



September 2008

Pension Division Newsletter

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2008 State Fire Aid and Certification Deadline

The Office of the State Auditor is pleased to announce that 545 volunteer fire relief associations and other pension plans met all reporting requirements to be certified as eligible for receipt of their state aid in the first round of aid disbursements. The first certification deadline for state aid was September 15, with aid payments being disbursed on or about October 1. A listing of the fire aid amounts is posted on the Office of the State Auditor's website at <http://www.auditor.state.mn.us/list.aspx?type=frm&div=pen>.

We were informed by the Department of Revenue that this year the total state fire aid decreased by about 14 percent from last year. The decrease is due in part to fewer taxes collected on insurance premiums and in part to prior year adjustments. The Department of Revenue conducted research and determined that insurance companies in the past have overstated the amount of insurance premiums that actually dealt with fire insurance. Representatives within the Department of Revenue met to determine how to best adjust for the past reporting errors and decided to make adjustments to the 2007, 2008, and 2009 state fire aid amounts. For further information, call the Department of Revenue at (651) 556-6096.

Defined Contribution Plan Sub-Group

The volunteer fire relief association Defined Contribution Plan Sub-Group held its final meeting on September 18. The sub-group reviewed the draft engrossment of the Chapter 424A re-codification and adopted the language, as amended. The sub-group also decided to forward several topics to the full Working Group for consideration, as they affect all relief association plan types. These topics include allowing relief association bylaws to define what constitutes a month of active service, authorizing benefit payments to a trust rather than a natural person, and expanding the authority to purchase disability and life insurance for members using special fund assets. Meeting materials are available on our website at <http://www.auditor.state.mn.us/default.aspx?page=reliefworkinggroup>.

Military Breaks in Service

Relief associations are required under state and federal law to provide service credit to members that are absent from firefighting service due to service in the uniformed services. Members who are absent from the relief association due to a military break in service are treated as though they were active for pension purposes. This is true regardless of whether the member voluntarily enlisted or was called upon as a member of the National Guard.

The service credit provided under state and federal law is subject to certain limitations and restrictions. To be eligible for the service credit, the member must provide notice to the fire department that he or she is leaving to provide military service, unless it is not feasible to provide that notice due to the emergency nature of the situation. It is recommended that both written and verbal notice be provided. The member must also return to firefighting service with coverage by the same relief association upon discharge and must be honorably discharged. Upon reemployment, members are not required to remain in active status for any minimum length of time. There are requirements, however, on how soon after discharge the member must apply for reemployment.

Military service credit is generally capped at five years, although there are exceptions for many active duty periods. For example, the current operations, Iraqi Freedom and Enduring Freedom, are not counted against the five-year limit. Please also note that the five-year limit is a cumulative limit, per employer. So, if a member of a relief association was absent to provide military service for three years, resumed active service with the fire department, and then was absent for another three years, the member generally would only receive five years of active service credit for the military break.

Conditions on Consultants

Please recall that state law places conditions on consultants that provide legal or financial advice to volunteer fire relief associations. If a relief association hires or contracts with a consultant, the association must obtain and the consultant must provide a copy of the consultant's certificate of insurance.

A consultant is any person who is employed under contract to provide legal or financial advice and who is or who represents to the relief association that the person is: an actuary; a licensed public accountant or certified public accountant; an attorney; an investment advisor or manager, or an investment counselor; an investment advisor or manager selection consultant; a pension benefit design advisor or consultant; or any other financial consultant.

If you have questions please contact Rose Hennessy Allen at (651) 296-5985 or at Rose.Hennessy-Allen@state.mn.us.

If you have questions please contact us:

Aaron Dahl, Pension Analyst
(651) 297-2765 Aaron.Dahl@state.mn.us

Luke Hinz, Pension Analyst
(651) 296-6279 Lucas.Hinz@state.mn.us

Michael Johnson, Pension Analyst
(651) 282-5430 Michael.A.Johnson@state.mn.us

Kayla Trenkamp, Student Intern
(651) 284-3423 KTrenkamp@auditor.state.mn.us

Sara Toft, Student Intern
(651) 282-5376 SToft@auditor.state.mn.us

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

Rose Hennessy Allen, Pension Director
(651) 296-5985 Rose.Hennessy-Allen@state.mn.us