposed change prepared by the actuary of the relief association. If a relief association adopts or amends its articles of incorporation or bylaws without municipal ratification pursuant to this subdivision, and, subsequent to the amendment or adoption, the financial requirements of the special fund of the relief association under this section are such so as to require financial support from the municipality, the provision which was implemented without municipal ratification is no longer effective without municipal ratification and any service pensions or retirement benefits payable after that date may be paid only in accordance with the articles of incorporation or bylaws as amended or adopted with municipal ratification.

Exhibit C

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.

Proposed Changes:

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) Checks or authorizations for electronic fund transfers for disbursements authorized by this section must be signed by the relief association treasurer and at least one other elected trustee designated by the board of trustees to sign the checks or authorizations. A relief association may make disbursements authorized by this section by electronic funds transfers only if the specific method of payment and internal control policies and procedures regarding the method are approved 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.

Exhibit D

Attestation Requirements

Topic:

Relief associations with assets and liabilities of less than \$500,000 are required to have their financial reporting form attested to by a certified public accountant or the state auditor. The level of review required is not clearly defined in the statute and the terminology should be updated to match current accounting standards.

Draft language is provided below that would require relief associations below the \$500,000 threshold to annually have an Agreed-Upon Procedures engagement. The Office of the State Auditor (OSA) will develop minimum procedures and a reporting format for the Agreed-Upon Procedures engagement. Additionally, the certified public accountant or the state auditor performing the engagement must sign the relief association's annual financial reporting form that is filed with the OSA. Defining and clarifying these requirements will provide for a consistent procedure and ensure that certain specific minimum steps are performed during the engagement.

When reviewing the attestation provision another issue arose. The statute that requires accountants to report evidence of theft or other misconduct that is discovered during the course of auditing a relief association does not clearly apply to certified public accountants who review the detailed financial statement but do not perform an audit. Draft language provided below in the new paragraph (e) clearly provides that the reporting requirement does apply.

Proposed Changes:

69.051 FINANCIAL REPORT, BOND, EXAMINATION.

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:

- (1) the sources and amounts of all money received;
- (2) all disbursements, accounts payable and accounts receivable;
- (3) the amount of money remaining in the treasury;
- (4) total assets, including a listing of all investments;
- (5) the accrued liabilities; and
- (6) all other items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement of the special and general funds required under paragraph (a) must be certified by a certified public accountant or by the state auditor in accordance with agreed-upon procedures and forms prescribed by the state auditor. In addition to certifying the detailed financial condition of the special and general funds of the relief association statement, the accountant or auditor conducting the agreed-upon procedures engagement 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~~ detailed financial statement. The accountant 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 department.

(c) The detailed financial statement required under paragraph (a) must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality; or

(2) where applicable, by the municipal clerk or clerk-treasurer 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; or

(3) by the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(d) The volunteer firefighters' relief association board must file the detailed financial statement required under paragraph (a) and the accountant's or auditor's report under paragraph (b) in the relief association office for public inspection and present ~~it~~ them to the governing body of the municipality within 45 days after the close of the fiscal year, and must submit ~~a copy~~ copies of the detailed financial statement and accountant's or auditor's report to the state auditor within 90 days of the close of the fiscal year.

(e) A certified public accountant or auditor who performs the agreed-upon procedures engagement under paragraph (b) is subject to the reporting requirements of section 6.67.

Exhibit E

Maximum Benefit Level Penalty

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. Draft language is provided below that would provide the OSA with discretion to exempt a relief association from the loss of fire state aid if the error was made in good faith and if certain conditions are met.

Proposed Changes:

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

Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a) If a defined benefit relief association pays a service pension greater than the maximum service pension associated with the applicable average amount of available financing per active covered firefighter under the table in subdivision 3, paragraph (c) or (d), whichever applies, the maximum service pension under subdivision 3, paragraph (f), or the applicable maximum service pension amount specified in subdivision 3, paragraph (g), whichever is less, the state auditor shall:

(1) disqualify the municipality or the nonprofit firefighting corporation associated with the relief association from receiving fire state aid by making the appropriate notification to the municipality and the commissioner of revenue, with the disqualification applicable for the next apportionment and payment of fire state aid; and

(2) order the treasurer of the applicable relief association to recover the amount of the overpaid service pension or pensions from any retired firefighter who received an overpayment.

(b) Fire state aid amounts from disqualified municipalities for the period of disqualifications under paragraph (a), clause (1), must be credited to the amount of fire

insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(c) The amount of any overpaid service pension recovered under paragraph (a), clause (2), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(d) The determination of the state auditor that a relief association has paid a service pension greater than the applicable maximum must be made on the basis of the information filed by the relief association and the municipality with the state auditor under sections 69.011, subdivision 2, and 69.051, subdivision 1 or 1a, whichever applies, and any other relevant information that comes to the attention of the state auditor. The determination of the state auditor is final. An aggrieved municipality, relief association, or person may appeal the determination under section 480A.06.

