



August 2010

Pension Division Newsletter

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Reporting Reminder and Certification Deadline

The 2009 reporting year forms for volunteer fire relief associations were due by March 31 for relief associations with less than \$200,000 in assets and liabilities, and by June 30 for relief associations that exceeded that statutory threshold. Notices were sent via e-mail and U.S. Mail on August 12 and 13 to relief associations that have not submitted all required reporting information. Your assistance is appreciated in ensuring the late reporting forms are submitted as soon as possible. Late reporting forms may result in a delay in your relief association's receipt of its 2010 state fire aid.

If your relief association has submitted its reporting forms but has been notified by our Pension Division staff that additional information is needed, please provide the requested information as soon as possible. The first certification deadline for 2010 state fire aid is September 15. To be certified as eligible for receipt of your state fire aid in the first round of payments, all required 2009 reporting information must be submitted, the review must be completed, and any identified issues must be resolved by that date.

If you have questions regarding relief association reporting requirements, please contact the Pension Division at (651) 282-6110 or at pension@auditor.state.mn.us.

Investment Study Group and Working Group

In our July Pension Newsletter we provided information about the Investment Study Group that the Office of the State Auditor is convening to study investment-related provisions, authorities, and limitations under Minnesota Statutes, chapter 356A, the chapter of state law that governs local public pension plan investment authority. The study group is comprised of representatives from the large local public pension plans, volunteer fire relief associations, the State Board of Investment, the Pension Commission, and the Office of the State Auditor. Study Group meetings have been scheduled for Tuesday, August 31, and Thursday, September 9, from 2:00 p.m. to 4:00 p.m. at our Saint Paul office. Additional meetings may be scheduled if needed.

Investment Study Group meeting materials and a membership list are available on our website at <http://www.auditor.state.mn.us/default.aspx?page=20100826.001>.

The Volunteer Fire Relief Association Working Group will reconvene this fall after the Investment Study Group has completed its work. If you are interested in serving on the Working Group or have topics for the Group's consideration, please contact Rose Hennessy Allen at (651) 296-5985 or at Rose.Hennessy-Allen@state.mn.us. Working Group meeting information will be provided in our September Pension Newsletter.

IRS e-Postcard Update

Small tax-exempt organizations, including volunteer fire relief associations, whose annual gross receipts are normally \$25,000 or less may be required to electronically submit Form 990-N (e-Postcard) to the IRS unless they choose to file a complete Form 990 or Form 990-EZ. Such organizations with a calendar tax year must annually file the e-Postcard by May 15 for the preceding year.

Tax-exempt organizations that fail to satisfy annual filing requirements for three consecutive years automatically lose their tax-exempt status. On July 26, 2010, however, the IRS announced that small nonprofit organizations at risk of losing their tax-exempt status because they failed to file required returns for 2007, 2008, and 2009 can preserve their status by filing returns by October 15, 2010, under a one-time relief program.

For additional information on this one-time filing extension and a list of organizations at risk, visit the IRS website at <http://www.irs.gov/charities/article/0,,id=225702,00.html>.

SAFES E-mail Notifications

As some of you may be aware, a technological glitch occurred with our e-mail notification system earlier this month and a number of e-mail notices were generated and automatically sent to relief association trustees and consultants regarding our new online reporting form signatures. The notices stated that reporting forms were awaiting signatures and could be signed electronically through our State Auditor's Form Entry System (SAFES) website. In most cases, forms with paper signature pages had already been submitted, so the notices could be disregarded. We appreciate your understanding and cooperation as we transition to electronic form submissions and electronic form signatures.

If you have questions regarding any e-mail notices that you received, please contact the Pension Division at (651) 282-6110 or at pension@auditor.state.mn.us.

Schedule Form Projections

The Office of the State Auditor has received questions from lump-sum relief associations regarding the 2010 Schedule Form that was recently completed and certified to the municipality. Specifically, relief association trustees have asked if revisions can be made to the Form later this year to take into consideration investment gains or other revenue increases since August 1, when the form was certified. The Schedule Form is required to be completed during July and be certified to the municipality or independent nonprofit firefighting corporation by August 1. After it's been certified, the Form should not be revised to update revenue or expenditure amounts that deviated from the projected amounts. Any deviations between forecasted and actual revenues and expenditures will be reflected on the 2011 Schedule Form that is completed next year.

In addition, if your relief association is considering a benefit level change, please remember that only changes becoming effective on or before December 31, 2010 may be reflected on the 2010

Schedule Form. Any benefit level changes that become effective during 2011 must be reflected on the 2011 Schedule Form. Relief associations considering benefit changes should also note that changes can be made on a going-forward basis only. Minnesota law does not permit relief associations to retroactively increase or reduce annual benefit levels.

Broker Certification Reminder

Volunteer fire relief associations and other local public pension plans using the services of a broker must complete the Office of the State Auditor's uniform Broker Certification (BC-1) Form. For purposes of this reporting requirement, a "broker" means a broker, broker-dealer, investment advisor, investment manager, or third-party agent who transfers, purchases, sells, or obtains investment securities for, or on behalf of, a covered pension plan. The BC-1 Form must be completed before a public pension plan (including relief associations) may enter into a business arrangement with a broker, and must be completed annually thereafter. A copy of each completed form should be submitted to the Office of the State Auditor with the pension plan's annual reporting forms.

If any portion of the pension plan's assets are held by a security broker or its agent, the security broker or its agent must acknowledge in writing annually that sufficient insurance has been obtained from the Securities Investor Protection Corporation, supplemented by additional insurance, if necessary, to cover the full amount of the pension plan's assets held by the security broker or its agent. The BC-1 Form has been revised to clarify the security broker insurance coverage certification. The new BC-1 Form is available on our website at:

http://www.auditor.state.mn.us/forms/pen/ReportingForms/pensionrf_brokercert_volunteer.pdf.

Bylaw Reminder

Since many relief associations have their annual meeting in the fall or winter, and review their bylaws during the annual meeting, we would like to remind you that law changes enacted during the last two legislative sessions may require your association to update its bylaws. Information about recent law changes, including sample bylaw language, is provided on our website at <http://www.auditor.state.mn.us/default.aspx?page=pensionDocs> (see the Legislative Updates).

Compliance Helpful Hints

This segment of our Newsletter is intended to highlight common mistakes and provide education so that your relief association can be proactive in preventing similar mistakes from occurring. Reminders regarding two common compliance mistakes that we've seen recently are provided below.

- **Deferred Interest** – If your relief association elects in your bylaws to pay interest to its deferred members, the interest option must also be defined in your bylaws. It is recommended that your relief association define clearly any limitations on the interest payments and the interest payment method. For example, if your relief association only pays interest to fully-vested deferred members, or only until members reach age 50, these limitations should be defined. If your relief association pays interest for the full period that a member is deferred, it is helpful to specify whether interest allocations stop when the member submits an application for the deferred service pension, or when the member is actually paid the pension. In addition, please ensure that similarly-situated deferred members receive interest allocations in a consistent manner.

Information regarding deferred interest, including a list of the available interest options and payment methods, is available at:

http://www.auditor.state.mn.us/other/PensionDocs/pensionNewsletter_0906.pdf.

An online training session, which is approximately 18 minutes long, shows how to calculate interest for deferred members under different scenarios is available under the “Pension Division” heading at:

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

- **Special Fund Loans** – Special fund assets may only be disbursed for purposes expressly authorized under state law. Repayment of loans, or payment of interest on a loan, are not authorized expenditures for a special fund. For these reasons, relief associations are not authorized to obtain a loan for the special fund from a bank or other financial institution.

If you have questions please contact us:

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