

The Office of the State Auditor prepares this Summary of Selected Relevant Statutes to provide an educational resource for volunteer fire relief associations. Reviewing this Summary is not a replacement for reading and understanding the text of the relevant Minnesota Statutes, and it is not a replacement for consulting legal counsel. This Summary is not legal advice and should not be relied upon as legal advice. It is subject to revision.

Summary of Selected Relevant Statutes

I. Background

Minnesota has 643 volunteer fire relief associations. A volunteer fire relief association is a governmental entity that receives and manages public money to provide retirement benefits for individuals providing the governmental services of firefighting and emergency first response. Minn. Stat. § 424A.001, subd. 4.

The majority of firefighters in Minnesota are volunteers. Service pensions are the primary source of compensation for these volunteer firefighters.

The volunteer fire relief associations are governed by state statutes in general and by their articles of incorporation and bylaws in particular. This document summarizes selected relevant statutes for volunteer fire relief associations. Please carefully review the applicable statutes and any special laws. Statutes relevant to volunteer fire relief associations include:

Minn. Stat. Chapter 6	State Auditor
Minn. Stat. Chapter 13D	Open Meeting Law
Minn. Stat. Chapter 69	Fire and Police Department Aid; Relief Associations
Minn. Stat. Chapter 138	Historical Societies; Sites; Archives; Archaeology; Folklife
Minn. Stat. Chapter 317A	Nonprofit Corporations
Minn. Stat. Chapter 356	Retirement Systems, Generally
Minn. Stat. Chapter 356A	Public Pension Fiduciary Responsibility
Minn. Stat. Chapter 420	Prohibition of Service by Minors as Volunteer Firefighters
Minn. Stat. Chapter 424A	Volunteer Firefighters' Retirement
Minn. Stat. Chapter 424B	Volunteer Firefighters, Consolidation, Dissolution

Minn. Stat. Chapter 471 Municipal Rights, Powers, Duties

Minn. Stat. Chapter 609 Criminal Code

Pension plan type

The volunteer fire relief associations include 535 defined-benefit pension plans that pay lump-sum service pensions. Three volunteer fire relief associations provide defined-benefit plans that pay monthly retirement amounts and 20 defined-benefit plans offer retirees a choice between a lump-sum and a monthly-payment plan. There are 85 volunteer fire relief associations with defined-contribution plans that pay lump-sum service pensions based on a retiring firefighter's individual account balance.

Volunteer fire relief association membership

Minors, certain persons constituting an unwarranted health risk, and substitute volunteer firefighters are excluded from membership in a volunteer fire relief association. Minn. Stat. § 424A.01. *See also* Minn. Stat. § 420.20.

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. Minn. Stat. § 424A.001, subd. 12.

Volunteer fire relief association boards

A board of trustees affiliated with a municipal fire department consists of nine members. Six trustees are elected from the relief association membership and three trustees are drawn from the officials of the municipality served by the fire department. The municipal trustees include the fire chief, one elected, and one elected or appointed municipal official designated as municipal representatives by the municipal governing board. One of the six members may be a retiree who is receiving a monthly pension, if the bylaws so provide. Minn. Stat. § 424A.04, subd. 1(a).

The board of a volunteer fire relief association affiliated with an independent nonprofit firefighting corporation also consists of nine members. State statute outlines who may be elected as a municipal official and the manner in which a municipal official may serve. *See* Minn. Stat. § 424A.04, subd. 1(b).

A volunteer fire relief association affiliated with a fire department operated as or by a joint powers entity or a service area township also consists of nine members. State statute outlines who may be designated as a municipal official. *See* Minn. Stat. § 424A.04, subd. 1(c).

If a relief association lacks the municipal board members because the fire department is not located in or associated with an organized municipality, joint powers entity, or township, the municipal board members must be the fire chief and two board members appointed from the fire department service area by the board of commissioners of the applicable county. *See* Minn. Stat. § 424A.04, subd. 1(d).

