



January 2012

Pension Division Newsletter

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2011 Reporting Forms

The 2011 reporting-year forms for volunteer fire relief associations are now available for download from the Office of the State Auditor (OSA) website. The forms are due by March 31, 2012, for relief associations with less than \$200,000 in assets and liabilities, or by June 30, 2012, for relief associations with assets or liabilities that exceed this statutory threshold. Once a relief association exceeds the \$200,000 statutory threshold, it must continue to have an audit prepared. The relief association maintains the June 30 reporting deadline, even if the relief association's assets and liabilities subsequently drop below the threshold.

Detailed instructions for accessing the online reporting forms, along with helpful hints for completing them, can be viewed in a pdf document on the OSA website at:

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

In addition, an updated Key Reporting Requirements calendar is available. This pdf document lists each reporting form that relief associations must submit to the OSA, includes links to the forms, and provides the applicable due dates. The document can be viewed at:

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

Permission to access the State Auditor's Form Entry System (SAFES) must be renewed each calendar year for accountants, auditors, and other consultants who work with volunteer fire relief associations. SAFES access allows an authorized individual to download, submit, and electronically-sign relief association reporting forms.

Relief associations can renew SAFES access for their accountants, auditors, and consultants by completing the SAFES User Authorization Form that is available online at:

https://www.auditor.state.mn.us/Forms/SAFESAutorization_10.pdf

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 Out-of-date contact records could create delays in receiving important correspondence.

Calculating and Reporting Breaks in Service

The OSA receives questions from relief association trustees about how to report breaks in service for an association member and when breaks in service are deducted from a member's creditable service time. In general, relief associations may only credit a member with service for periods during which the member was active and complied with all minimum service requirements established by the affiliated volunteer fire department and all minimum membership requirements established by the association.

The OSA is aware of only limited instances in which a volunteer fire relief association may provide active service credit to a member who did not meet the minimum active service and membership requirements. These limited instances include times when a volunteer firefighter is absent from firefighting service due to service in the uniformed services.

Minnesota law permits relief associations to prorate service credit on a monthly basis, and to define in the bylaws what constitutes a "month." The definition of a "month" must require a calendar month to have at least 16 days of active service. If the bylaws allow service credit to be prorated on a monthly basis but do not define a "month," a "month" must be a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent calendar month.

We know of no authority for a relief association to allow a member to "make up" service credit in months that the member does not complete the minimum number of days of active service. We also know of no authority to issue a "warning" and provide service credit to a member who has not completed the minimum number of days of active service.

If a member has a break in active service because the member did not meet the minimum service or membership requirements, or because the member had requested a leave of absence, the break in service should be reported on the relief association's annual reporting forms filed with our office. Relief associations should *not* adjust a member's entry date or separation date to account for breaks in service.

Working Group Update

The Volunteer Fire Relief Association Working Group met on January 17. Working Group members reviewed and approved draft language for several technical legislative changes. The members also agreed on language to clarify eligibility requirements for deferred service pensions. Working Group members decided to schedule one additional meeting in early February to finish their discussions on deferred interest calculations and on a clarification for volunteer firefighters who become employed on a full-time basis.

The final 2011/2012 Working Group meeting has been scheduled for Tuesday, February 7. The meeting will be held from 11:00 am to 1:00 pm at our office in Saint Paul. Meetings are open to the public, and those interested are encouraged to attend.

Working Group meeting materials are available at:

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

Supplemental Benefit Reimbursements

The deadline is quickly approaching for relief associations which are seeking reimbursement of any supplemental benefits paid during 2011. Supplemental Benefit Reimbursement (SBR) Forms are due to the Minnesota Department of Revenue by February 15, 2012, to receive reimbursement on or about March 15, 2012. Relief associations that submit reimbursement forms to the Department of Revenue after the February 15 filing deadline will be eligible for reimbursement in March 2013.

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. 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 2011 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 must be submitted to the OSA 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.

If you have questions please contact us:

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