



January 2011

Pension Division Newsletter

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Working Group Update

The 2010/2011 Volunteer Fire Relief Association Working Group held its final meetings on January 11 and 25. The Working Group reviewed and adopted draft legislation that will be forwarded to the legislature for consideration. Highlights of the Working Group bill include:

- Relief associations would have authority to pay salaries from their special fund to all board trustees if the affiliated municipality or independent nonprofit firefighting corporation approves the salary amounts. Currently only the president, secretary, and treasurer may be paid salaries from the special fund.
- Filing and application fees (like IRS fees) that are payable by the relief association to federal or other governmental entities would clearly be allowed to be paid from the special fund.
- Defined contribution plans would have the option of allowing recipients of a survivor benefit to be paid the benefit in installments.
- Greater flexibility and clarity would be provided as to who may sign the annual Reporting Form and Schedule Form that are submitted to the Office of the State Auditor.
- If their bylaws specify, relief associations would clearly be allowed to deposit member dues into their special fund.
- The return-to-service requirements would be modified so that members who don't meet a minimum period of resumption service requirement may receive service credit for time served after returning from a break. The modifications would also clarify how service pensions would be calculated for members of defined contribution plans who return to active service and membership.
- Several technical changes and corrections would be made to update antiquated language and eliminate unnecessary reporting requirements.

This draft legislation does not become law unless and until the legislature passes it and the governor signs it.

The Working Group also adopted a general record retention schedule that will now be forwarded to the state Records Disposition Panel for approval. Currently, relief associations do not have

authority to destroy any records. If the record retention schedule is approved by the Records Disposition Panel, relief associations could adopt the schedule and then retain and destroy records pursuant to the schedule.

The Office of the State Auditor will continue to keep relief associations updated through our Pension Newsletter and weekly E-Update on the progress of the Working Group bill and the record retention schedule. We will also provide educational materials if the Working Group bill is passed by the legislature and signed into law, and if the record retention schedule is approved for use by the Records Disposition Panel.

Additional information about the Working Group is available on the Office of the State Auditor's website at: <http://www.auditor.state.mn.us/default.aspx?page=reliefworkinggroup>.

Investment Study Group Report

The Investment Study Group, created by the 2010 Legislature to study public pension investment-related provisions, authorities, and limitations under Minnesota law, has completed its work and released its report. The report includes proposed changes to the local public pension plan investment statutes for consideration by the legislature. The proposed technical changes, if adopted, will result in improved compliance with investment statutes, enhanced protection of public pension funds, and statutes that are more current and user-friendly. The complete report is available at:

<http://www.auditor.state.mn.us/other/investmentstudygroup/ReportandBill.pdf>.

Supplemental Benefit Reimbursements

The deadline is quickly approaching for relief associations seeking reimbursement of any supplemental benefits paid during 2010. Supplemental Benefit Reimbursement (SBR) Forms are due to the Minnesota Department of Revenue by February 15, 2011, to receive reimbursement on or about March 15, 2011. Relief associations that submit reimbursement forms to the Department of Revenue after the February 15 filing deadline will be eligible for reimbursement in March 2012.

Copies of the SBR Form, instructions, and a sample form are available on the Department of Revenue's website at:

http://taxes.state.mn.us/property_tax_administrators/pages/sbrmainpage11.aspx.

Relief associations are required to pay a supplemental benefit to each member who receives a lump sum distribution of pension or retirement benefits. The amount of the supplemental benefit is equal to 10 percent of the lump sum distribution, up to a maximum of \$1,000. The supplemental benefit is paid to the retiring member at the same time as the pension distribution. The 10 percent should be calculated based on the pension amount *before* any deferred interest is added. In addition, deferred interest should not be accrued on the supplemental benefit. Supplemental benefits are payable to members who are fully vested as well as to those who are partially vested.

During 2007, the Minnesota Legislature clarified that survivors are only eligible to collect the 20 percent (up to \$2,000) supplemental benefit and are **NOT** eligible for the regular 10 percent, up to \$1,000, supplemental benefit that is available to service pension recipients.

This means that survivors are not eligible to receive a supplemental benefit unless the relief association elects to pay the survivor supplemental benefit amount. A relief association should add language to its bylaws that authorizes the survivor supplemental benefit payments if the association intends to pay a supplemental benefit to a survivor. Relief associations interested in making a bylaw change can contact the Pension Division for sample bylaw language that may be used as a reference. Supplemental benefits for survivors may be paid to the surviving spouse or to the surviving child or children of an active or deceased member. Survivor supplemental benefits are also reimbursed by the State of Minnesota. Reimbursement for any survivor supplemental benefits paid during 2010 can be sought using the same SBR Form referenced above.

Broker Certification Reminder

Many relief associations meet with their broker at this time of year to review the association's investment allocations and investment strategy. As a reminder, relief associations that use the services of a "broker" are required to complete a 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 local public pension plan. The BC-1 Form must be completed before a relief association may enter into a business arrangement with a broker and must be completed annually thereafter. If a relief association uses the services of more than one broker, each broker must complete a BC-1 Form. The signed BC-1 Form should be kept on file with the relief association for public inspection, and a copy should be submitted to the Office of the State Auditor on or before submission of the relief association's annual reporting forms. To assist with this reporting requirement, the BC-1 Form allows information to be typed into the required fields. The BC-1 Form is available on our website at:

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

2010 Reporting-Year Forms

The 2010 Reporting-Year forms will be released and available for completion in February. An e-mail and letter will be sent to each relief association once the forms are available, and notices will be provided in our Pension Newsletter and E-Update. An updated "Key Reporting Requirements" document, which lists required reporting forms and due dates, is available at: http://www.auditor.state.mn.us/forms/pen/ReportingForms/pensionrf_requirements.pdf.

Please remember to notify the Pension Division when new relief association officers are elected or your contact information changes. Out-of-date contact records could create delays in receiving important correspondence.

If you have questions please contact us:

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