II. Governmental Plan Status

There are 603 volunteer fire relief associations affiliated with municipal fire departments. These volunteer fire relief associations appear to be “governmental plans” for federal

purposes. 26 U.S.C. § 414(d) and Rev-Rul 87-126. As such, they would not be subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA). We urge you to consult your attorney to confirm your governmental plan status and for federal tax advice.

Forty additional volunteer fire relief associations are affiliated with independent nonprofit firefighting corporations that contract with one or more municipalities to provide fire services. The independent board is responsible for managing and funding the pension plan. However, the municipality may obtain certain rights and responsibilities under the contract.

A municipal fire department or an independent nonprofit firefighting corporation may be associated with only one volunteer firefighters relief association at one time. Minn. Stat. § 424A.002, subd. 1.

III. Summary Plan Description

Certain covered public pension plans, including volunteer fire relief associations, must provide to all plan participants a benefit provisions summary that is understandable to the average plan participant. Minn. Stat. § 356A.07, subd. 1. Applicable state statutes, articles of incorporation and bylaws are generally provided by volunteer fire relief associations as their benefit provisions summary.

IV. Fiduciary Responsibility

Relief association trustees and chief administrative officers are fiduciaries subject to the Public Pension Fiduciary Responsibility Act under Minn. Stat. Chapter 356A. Minn. Stat. § 424A.04, subd. 2. Their fiduciary activities include, but are not limited to, determining plan benefits and funding requirements, including the amounts of contributions, administrative record maintenance, and investing pension plan assets. Minn. Stat. § 356A.02.

Prudent person standard

The trustees of a relief association board must meet the prudent person standard by acting in good faith and exercising that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the plan capital as well as the probable investment return to be derived therefrom. Minn. Stat. §§ 356A.04, subd. 2.

Fiduciary duties

The duties of a fiduciary, such as a relief association trustee, are to disburse authorized benefits to plan participants and beneficiaries, to incur and pay reasonable and necessary plan administrative expenses, and to manage the relief association in accordance with its bylaws. Minn. Stat. § 356A.05.

Fiduciaries must avoid conflicts of interest and cannot personally profit, directly or indirectly, from the investment of plan assets. Minn. Stat. § 356A.06, subd. 3. Fiduciaries must make a reasonable effort to obtain knowledge and skills sufficient to perform their fiduciary activities. At a minimum, they must comply with the continuing education program that must be developed and periodically revised by their boards. Minn. Stat. § 356A.13.

Review procedure

A review procedure must be adopted for reviewing a determination of eligibility, benefits, or other rights under the plan that is adverse to a plan participant or benefit recipient. Minn. Stat. § 356A.07, subd. 4. Volunteer fire relief associations usually adopt a review procedure and set out the notice and hearing requirements in their bylaws.

Report of possible misconduct

Officers or members of volunteer fire relief associations are required to promptly report to law enforcement and to the state auditor whenever the officer or member discovers evidence of theft, embezzlement, unlawful use of public funds or property, or misuse of public funds. Minn. Stat. § 609.456. A public accountant auditing the books and affairs of a volunteer fire relief association who discovers evidence pointing to nonfeasance, misfeasance, or malfeasance, must promptly make a report of such discovery to the state auditor and the county attorney. Minn. Stat. § 6.67.

V. Benefit Coverage Provisions

Service pension eligibility

To be eligible for a service pension, a member must separate from active service as a firefighter with the fire department. Minn. Stat. §§ 424A.016, subd. 2(a), and 424A.02, subd. 1 (a). To “separate from active service” means to permanently cease to perform fire suppression duties with a particular volunteer fire department, to permanently cease to perform fire prevention duties, to permanently cease to supervise fire suppression duties, and to permanently cease to supervise fire prevention duties. Minn. Stat. § 424A.001, subd. 9. If allowed in the bylaws, a volunteer firefighter who becomes a full-time employee of the same fire department may keep or continue receiving a volunteer service pension if the governing body of the municipality or of the corporation files a determination with the board of trustees that the person’s experience would be difficult to replace. Minn. Stat. § 424A.015, subd. 1(b). In addition, a volunteer firefighter must reach age 50, complete at least five years of active fire department service and five years of active membership in the volunteer fire relief association, and meet any additional age, service, and membership conditions established in the bylaws. Minn. Stat. §§ 424A.016, subd. 2(a), and 424A.02, subd. 1(a).

