

Minnesota Volunteer Fire Relief Association

Working Group Meeting

Office of the State Auditor

Tuesday, October 16, 2018

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 4, 2018 Meeting Minutes
- III. Discussion of Benefit Levels for Ancillary Benefits**
Exhibit B.
- IV. Discussion of Permitting Different Vesting Requirements for Certain Return-to-Service Members**
Exhibit C.
- V. Discussion of Benefit Level for Members with a Break in Service**
Exhibit D.
- VI. Discussion of Increase to Investment Additional Reporting Threshold**
Exhibit E.
- VII. Other Business**
 - Request for Working Group to Consider Changes to Defined-Benefit Full-Vesting Requirement
 - Definitions of “Volunteer Firefighter” Handout for Consideration during November Meeting
- VIII. Next Meeting**
Thursday, November 29, 2018
11 a.m. to 1 p.m.
Office of the State Auditor
- 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 October 15, 2018.

Volunteer Fire Relief Association Working Group

Office of the State Auditor

Thursday, October 4, 2018

11 a.m. to 1 p.m.

Members Present

Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)
Ron Johnson, Minnesota State Fire Department Association Representative (defined contribution plans)
Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)
Michael Kruse, Falcon Heights Fire Relief Association Treasurer (defined contribution plans)
Susan Lenczewski, Legislative Commission on Pension and Retirement Executive Director
Tim O'Neill, Minnesota State Fire Chiefs Association Representative (defined benefit monthly/lump sum plans)
Rebecca Otto, State Auditor
Sue Virnig, City of Golden Valley Finance Director
Kevin Wall, Lower Saint Croix Valley Fire Relief Association President (defined benefit lump sum plans)

Members Excused

Steve Donney, City of Harmony Mayor
Dave Jaeger, Mahnomon Fire Relief Association Vice President (defined benefit lump sum plans)
Thomas Wilson, Eden Prairie Fire Relief Association Secretary (defined benefit monthly/lump sum plans)

Others Present

Ramona Advani, Deputy State Auditor and General Counsel
Rachel Barth, Legislative Commission on Pension and Retirement Deputy Director
Bill Braun, Public
Rachel Carlson, Capital Access Representative
Anne Finn, League of Minnesota Cities Representative
Rose Hennessy Allen, Office of the State Auditor Pension Director
Travis Jacobs, Eden Prairie Fire Relief Association Vice President
Brian McKnights, The Parr McKnight Wealth Management Group Representative
Sherry Munyon, Capital Access Representative
Sharyn North, Public Employees Retirement Association Representative
Molly Resch, Office of the State Auditor Pension Analyst
Maddison Zikmund, Spring Lake Park, Blaine, Mounds View Fire Department Representative
Nyle Zikmund, City of Mounds View Administrator

The following motions were duly made, seconded and approved:

RESOLVED to adopt the September 25, 2018, Working Group meeting minutes;
RESOLVED to adopt the draft language authorizing supplemental survivor benefit payments to designated beneficiaries and to estates; and
RESOLVED to adopt the draft technical change that updates the bylaw approval language for defined benefit plans.

I. Call to Order

Auditor Otto called the meeting to order.

II. Review and Approval of Working Group Meeting Minutes

The members reviewed the September 25, 2018, meeting minutes that had been provided in advance. Johnston made a motion to adopt the minutes. Hemstad seconded the motion that was then adopted unanimously.

Auditor Otto shared the results from the Working Group topic rankings. Hennessy Allen will send the topic list and rankings by e-mail following the meeting.

III. Discussion of Benefit Levels for Ancillary Benefits

Auditor Otto explained that questions have arisen about what benefit level should be used to calculate benefits for members who are in deferred status at the time they become disabled or die. Relief associations may have made numerous benefit level changes during a member's period of deferral. The Working Group members agreed that, in general, the benefit level in effect when a member separates from active service should be the benefit level used to calculate disability and survivor benefits for deferred members. The Working Group agreed that this default should be set in statute, but that relief associations should have the ability to define in their bylaws that the benefit level at the time of death or disability be used to calculate the ancillary benefit. Auditor Otto said that language would be drafted and brought to the Working Group for review at the next meeting.

