

Pension Division Newsletter

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Supplemental Benefit Reimbursements

The Minnesota Department of Revenue (DOR) sent a letter to each relief association regarding the process for seeking reimbursement for any supplemental benefits paid during 2014. The reimbursement form is available online, and the DOR is requiring that relief associations submit the form online. Paper reimbursement forms are no longer accepted.

The DOR requires that relief associations provide their Minnesota ID number on the reimbursement form. If you do not know your relief association’s ID number, you can obtain it by calling (651) 282-5225.

If your relief association seeks reimbursement of supplemental benefits paid during 2014, the reimbursement form must be submitted to the DOR between mid-November, 2014 and February 15, 2015, to receive reimbursement in March 2015. If your relief association misses this filing period, your association cannot submit the reimbursement request until the filing period begins again the following November.

The reimbursement form, instructions, and a sample form are available on the DOR website at:

http://www.revenue.state.mn.us/local_gov/prop_tax_admin/Pages/sbr.aspx.

Relief associations that pay a lump-sum service pension must also pay a lump-sum supplemental benefit. The supplemental benefit is intended to help offset taxes which must be paid on the service pension or benefit distribution.

For service pensions and disability benefits, the amount of the supplemental benefit is equal to 10 percent of the lump-sum distribution, up to a maximum of \$1,000. For survivor benefits, the amount of the supplemental benefit is equal to 20 percent of the survivor benefit distribution, up to a maximum of \$2,000. The supplemental survivor benefit is payable to the surviving spouse, or, if none, to the surviving child or children of the deceased active or deferred firefighter.

In both cases, the supplemental benefit should be calculated based on the pre-tax pension or benefit amount *before* any deferred interest is credited. In addition, deferred interest should not accrue on the supplemental benefit. Supplemental benefits are payable to members who are fully vested as well as those who are partially vested.



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What's Ahead:

November 30:
Final deadline for submitting 2013 reporting-year forms to avoid forfeiture of fire state aid.

December 2:
Working Group Meeting from 11:00 a.m. to 1:00 p.m. at the OSA.

December 8:
Working Group Meeting from 11:00 a.m. to 1:00 p.m. at the OSA.

January 15:
Certified Listing of Individuals Who Filed a Statement of Economic Interest due to the Campaign Finance and Public Disclosure Board.

February 15:
Final deadline for submitting 2014 Supplemental Benefit Reimbursement Forms to the Department of Revenue.

State Aid and Forfeiture Deadline

The Office of the State Auditor (OSA) is pleased to announce that 112 relief associations met all reporting requirements to be certified as eligible for receipt of their 2014 fire state aid and supplemental state aid in the second round of aid disbursements. State aid was disbursed on or about November 15 for those plans that met the reporting requirements.

A list of the 2014 fire state aid and supplemental state aid amounts is available online at:

<http://www.auditor.state.mn.us/default.aspx?page=20140926.000>.

Minnesota law requires forfeiture of fire state aid for relief associations that do not submit all required reporting information to the OSA by November 30. If 2013 reporting forms are not fully received by November 30, 2014, a relief association's 2014 state aid will be forfeited and the association will not be eligible for future state aid until the 2013 reporting forms are received. The OSA does not have authority to grant filing extensions past the November 30 deadline.

If you have questions regarding reporting requirements or need access to online reporting forms, please contact the Pension Division at (651) 282-6110 or pension@osa.state.mn.us.

Multiple Signatures on Checks

Requiring multiple signatures on checks is part of a relief association's internal controls. When more than one person signs a check, each person is verifying that the relief association board of trustees has approved the check for payment. Checks should never be pre-signed. Signing checks prior to approval by the board of trustees defeats this safeguard.

In addition, signature cards on file with the bank should be updated regularly so only those individuals currently authorized to sign checks are named. Banks need to be made aware that the relief association's checks should not be negotiated without all of the required signatures. If a bank is unable to ensure that multiple signatures are on checks before they are negotiated, it is especially important that the relief association board of trustees review the canceled checks to make sure the appropriate officers signed the checks.

Sample Bylaw Guides:

LUMP-SUM

City Fire Department

Town Fire Department

Joint-Powers Fire Department

Independent Corporation

Information Regarding Marriage Dissolutions

If a member of a relief association is involved in a divorce proceeding, the relief association might be contacted for information by the parties in the divorce or by their attorneys. The value of the member’s accrued benefit may be important to appropriately evaluate the marital assets. Courts may either award a percentage of the member’s benefit to the ex-spouse or a flat dollar amount.

Relief associations are usually given a draft copy of the divorce judgment or decree before it is filed with the court. If your relief association has questions regarding the draft of the judgment, your association should discuss it with the attorneys for both parties, the court, and/or the association’s own legal counsel. The OSA cannot provide guidance regarding marriage dissolutions. In addition, the relief association should remind both parties that the court order must comply with Minnesota Statutes, including sections [356.49](#), [518.58](#), [518.581](#), and [518.582](#). Relief associations in general are defined as governmental plans, and as such, are not subject to QDRO or ERISA rules.

DEFINED-CONTRIBUTION

City Fire Department

Town Fire Department

Joint-Powers Fire Department

Independent Corporation

Working Group Update

The Volunteer Fire Relief Association Working Group met on November 13. The Group viewed a presentation of the “Empty Boots, Quiet Sirens” report that was recently issued by the University of Minnesota’s Humphrey School of Public Affairs to the Minnesota State Fire Chiefs Association. (View the report at: <http://conservancy.umn.edu/handle/11299/164931>.)

The Group adopted draft language to make several technical statutory changes. The Group also agreed on language that would clarify attestation requirements for relief associations with assets below the \$500,000 audit threshold. The Working Group members discussed training opportunities for relief association trustees and decided to form a Sub-Group to identify and review issues pertaining to joint-powers fire departments.

The next meeting of the Working Group will be held on December 2. Working Group meeting materials are available at:

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

Establishing Separate Accounts

Statements of Position:

Differences Between Municipal Departments and Independent Nonprofit Firefighting Corporations

Joint Powers Fire Departments and Fire Districts

Records Management for Fire Relief Associations

The OSA occasionally finds that a relief association has commingled special and general funds into one bank account, rather than keep them in separate accounts. Fire state aid and municipal contributions must be deposited into the special fund of a relief association. Because the special fund consists of public funds and is a restricted pension fund, Minnesota law strictly limits how the funds may be invested and disbursed. Having a comingled bank account makes it difficult for a relief association to properly track its special fund assets and ensure compliance with statutory requirements.

Each relief association should deposit fire state aid and municipal contributions into a special fund bank account that is separate from the association's general fund bank account. Establishing separate accounts also facilitates tracking special fund assets and market values that must be reported to the OSA on annual relief association reporting forms.

In addition, if a relief association has a charitable gambling fund, the charitable gambling fund should have its own bank account that is separate from the association's special fund and general fund accounts. Donations from lawful gambling cannot be used for the benefit of a pension or retirement fund.

Information about special and general funds, and charitable gambling funds, can be found in the OSA's Statement of Position on this topic, at:

<http://www.auditor.state.mn.us/default.aspx?page=20110527.003>.

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