Nonforfeitable portion of service pension

A volunteer fire relief association’s bylaws may permit payment of a reduced service pension to those firefighters who retire with less than 20 years of service. The reduced service pension may be paid when the retiring member meets minimum age and service requirements. For defined benefit plans, the amount of the reduced service pension may not exceed the amount calculated by multiplying the service pension appropriate for the

completed years of service (as specified in the bylaws) times the applicable nonforfeitable percentage of pension. Minn. Stat. § 424A.02, subd. 2. For defined contribution plans, the amount of the reduced service pension may not exceed the nonforfeitable percentage of the account balance. Minn. Stat. § 424A.016, subd. 3.

If a volunteer fire relief association pays (1) a lump-sum service pension, (2) a monthly-benefit service pension, or (3) a lump-sum service pension or a monthly-benefit service pension as an alternative benefit form, the bylaws may provide for a reduced service pension after five years of service, with 20 years of service required for full vesting. If a volunteer fire relief association pays a defined-contribution service pension, the bylaws may provide for a reduced service pension after five years of service, with 10 years of service required for full vesting. Minn. Stat. §§ 424A.016, subd. 3, and 424A.02, subd. 2.

Flexible service pension maximum

Service pensions are subject to a sliding scale of benefit maximums based on the level of funding per active covered firefighter (amount of fire state aid received, amount of any municipal funding provided, and 1/10th of the amount of any funding surplus [assets in excess of actuarial accrued liability]) for the most recent three-year period. Minn. Stat. § 424A.02, subd. 3. If a service pension is paid above the applicable statutory maximum, the state auditor shall 1) disqualify the municipality or volunteer fire relief association from receiving the next apportionment of fire state aid and 2) order the relief association treasurer to recover the amount of the overpayment from the firefighter recipient. Minn. Stat. § 424A.02, subd. 3a.

Defined-contribution lump-sum service pensions

A volunteer fire relief association may offer a defined-contribution service pension rather than a monthly or lump-sum service pension. A defined-contribution plan requires separate accounting for each firefighter's portion. Investment income is based on the individual's balance as well as an equal share of fire state aid, supplemental state aid, municipal contributions, the accounts forfeited by those who terminate before becoming vested, and the forfeitable portion of partially-vested member accounts. Minn. Stat. § 424A.016, subd. 4.

Nonassignability

An ancillary benefit or service pension is not subject to garnishment, judgment, execution, or other legal process, except as provided in Minn. Stat. §§ 518.58 (Division of Marital Property), 518.581 (Surviving Spouse Benefit), or 518A.53 (Income Withholding). An ancillary benefit or service pension cannot be assigned and the volunteer fire relief association does not have the authority to recognize any assignment or pay any assigned sum. Minn. Stat. § 424A.015, subd. 2.

Deferred service pensions

A member is entitled to a deferred service pension if the member has: (1) completed the lesser amount of the minimum period of active fire department service as specified in the bylaws or 20 years, (2) completed at least five years of volunteer fire relief association membership, and (3) separated from active service and membership. The deferred service pension is payable when the former member reaches at least age 50 or at least the minimum age specified in the bylaws if that age is greater than age 50, and when the

former member makes a valid written application. Minn. Stat. §§ 424A.016, subd. 6, and 424A.02, subd. 7.

If provided in the bylaws, a volunteer fire relief association that pays a lump-sum service pension may credit interest during the period of deferral. The interest must be paid in one of the following manners: (1) at the investment performance rate actually earned on that portion of the assets if invested in a separate account established and maintained by the volunteer fire relief association or, if the deferred benefit amount is invested in a separate investment vehicle held by the volunteer fire relief association at the investment rate actually earned on that portion of the assets, or (2) at an interest rate of up to five percent, compounded annually, as set by the board of trustees. Minn. Stat. §§ 424A.016, subd. 6, and 424A.02, subd. 7.