IV. Discussion of Supplemental Survivor Benefits

Auditor Otto shared that when a relief association pays a lump-sum survivor benefit to a surviving spouse or to a surviving child or children, the relief association is required to also pay a supplemental survivor benefit. Currently, if a survivor benefit is paid to a designated beneficiary or to an estate, no supplemental benefit is payable. The intent of the supplemental benefit is to help offset state income taxes that must be paid on a pension or benefit distribution. Designated beneficiaries and individuals who receive a distribution through an estate likely have the same tax concerns or obligations as other recipients of a service pension or survivor benefit. The Working Group members reviewed draft language that would amend the definition of "survivor" in the supplemental benefit statute to authorize supplemental survivor benefit payments to designated beneficiaries and to estates. Kruse made a motion to adopt the draft language. Johnson seconded the motion that was then adopted unanimously.

V. Discussion of Permitting Different Vesting Requirements for Certain Return-to-Service Members

Auditor Otto explained that when a firefighter is paid a lump sum service pension or is receiving a monthly benefit service pension and the firefighter resumes active service and relief association membership, the firefighter is currently required to complete the same vesting requirements as all other members of the relief association to be eligible for a second service pension. Members who are paid monthly service pensions have a financial incentive to retire and commence receipt of the monthly benefits as soon as they become eligible to do so because otherwise benefits are lost for each month that they are

not yet collecting. This has resulted in some firefighters retiring before they may have otherwise elected. Jacobs discussed special legislation that the Eden Prairie Fire Relief Association obtained during the 2018 Legislative Session that provides full vesting to members who resume active service for a minimum of three years following payment of a service pension. The Working Group members were interested in allowing relief associations to permit through their bylaws, and as defined in their bylaws, members who resume active service after payment of a service pension to have a lower vesting requirement. Auditor Otto said that the topic would be revisited at the next meeting. Kruse requested data by plan type on the ages of when firefighters are paid their service pensions or benefits. Hennessy Allen said that the requested data would be provided.

VI. Discussion of Bylaw Approval – Technical Change

Auditor Otto explained that there is old language in one of the bylaw approval provisions for the defined benefit plans that refers to each municipality served by the fire department approving the bylaws. This language is inconsistent with benefit ratification requirement language in other places of the defined benefit statutes, which generally requires the entity required to make contributions to the relief association to be the entity that approves bylaw and benefit changes. The Working Group members reviewed the definition of “municipality,” and Auditor Otto said that Office of the State Auditor staff would like to revisit the definition in the future to ensure it accurately reflects joint-powers fire departments and fire districts. Johnston made a motion to adopt the draft language. Hemstad seconded the motion that then was adopted unanimously.

VII. Other Business

Hemstad provided the Working Group with an update on the Fire State Aid Work Group that was created in the 2018 Omnibus Retirement Bill. The Fire State Aid Work Group considered whether municipalities that have “combination” fire departments should have authority to allocate a portion of the annual fire state aid distribution to pay employer contributions to the Public Employees Retirement Association (PERA) on behalf of their career firefighters. Hemstad said that the consensus of the Fire State Aid Work Group was that municipalities with “combination” fire departments should have authority to allocate a portion of the fire state aid for PERA employer contributions if both the municipality and the relief association agree, and that the allocation method would be defined by the municipality and the relief association in a local agreement that both entities approve. Hemstad said that the next step for the Fire State Aid Work Group is to draft a report to the Legislative Commission on Pensions and Retirement with the group’s recommendations and to draft legislation. The intent is that the report and legislation would both be drafted by the end of the year and be reviewed by the Fire State Aid Work Group in December.

VIII. Next Meeting

Tuesday, October 16, 2018

11 a.m. to 1 p.m.

Office of the State Auditor

IX. Adjournment

The meeting was adjourned at 12:55.

Exhibit B

Benefit Levels for Ancillary Benefits

Topic:

Currently, the benefit level in effect at the time a relief association member becomes disabled or dies is the benefit level to be used when calculating the disability or survivor benefit. Questions have arisen about what benefit level should be used to calculate benefits for members who are in deferred status at the time they become disabled or die. Relief associations may have made numerous benefit level changes during a member's period of deferral.

An optional change below would update the ancillary benefit provision for defined-benefit relief associations to use the benefit level in effect at the time of a member's separation from active fire department service as the benefit level when calculating disability and survivor benefits.