(e) The state auditor may, upon learning that a relief association overpaid a service pension based on an error of the maximum service pension calculation, certify the municipality or nonprofit firefighting corporation associated with the relief association for fire state aid provided (1) there is evidence the error occurred in good faith, and (2) the relief association has initiated recovery of any overpayment amount. Notwithstanding paragraph (c), all overpayments recovered under this paragraph must be credited to the relief association's special fund.

Exhibit F

Relief Association Membership

Topic:

Relief association trustees are seeking clarity on precisely when membership in a relief association begins. Some fire departments require probationary periods or training periods when a firefighter is first hired. Questions have arisen about whether relief association membership begins on the date a firefighter is hired, for example, or following completion of any required probationary or training period. Draft language is provided below that defines when membership in a relief association begins while maintaining flexibility for communities to establish local requirements.

Proposed Changes:

424A.001 DEFINITIONS.

Subdivision 1. **Terms defined.** Unless the context clearly indicates otherwise, as used in this chapter, the terms defined in this section have the meanings given.

...

Subd. 12. **Membership start date.** Membership in a volunteer firefighters relief association begins upon the date of hire by a municipality, a joint powers board, or an independent nonprofit firefighting corporation with which the relief association is directly associated, unless otherwise specified in the relief association bylaws.

Exhibit G

Relief Association Affiliation Requirements

Topic:

A question was raised as to whether more than one volunteer fire relief association could be affiliated with a municipal fire department or independent nonprofit firefighting corporation. Minnesota statutes are written based on a fire department having only one affiliated relief association. Administrative problems, including the division of fire state aid, would arise if a fire department were to have multiple affiliated relief associations. Draft language is provided below that would clarify the legislative intent that a fire department may have only one affiliated volunteer fire relief association.

Proposed Changes:

424A.002 AUTHORIZATION OF NEW OR CONTINUING VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATIONS.

Subdivision 1. **Authorization.** A municipal fire department or an independent nonprofit firefighting corporation, with approval by the applicable municipality or municipalities, may establish a new volunteer firefighters relief association or may retain an existing volunteer firefighters relief association. A municipal fire department or an independent nonprofit firefighting corporation may be associated with only one volunteer firefighters relief association at one time.

Subd. 2. **Defined benefit or defined contribution relief association.** The articles of incorporation or the bylaws of the volunteer firefighters relief association must specify that the relief association is either a defined benefit relief association subject to sections 424A.015, 424A.02, and 424A.091 to 424A.094 or is a defined contribution relief association subject to sections 424A.015 and 424A.016.

Exhibit H

Permitting Relief Association Membership for Emergency Medical Personnel

Topic:

During the Working Group discussion of expanding relief association membership to permit emergency medical personnel questions arose about the Cooper/Sams Volunteer Ambulance Program that is available to certain ambulance service personnel. Information about the Program is provided below.

- What is a Cooper/Sams Volunteer Ambulance Program?
 - A lump sum payment provided through state appropriation to qualified ambulance service personnel
 - It's intended to help recruit and retain volunteer ambulance EMS personnel.
 - There is no guarantee of a Cooper/Sams award payment and there is no cause of action if the state does not make payment
 - Only 400 persons with the greatest amount of service credit are eligible for a Cooper/Sams award payment in any given year
 - It is not a retirement or pension payment

- Who Administers the Cooper/Sams Volunteer Ambulance Program?
 - Emergency Medical Services Regulatory Board (EMSRB)
 - The trust account is invested by the State Board of Investment

- Who's Eligible for the Cooper/Sams Volunteer Ambulance Program?
 - Qualified Ambulance Service Personnel including:
 - Ambulance Attendants
 - Ambulance Drivers
 - Ambulance Service Medical Directors or Medical Advisors

- Who Qualifies as an Ambulance Service Personnel?
 - An active volunteer ambulance attendant or driver in good standing who isn't compensated or receives only nominal hourly stipends for work time (< \$7,500 in 2014) or an ambulance service medical director or advisor in good standing (hourly stipends or salary)
 - Provides services to the public through a state licensed ambulance service
 - Provides services primarily in Minnesota to Minnesota residents

- Have a certification as an ambulance attendant, driver, ambulance service medical director or advisor, which must be current during the 12 month period ending June 30th immediately prior to the award
- What Qualifications have to be met to claim an Incentive Award?
 - Be at least 50 years of age
 - Have accrued at least 5 service credits
 - Have resigned from active volunteer service on the ambulance; and
 - Complete and postmark an application by October 1, of the year in which the award is claimed
- Who Is Responsible for Tracking Service Credit?
 - Each state licensed ambulance service must annually complete a yearly Current Service Credit Claim Form application for each of its volunteer ambulance service personnel and submit it to EMSRB by August 1.
 - No service credit is given for any application submitted after August 1.
- What is each Service Credit worth?
 - Each service credit is worth \$447.19
 - Example: a qualified ambulance service personnel with 26 service credits would receive a one-time, lump sum payment of \$11,626.94
 - By contrast, the average benefit level for lump-sum plans for firefighters is \$1,431 so a firefighter with 26 years of service would receive a one-time, lump sum payment of \$37,206.00.