Interest under option two is only available for deferred members of defined-benefit plans and is payable on the January 1 next following the date on which the municipality or independent nonprofit firefighting corporation ratified the deferred-service pension interest rate established by the board of trustees. Minn. Stat. § 424A.02, subd. 7.

A volunteer fire relief association that provides a defined-contribution service pension may, if so provided in the bylaws, credit investment returns to deferred members at the rate actually earned, in the same manner as for active members, without establishing a separate investment account or vehicle. Minn. Stat. § 424A.016, subd. 6.

For a deferred service pension that is transferred to a separate account or vehicle, the deferred member bears the full investment risk during the period of deferral. The accrued liability of the volunteer fire relief association that pays a lump-sum service pension is equal to the separate account balance or the fair market value of the separate investment vehicle. Minn. Stat. §§ 424A.016, subd. 6, and 424A.02, subd. 7.

Unless the bylaws of a volunteer fire relief association specify a different payment method that includes the payment starting date and ending date, interest or additional investment performance is paid using a defined default payment method. §§424A.016, subd. 6(d), and 424A.02, subd. 7(f).

Lump-sum installment payments

A volunteer fire relief association that provides a defined-contribution service pension or a defined-benefit lump-sum service pension, if the governing bylaws so provide, may, at the retiring firefighter's option, pay the service pension in installments. For defined-benefit plans, the amount of the installment payments must be determined in any reasonable manner provided for in the governing bylaws, but the total amount of installment payments may not exceed the single-payment service-pension amount plus interest at an annual rate of five percent. For defined-contribution plans, the amount of the installment payments must be the fractional portion of the remaining account balance equal to one divided by the number of remaining installment payments. No restriction is placed on the number of installment payments. Minn. Stat. §§ 424A.016, subd. 5, and 424A.02, subd. 8.

Purchase of annuity contracts

If the bylaws so provide, a volunteer fire relief association that provides a lump-sum service pension may purchase an annuity contract on behalf of a retiring member in an amount equal to the service pension and in place of a direct payment to the person. The contract must be purchased from an insurance carrier licensed to do business in the State of Minnesota. Minn. Stat. § 424A.015, subd. 3.

Transfer to individual retirement account

A volunteer fire relief association that is a qualified pension plan under 26 U.S.C. § 401(a) and that provides a lump-sum service pension may directly transfer the eligible member's lump-sum pension to the member's individual retirement account or, following the death of an active member, at the written request of the deceased member's surviving spouse, may directly transfer the eligible member's lump-sum pension or benefit to the requesting person's individual retirement account under 26 U.S.C. § 408(a). Minn. Stat. § 424A.015, subd. 4.

Limitations on ancillary benefits

A volunteer fire relief association may pay ancillary benefits (disability and survivor), that qualify as authorized disbursements from the special fund. The ancillary benefit amount must not exceed the total earned service pension. The total earned service pension is calculated by multiplying the service pension amount specified in the bylaws of the relief association at the time of death or disability by the years of service credited to the member or former member.

If the bylaws provide for payment of a lump-sum service pension, no ancillary benefit may be paid once the member or former member terminates active service and membership, and begins to receive a service pension.

For active members of defined-benefit plans, the ancillary benefit must be equal to the member's total earned service pension, except that the bylaws 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. For active members of defined contribution plans, the ancillary benefit must be equal to the vested and nonvested amount of the member's account. Minn. Stat. §§ 424A.016, subd. 7, and 424A.02, subd. 9.

Governing benefit plan provisions

Service pensions and ancillary benefits must be calculated under the general statute, special law, relief association articles of incorporation, and relief association bylaw provisions applicable on the date on which the member separated from active service with the fire department and active membership in the relief association. Minn. Stat. § 424A.015, subd. 6.

Municipal ratification for plan amendments

Volunteer fire relief associations have authority to increase their benefit level without municipal ratification in limited instances. However, if a municipal contribution is required, only those benefits that have been ratified by the municipality would be paid. Minn. Stat. § 424A.02, subd. 10.

Combined service pensions

If a volunteer firefighter has credit for service as an active firefighter in more than one relief association and each relief association's articles of incorporation or bylaws so permit, total service rendered may be combined for vesting so long as the applicable requirements of the statute are met. The service pension is prorated among each participating relief association. Minn. Stat. § 424A.02, subd. 13.