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

Subd. 9. Limitation on ancillary benefits. A defined benefit relief association, including any volunteer firefighters relief association governed by Laws 2013, chapter 111, article 5, sections 31 to 42, or any volunteer firefighters division of a relief association governed by chapter 424, may only pay ancillary benefits which would constitute an authorized disbursement as specified in section 424A.05 subject to the following requirements or limitations:

(1) with respect to a defined benefit relief association in which governing bylaws provide solely for a lump-sum service pension to a retiring member, or provide a retiring member the choice of either a lump-sum service pension or a monthly service pension and the lump-sum service pension was chosen, no ancillary benefit may be paid to any former member or paid to any person on behalf of any former member after the former member (i) terminates active service with the fire department and active membership in the relief association; and (ii) commences receipt of a service pension as authorized under this section; and

(2) with respect to any defined benefit relief association, no ancillary benefit paid or payable to any member, to any former member, or to any person on behalf of any member or former member, may exceed in amount the total earned service pension of the member or former member. The total earned service pension must be calculated by multiplying the service pension amount specified in the bylaws of the relief association at the time of death or disability, whichever applies, by the years of service credited to the member or former member. The years of service must be determined as of (i) the date the member or former member became entitled to the ancillary benefit; or (ii) the date the member or former member died entitling a survivor or the estate of the member or former

member to an ancillary benefit. The ancillary benefit must be calculated without regard to whether the member had attained the minimum amount of service and membership credit specified in the governing bylaws. For active members, the amount of a permanent disability benefit or a survivor benefit must be equal to the member's total earned service pension except that the bylaws of a defined benefit relief association may provide for the payment of a survivor benefit in an amount not to exceed five times the yearly service pension amount specified in the bylaws on behalf of any member who dies before having performed five years of active service in the fire department with which the relief association is affiliated. For deferred members, the amount of a permanent disability benefit or a survivor benefit must be calculated using the service pension amount in effect on the date the deferred member separated from active service, unless the bylaws of the relief association specify a different service pension amount to be used for the calculation.

(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 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.

(5) For purposes of this section, for a monthly benefit volunteer fire relief association or for a combination lump-sum and monthly benefit volunteer fire relief association where a monthly benefit service pension has been elected by or a monthly benefit is payable with respect to a firefighter, a designated beneficiary must be a natural person. For purposes of this section, for a lump-sum volunteer fire relief association or for a combination lump-sum and monthly benefit volunteer fire relief association where a lump-sum service pension has been elected by or a lump-sum benefit is payable with respect to a firefighter, a trust created under chapter 501C may be a designated

beneficiary. If a trust is payable to the surviving children organized under chapter 501C as authorized by this section and there is no surviving spouse, the survivor benefit may be paid to the trust, notwithstanding a requirement of this section to the contrary.

Exhibit C
**Permitting Different Vesting Requirements
for Certain Return-to-Service Members**

