

Pension Division Newsletter

Inside this issue:

Schedule Form Reminder	2
Municipal Ratification of Benefit Levels	2
Maximum Benefit Levels	3
Monitoring Investment Performance	4
Pension Division Staff	4

New Document Transmission Method

The Office of the State Auditor (OSA) has begun using an application called Filr to share revised reporting forms and other documents that contain not-public data with relief association trustees and authorized consultants. Before we share a document using Filr, we will send a courtesy e-mail explaining that a form or document will be made available for transmission and provide you with instructions on how to retrieve the shared file.

Soon after our courtesy e-mail, you should receive a second email containing a link. Sometimes the e-mail gets incorrectly identified as spam, so check your spam folder if you do not see it shortly after receiving the courtesy e-mail.

When you click on the link, you will be taken to a web page to register. Your User ID will be your e-mail address. Enter your name and a password of your choosing. Your Filr login information will **not** be the same as the information you use to log into the State Auditor’s Form Entry System (SAFES).

After you submit your information by clicking the “Register” button, you should receive a confirmation e-mail with a link to sign in and access the reporting form or document that we are sharing.

You only need to complete the registration process once. If you receive subsequent e-mails from us with links to access reporting forms or documents using Filr you should be able to login using your initial User ID and password.

Filr can also be used by relief association trustees and authorized consultants to transmit documents containing not-public data to our office. Examples of documents that should be shared with us using Filr because they contain not-public data include worksheets showing service pension calculations or benefit payment information, and revised Schedule Forms. Do not send documents containing not-public data by e-mail unless a secure system is used.

Please contact a member of the Pension Division team if you would like to transmit a document using the Filr application.



Office of the State Auditor
 Pension Division
 525 Park Street, Suite 500
 Saint Paul, MN 55103
 (651) 282-6110
 Fax: (651) 282-5298
pension@osa.state.mn.us

What's Ahead:

August 1:

The 2016 Schedule Form must be certified to the municipality or independent nonprofit firefighting corporation.

September 15:

First certification deadline for 2016 fire state aid. To be certified as eligible, all 2015 information must be submitted to the OSA, the OSA review must be completed, and any issues resolved.

October 1:

Fire state aid is paid for those relief associations certified as eligible on the first certification deadline.

Schedule Form Reminder

The 2016 Schedule Form for lump-sum volunteer fire relief associations must be certified on or before August 1, 2016. The certification must be made to the entity responsible for satisfying the minimum required contribution to the relief association's special fund.

The 2016 Schedule Form is designed to help determine the relief association's projected assets and liabilities for 2016 and the minimum required contribution for 2017. The Schedule Form is available for download from SAFES at:

<https://www.auditor.state.mn.us/safes/>.

For additional information about required contributions, see the OSA's Statement of Position on this topic at:

<http://www.auditor.state.mn.us/default.aspx?page=20110527.009>.

Municipal Ratification of Benefit Levels

Many relief associations review their finances in the summer, after completing their annual Schedule Form, and determine whether to seek a change to their benefit levels.

As a reminder, a relief association initiates a change in benefit levels by amending its bylaws. A city council or town board can choose to approve a relief association benefit change or choose not to approve the change. Once the bylaws are ratified by the governing body, however, the benefit levels are guaranteed by the municipality.

In approving benefit levels, the city council or town board assumes responsibility for ensuring the relief association special fund has sufficient assets to cover approved benefit levels.

The OSA knows of no authority for a city council or town board to ratify a relief association benefit level while simultaneously limiting any future contributions to the relief association to amounts less than those required by Minnesota law. Minnesota law is clear that a municipality is required to make any contributions that become due to the relief association at the approved benefit level.

For more information regarding the process for changing relief association benefit levels, please see the OSA's Statement of Position on this topic at:

<http://www.auditor.state.mn.us/default.aspx?page=20120224.000>.

Maximum Benefit Levels

Sample Bylaw Guides:

LUMP-SUM

City Fire Department

Town Fire Department

Joint-Powers Fire Department

Independent Corporation

DEFINED-CONTRIBUTION

City Fire Department

Town Fire Department

Joint-Powers Fire Department

Independent Corporation

Volunteer fire relief associations that offer or pay lump-sum, monthly, or monthly/lump-sum combination service pensions must annually calculate the average amount of available financing per active covered firefighter.

The OSA provides the Maximum Benefit Worksheet to help relief associations perform this calculation. The calculation determines the maximum lump sum and monthly benefit levels the relief association is authorized to establish for the year. Relief associations are to perform the maximum benefit calculation on or before August 1 as part of the association’s annual certification of the financial requirements and minimum municipal obligation.

A relief association does not have the authority to set a benefit level higher than the maximum level, even if the benefit level is ratified by the affiliated municipality. It is very important for relief association trustees and municipal officials to monitor maximum benefit levels.

A relief association may discover it is operating at a benefit level higher than the calculated maximum benefit level. A relief association may continue to operate at a benefit level higher than the allowable maximum benefit level if: 1) the benefit level was properly adopted; 2) the benefit level was at or below the allowable maximum benefit level when it was established; and 3) the decrease to the calculated maximum benefit level was due to either a decrease in fire state aid or an increase in the number of active members during the three-year period on which the calculation is based.

Relief associations that qualify to be “grandfathered in” at their current benefit level cannot increase their benefit level until the annual calculation shows that an increase is allowed.

Maximum Benefit Worksheet forms are available at:

<https://www.auditor.state.mn.us/safes/>.

For additional information about maximum benefit levels, see our Statement of Position on this topic at:

<http://www.auditor.state.mn.us/default.aspx?page=20110531.003>.

Monitoring Investment Performance

Statements of Position:

Relief association trustees should understand their fund managers’ investment strategies and hold investment advisors accountable for the performance of the assets being managed. Relief association trustees are not relieved of their fiduciary duties by hiring professional consultants or investment advisors. Trustees, including municipal trustees who serve on a relief association’s board, should regularly compare the investment performance of their advisors with the performance of passively-managed index funds and other benchmarks.

Maximum Benefit Levels

Considerations When Making Benefit Changes

The OSA provides two educational tools to help relief association trustees compare investment performance. One tool, an “Investment Report Card,” is sent by email to each relief association after our review of the relief association’s financial and investment reporting forms is complete. The report card provides one-year and multi-year rates of return calculated for the relief association, as well as a custom benchmark rate of return. The custom benchmark rate of return can be used to measure the relief association’s actual investment performance against market returns.

Required Municipal Contributions

Another tool is the annual “Financial and Investment Report of Volunteer Fire Relief Associations” that is published annually by the OSA. The report includes one-year and multi-year rates of return, calculated custom benchmarks, asset allocations, and market values for each relief association in Minnesota. The report is available on the OSA website at:

Return to Service

<http://www.auditor.state.mn.us/list.aspx?type=rpt&div=pen>.

Pension Division Staff

If you have questions, please contact us:

Nicholas Enger, Pension Analyst

Michael Johnson, Pension Analyst

Molly Resch, Pension Analyst

(651) 284-3423

(651) 282-5430

(651) 297-2765

nicholas.enger@osa.state.mn.us

michael.johnson@osa.state.mn.us

molly.resch@osa.state.mn.us

Benjamin Breidenbach, Pension Intern

Rose Hennessy Allen, Pension Director

Michael Kapala, Pension Intern

(651) 296-6267

(651) 296-5985

(651) 296-6279

benjamin.breidenbach@osa.state.mn.us

rose.hennessy-allen@osa.state.mn.us

michael.kapala@osa.state.mn.us