Military service credit

Volunteer fire relief associations with defined benefit plans can provide up to five years of service credit and defined contribution plans can continue allocations to an account for up to five years when there is a break in firefighter service to provide military service. To be eligible, the individual must provide notice to the fire department of the break in service to provide military service and must promptly return to firefighter service covered by the same relief association (or its successor) upon return from uniformed service. In addition, the discharge from military service must not be less than honorable. Minn. Stat. § 424A.021.

Uniformity of benefits

A service pension must be based on years of service and not on compensation paid to the members for firefighting services. Relief associations who violate this provision will be denied fire state aid. Minn. Stat. § 424A.03.

Supplemental benefit

A volunteer fire relief association that provides lump-sum service pensions must pay a supplemental benefit to retirees. The payment of 10 percent of the service pension excluding any interest earned, but not to exceed \$1,000, must be paid from the special fund of the volunteer fire relief association.

Upon the payment by a relief association of a lump-sum survivor benefit to a survivor of a deceased active or deferred volunteer firefighter, the association must pay a supplemental survivor benefit of 20 percent of the survivor benefit, but not to exceed \$2,000. The benefit is payable to the surviving spouse, or, if none, to the surviving child or children.

Supplemental benefit amounts are to be based on the pre-tax lump-sum distribution and exclude any interest that may have been credited during a member's period of deferral. Upon proper application, the state of Minnesota will reimburse the volunteer fire relief association for the amount of the supplemental benefit paid. The reimbursement payment must be deposited in the special fund. Minn. Stat. § 424A.10.

VI. Special and General Funds

Volunteer fire relief associations must establish a special fund to pay retirement benefits and may establish a general fund. Minn. Stat. §§ 424A.05, subd. 1, and 424A.06, subd. 1.

Custodian of assets

Special Fund

The treasurer of the volunteer fire relief association must be the custodian of the assets of the special fund and the recipient on behalf of the special fund of all revenues payable to the special fund. The treasurer must maintain adequate records documenting any transaction involving the assets or the revenues of the special fund and of the general fund. The special fund records and bylaws are public and must be open for inspection by any member of the volunteer fire relief association, any officer or employee of the state or the municipality, or any member of the public, at reasonable times and places. Minn. Stat. § 424A.05, subd. 2.

General Fund

The treasurer must also be the custodian of the assets of the general fund and the recipient on behalf of the general fund of all revenues payable to the general fund. The treasurer must maintain adequate records documenting all transactions involving the general fund. The general fund records and the bylaws must be available and open for inspection by any member of the volunteer fire relief association, at reasonable times and places. Minn. Stat. § 424A.06, subd. 2.

Maintenance of records

Records collected, created, received, maintained, or disseminated by a volunteer fire relief association regardless of their physical form are “government data” and cannot be destroyed except at the direction of the Records Disposition Panel. Volunteer fire relief associations must also take such steps as necessary to protect their records from deterioration, mutilation, loss, or destruction. Minn. Stat. § 138.17.

Special fund investments

The assets of the special fund must be invested only in securities authorized under section 424A.095. Minn. Stat. § 424A.05, subd. 4.

Special fund assets and revenues

The special fund must be credited with all fire state aid and supplemental state aid moneys, all taxes levied by or certain other revenues received from the municipality, any moneys or property donated, given, granted or devised by any person for support of the special fund and any interest earned upon the assets of the special fund. Minn. Stat. § 424A.05, subd. 2.

Contributions of receipts derived from lawful gambling under chapter 349 may not be used for the benefit of a pension or retirement fund. Minn. Stat. § 471.6151.

Special fund disbursements

Authorized disbursements from the special fund include service pensions and temporary or permanent disability benefits and survivor benefits, if authorized by and paid pursuant to law and specified in amount in the bylaws. Volunteer fire relief associations may also pay the following from the special fund: fees, dues and assessments to the Minnesota State Fire Department Association and to the Minnesota State Fire Chiefs Association, and insurance premiums to the state Volunteer Firefighters Benefit Association or an insurance company licensed by the State of Minnesota offering casualty insurance.