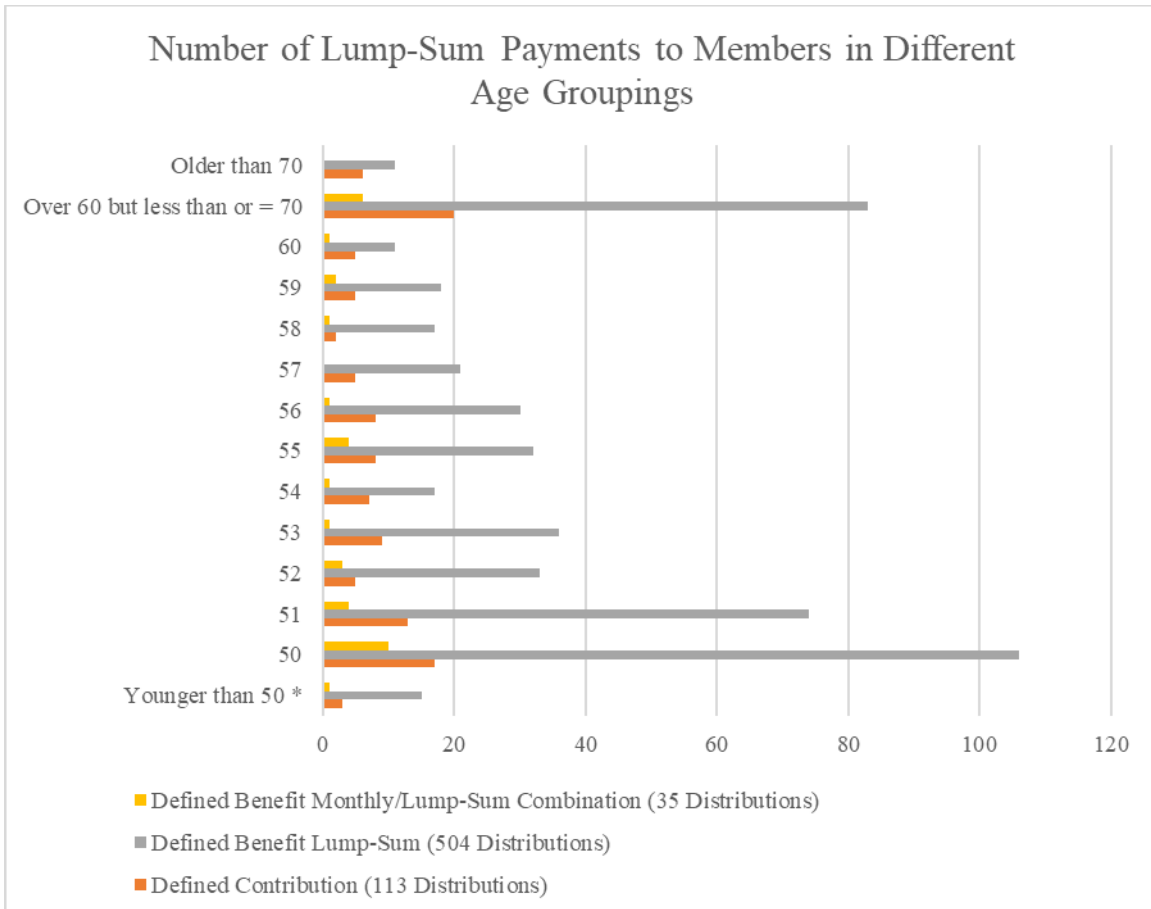
Topic:

If a firefighter is paid a lump sum service pension or is receiving a monthly benefit service pension and the firefighter resumes active service and relief association membership, the firefighter is currently required to complete the same vesting requirements as all other members of the relief association to be eligible for a second service pension. There appears to be interest in allowing relief associations to establish different vesting requirements for firefighters who return to active service and membership after being paid a service pension. Members who are paid monthly service pensions have a financial incentive to retire and commence receipt of the monthly benefits as soon as they become eligible to do so because otherwise benefits are lost for each month that they are not yet collecting. This has resulted in some firefighters retiring before they may have otherwise elected. Reducing vesting requirements for these returning firefighters has been suggested as a way to help retain them and keep them in the fire service. The current statutory minimum vesting requirement is five years.

The defined-benefit monthly and monthly/lump sum combination relief associations are required to have an actuarial valuation prepared regularly that determines the accrued liabilities and minimum financial requirements. Offering different vesting requirements for different groups of members could be factored into the liability calculations performed by the actuary.

In contrast, the defined-benefit lump sum relief associations annually complete the Schedule Form that is provided by the Office of the State Auditor. The Schedule Form accrued liability factors for active members are set in a statutory table. The table is a present value table assuming the lump sum service pension is payable immediately after 20 years of service, is based on a three-percent interest assumption, and assumes no pre-retirement turnover or mortality. The Working Group should do additional research to determine if the table is still reasonable should changes to vesting requirements for a subset of firefighters be implemented.

A chart is provided on page two that shows how many lump sum distributions were made to members in different age groupings during the 2016 calendar year. In all relief association plan types, the greatest number of distributions were made to members who were age 50.



* Distributions to individuals who were younger than 50 were ancillary benefit payments.

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

Subd. 6. Return to active firefighting after break in service. (a) This subdivision governs the service pension calculation requirements of a firefighter who returns to active service after a break in service and applies to all breaks in service, except that the resumption service requirements of this subdivision do not apply to leaves of absence made available by federal statute, such as the Family Medical Leave Act, United States Code, title 29, section 2691, and the Uniformed Services Employment and Reemployment Rights Act, United States Code, title 38, section 4301, and do not apply to leaves of absence made available by state statute, such as the Parental Leave Act, section 181.941; the Leave for Organ Donation Act, section 181.9456; the Leave for Civil Air Patrol Service Act, section 181.946; the Leave for Immediate Family Members of Military Personnel Injured or Killed in Active Service Act, section 181.947; or the Protection of Jurors' Employment Act, section 593.50.