Volunteer fire relief associations may pay from the special fund necessary, reasonable and direct expenses of maintaining, protecting and administering the special fund, if authorized by the bylaws and approved by the board of trustees. Reasonable and direct expenses include, but are not limited to:

- (1) office expense, including, but not limited to, rent, utilities, equipment, postage, and supplies;
- (2) salaries of the officers of the association, 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 responsible for paying any required contribution, and the itemized expenses of the officers and board members that are incurred as a result of fulfilling their responsibilities as administrators of the special fund;
- (3) expenses, including tuition and registration fees, incurred in attending educational conferences, seminars, or classes relating to the administration of the volunteer fire relief association;
- (4) audit and audit-related services, accounting and accounting-related services, and actuarial, medical, legal expenses, and investment and performance evaluation expenses;
- (5) filing and application fees payable by the association to federal or other governmental entities;
- (6) reimbursement to the officers and members of the board of trustees 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 volunteer fire relief association.

Minn. Stat. §§ 424A.05, subd. 3, and 69.80.

Other expenses

Any other expenses of the volunteer fire relief association may be paid from the general fund of the association, if one exists. If a volunteer fire relief association has only one fund, that fund is the special fund for purposes of authorized disbursements. If a volunteer fire relief association has a special fund and a general fund, and an expense is directly related to the purposes of both funds, payment of that expense must be apportioned between the two funds on the basis of the benefits derived by each fund. Minn. Stat. § 69.80.

General fund investments

If a general fund is established, its assets may be invested in any securities authorized by the bylaws. Minn. Stat. § 424A.06, subd. 4.

General fund assets and revenues

The general fund must be credited with all moneys received from dues other than dues payable as contributions to the special fund under the bylaws of the relief association, fines, initiation fees, entertainment revenues and any moneys or property donated, given, granted or devised by any person, for unspecified uses. Minn. Stat. § 424A.06, subd. 2.

General fund disbursements

Disbursements from the general fund may be made for any purpose authorized by either the articles of incorporation or the bylaws. Minn. Stat. § 424A.06, subd. 3.

VII. Investment Authority

Every member of a board of trustees of a volunteer fire relief association is a fiduciary. Minn. Stat. § 356A.02, subd. 1. When making investments, each fiduciary must consider the probable safety of the plan capital as well as the probable investment return to be derived from the assets. Investments cannot be made for speculation. Minn. Stat. § 356A.04, subd. 2.

These investment-related fiduciary requirements require that the plan assets be held only by the plan treasurer, the State Board of Investment, the depository agent of the plan, the depository agent of the State Board of Investment, or a security broker or the broker's agent with insurance equal to or greater than the plan assets. Minn. Stat. § 356A.06, subd. 1.

Investments must be properly diversified among investment types to minimize the risk of substantial investment losses. Plans must invest sufficient assets in cash equivalent securities to meet immediate liquidity needs and to avoid losses from forced early liquidation of other securities. Minn. Stat. § 356A.06, subds. 2 and 8.

Either the limited or the expanded list of authorized investments is to be used, depending on whether the market value of the pension plan's assets exceeds \$1 million, whether the plan invests at least 60 percent of its assets through the services of an investment advisor (as defined in statute) or the State Board of Investment, or whether the plan uses a combination of the services of an investment advisor and the State Board of Investment for at least 75 percent of its assets. Minn. Stat. § 356A.06, subds. 6 and 7.

Plans bound by the limited list of authorized investments are restricted to stable, mostly fixed-income investments. These investments include certificates of deposit, savings accounts, government obligations and highly rated corporate obligations. The limited list can be found at Minn. Stat. § 356A.06, subd. 6.

Additional investments are allowed, with limitations, for those plans authorized to invest under the expanded list. The expanded list includes additional fixed income securities, corporate stock, security exchange traded funds, venture capital, resources, international securities, and real estate investments. Corporate stock investments may include stocks for corporations in the United States or Canada, or listed on an exchange regulated by an agency of the United States or Canadian government. Minn. Stat. §§ 356.64 and 356A.06, subd. 7. The expanded list can be found at Minn. Stat. § 356A.06, subd. 7.