(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, **as applicable, or meets the service requirements specified in the relief association's bylaws**. No firefighter may be paid a service pension more than once for the same period of service.

(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 original and resumption service periods if the firefighter meets the service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2, based on the original and resumption years of service credit.

(e) A firefighter who returns to active lump-sum relief association membership under paragraph (b) and who qualifies for a service pension under paragraph (c) 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 by applying 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.

(f) A firefighter who had not been paid a lump-sum service pension returns to active relief association membership under paragraph (b), who did not meet the minimum period of resumption service requirement specified in the relief association's bylaws, but who does meet the minimum service requirement of section 424A.02, subdivision 2, based on the firefighter's original and resumption years of active service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated by applying 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. The service pension for a firefighter who returns to active lump-sum relief association membership under this paragraph, but who had met the minimum period of

resumption service requirement specified in the relief association's bylaws, must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service.

(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 by applying 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 did not meet the minimum period of resumption service requirement specified in the relief association's bylaws, but who does meet the minimum service requirement of section 424A.02, subdivision 2, based on the firefighter's original and resumption years of active service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated by applying 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. The service pension for a firefighter who returns to active relief association membership under this paragraph, but who had met the minimum period of resumption service requirement specified in the relief association's bylaws, must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service.

(i) For defined contribution plans, a firefighter who returns to active relief association membership under paragraph (b) 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 service pension had been paid to the firefighter upon the firefighter's previous cessation of duties, and if the firefighter meets the minimum service requirement of section 424A.016, subdivision 3, or meets the minimum service requirement specified in the relief association's bylaws, as applicable, based on the resumption years of service, a second service pension for the resumption service period must be calculated to include allocations credited to the firefighter's individual account during the resumption period of service and deductions for administrative expenses, if applicable.

(j) For defined contribution plans, if a firefighter who had not been paid a service pension returns to active relief association membership under paragraph (b), and who meets the minimum service requirement of section 424A.016, subdivision 3, based on the

firefighter's original and resumption years of service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated to include allocations credited to the firefighter's individual account during the original and resumption periods of service and deductions for administrative expenses, if applicable, less any amounts previously forfeited under section 424A.016, subdivision 4.

Exhibit D

Benefit Levels for Members with a Break in Service

Topic:

Service pensions are required to be calculated using the benefit level in effect on the date that a member separates from active fire department service and relief association membership. Separating from active service means that a firefighter permanently ceases to perform and supervise fire suppression and fire prevention duties with the fire department. Questions have arisen when a member incurs a leave of absence or break in service at the end of the individual's firefighting career, and then resigns or is terminated without there being a resumption of active service. The benefit level used to calculate the service pension in these instances is the benefit level on the date of the member's resignation or termination, which may be higher than the benefit level in effect when the member was last active.

In contrast, relief associations may define in their bylaws that a specific resumption period of service is required to be eligible for benefit increases for members who resume active service following a leave of absence or break in service. The effect is that members who return to active service after a leave of absence or break in service may be paid using a lower benefit level than members who never resume active service.

Considerations:

1. Should relief associations be able to use the benefit level in effect when a member was last active to calculate service pensions for members with a leave of absence or break in service at the end of their firefighting career?
2. If so, should this be a requirement for all defined benefit relief associations, or should relief associations have the ability to define something different in their bylaws?
3. Any other?

Exhibit E

Increase to Investment Additional Reporting Threshold

Topic:

Investment reporting requirements for volunteer fire relief associations, all other local public pension plans, and the State Board of Investment (SBI) are defined in Section 356.219. The reporting requirements depend on the total market value of the plan and whether the plan is fully invested with the SBI. The current threshold at which additional investment reporting is required is \$25 million. The Bloomington Fire Department Relief Association, the St. Paul Teachers' Retirement Fund Association, and the SBI are currently the only entities above the \$25 million threshold.

The threshold has been adjusted a number of times, and needs to be adjusted again so that relief associations remain under the threshold and maintain their current reporting. The reporting statute is provided below.

356.219 DISCLOSURE OF PUBLIC PENSION PLAN INVESTMENT PORTFOLIO AND PERFORMANCE INFORMATION.

Subd. 3. **Content of reports.** (a) The report required by subdivision 1 must include a written statement of the investment policy. Following that initial report, subsequent reports must include investment policy changes and the effective date of each policy change rather than a complete statement of investment policy, unless the state auditor requests submission of a complete current statement. The report must also include the information required by the following paragraphs, as applicable.

(b) If, after four years of reporting under this paragraph, the total portfolio time weighted rate of return, net of all investment related costs and fees, provided by the public pension plan differs by no more than 0.1 percent from the comparable return for the plan calculated by the Office of the State Auditor, and if a public pension plan has a total market value of \$25,000,000 or more as of the beginning of the calendar year, and if the public pension plan's annual audit is performed by the state auditor or by the legislative auditor, the report required by subdivision 1 must include the market value of the total portfolio and the market value of each asset class included in the pension fund as of the beginning of the calendar year and as of the end of the calendar year. At the discretion of the state auditor, the public pension plan may be required to submit the market value of the total portfolio and the market value of each investment account, investment portfolio, or asset class included in the pension fund for each month, and the amount and date of each injection and withdrawal to the total portfolio and to each investment account, investment portfolio, or asset class. If the market value of a public pension plan's fund drops below \$25,000,000 in a subsequent year, it must continue reporting under this paragraph for any subsequent year in which the public pension plan is not fully invested as specified in subdivision 1, paragraph (b), except that if the public

pension plan's annual audit is not performed by the state auditor or legislative auditor, paragraph (c) applies.

(c) If paragraph (b) would apply if the annual audit were provided by the state auditor or legislative auditor, the report required by subdivision 1 must include the market value of the total portfolio and the market value of each asset class included in the pension fund as of the beginning of the calendar year and for each month, and the amount and date of each injection and withdrawal to the total portfolio and to each investment account, investment portfolio, or asset class.

(d) For public pension plans to which paragraph (b) or (c) applies, the report required by subdivision 1 must also include a calculation of the total time-weighted rate of return available from index-matching investments assuming the asset class performance targets and target asset mix indicated in the written statement of investment policy. The provided information must include a description of indices used in the analyses and an explanation of why those indices are appropriate. This paragraph does not apply to any fully invested plan, as defined by subdivision 1, paragraph (b). Reporting by the State Board of Investment under this paragraph is limited to information on the Minnesota public pension plans required to be invested by the State Board of Investment under section 11A.23.

(e) If a public pension plan has a total market value of less than \$25,000,000 as of the beginning of the calendar year and was never required to file under paragraph (b) or (c), the report required by subdivision 1 must include the amount and date of each total portfolio injection and withdrawal. In addition, the report must include the market value of the total portfolio as of the beginning of the calendar year and for each quarter.

(f) Any public pension plan reporting under paragraph (b) or (c) must include computed time-weighted rates of return with the report, in addition to all other required information, as applicable. The chief administrative officer of the public pension plan submitting the returns must certify, on a form prescribed by the state auditor, that the returns have been computed by the pension plan's investment performance consultant or custodial bank. The chief administrative officer of the public pension plan submitting the returns also must certify that the returns are net of all costs and fees, including investment management fees, and that the procedures used to compute the returns are consistent with Bank Administration Institute studies of investment performance measurement and presentation standards set by the CFA Institute. If the certifications required under this paragraph are not provided, the reporting requirements of paragraph (c) apply.

(g) For public pension plans reporting under paragraph (e), the public pension plan must retain supporting information specifying the date and amount of each injection and withdrawal to each investment account and investment portfolio. The public pension plan must also retain the market value of each investment account and investment portfolio at the beginning of the calendar year and for each quarter. Information that is required to be collected and retained for any given year or years under this paragraph must be submitted to the Office of the State Auditor if the Office of the State Auditor requests in writing that the information be submitted by a public pension plan or plans, or be submitted by the State Board of Investment for any plan or plans for which the State Board of Investment is the investment authority under this section. If the state auditor requests information under this subdivision, and the public plan fails to comply, the

pension plan is subject to penalties under subdivision 5, unless penalties are waived by the state auditor under that subdivision.