Generally, volunteer fire relief associations that are authorized to use the expanded list of authorized investments may invest 100 percent of the plan assets in mutual funds if the mutual funds contain only directly authorized investments. Those relief associations that do not qualify to invest under the expanded list may invest up to 75 percent of the plan

assets in these types of mutual funds. Alternatively, they could invest up to 100 percent of the plan assets if the mutual funds invest solely in limited list investments. Any money market mutual funds held by the plan need not be included in the 75 percent limitation. Minn. Stat. § 356A.06, subs. 6 and 7.

VIII. Financial Reporting Requirements

Financial report and audit

Relief associations with assets or liabilities of at least \$500,000 in the prior year or in any previous year according to the applicable actuarial valuation or financial report must file a financial report covering the special and general funds on a form prescribed by the state auditor. These relief associations must also submit audited financial statements to the state auditor. Minn. Stat. § 69.051, subd. 1.

Financial statement

Volunteer fire relief associations that are not required to file a financial report and audited financial statements must prepare a detailed financial statement covering the special and general funds. The detailed financial statement must be certified by a certified public accountant with the required experience or by the state auditor in accordance with agreed-upon procedures and forms prescribed by the state auditor. Minn. Stat. § 69.051, subd. 1a.

Forfeiture date

Relief associations must file their reports no later than November 30 to qualify for fire state aid. If the reports are not received by November 30, the relief association must forfeit its current year fire state aid and, until the state auditor receives the required information, the relief or municipality will be ineligible to receive any future fire state aid. Minn. Stat. § 69.051, subd. 1b.

Treasurer bond

The treasurer of a volunteer fire relief association must be bonded for at least ten percent of the relief association's assets. The amount of the bond need not exceed \$500,000. Minn. Stat. § 69.051, subd. 2.

Lump-sum plan accrued liability and financial requirements

The accrued liability for active members is determined by using a table set forth in State law. During the month of July, the officers of the volunteer fire relief association must determine the overall funding balance of the special fund for the current calendar year, the financial requirements of the special fund for the following calendar year, and the minimum obligation of the municipality with respect to the special fund for the following calendar year. The minimum obligation of the municipality is equal to the financial requirements of the special fund reduced by the amount of any fire state aid and supplemental state aid. The deduction of expected fire state aid is limited to a reasonable estimate that does not exceed the prior year's fire state aid plus 3.5 percent. The officers of the volunteer fire relief association must certify the financial requirements of the special fund and the minimum obligation of the municipality on or before August 1. The insufficient funding of the relief association is disclosed during the annual financial

reporting. The Office of the State Auditor has the authority to obtain copies of the relevant certifications. Minn. Stat. § 424A.092, subds. 2, 3, and 4.

Monthly plan actuarial condition and financial requirements

A volunteer fire relief association that pays or allows for the option of a monthly service pension must have an actuarial valuation completed every four years or upon a benefit change. Volunteer fire relief associations with assets or liabilities of at least \$500,000 must, at least every two years, have an actuarial valuation performed in accordance with generally accepted accounting principles. State law sets forth a procedure to determine the financial requirements of a volunteer fire relief association's special fund and the minimum obligation of the municipality. The volunteer fire relief association officers must certify the financial requirements of the special fund and the minimum obligation of the municipality on or before August 1. Minn. Stat. §§ 69.051, subd. 1 (referencing generally accepted accounting principles, which require an actuarial valuation every two years), and 424A.093, subds. 2 - 5.

Nonprofit firefighting corporations

Volunteer fire relief associations affiliated with a nonprofit firefighting corporation are governed by the same rules that apply to volunteer fire relief associations affiliated with a municipal fire department, except that the independent firefighting corporation takes the place of the municipality for purposes of required contributions. Minn. Stat. § 424A.094.

IX. Contact Information

Please contact the Pension Division of the Office of the State Auditor with questions at (651) 282-6110 or email pension@osa.state.mn.us. Please visit our website at www.auditor.state.mn.us.