

Pension Division Newsletter

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2015 Fire State Aid

The Office of the State Auditor (OSA) is pleased to announce that 407 volunteer fire relief associations and other pension plans met all reporting requirements to be certified as eligible for receipt of their 2015 fire state aid in the first round of aid disbursements. These relief associations are also eligible to receive in the first round of disbursements their portion of state aid under the new supplemental state aid program. Both state aid distributions will occur on or about October 1 for those plans certified as eligible.

Lists of the 2015 fire and supplemental state aid amounts are available on the Minnesota Department of Revenue’s website at:

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

The municipal treasurer is required under State law to transmit fire and supplemental state aid to the treasurer of the affiliated relief association within 30 days after receipt if an organized relief association exists and the association has filed a financial report with the municipality. The Reporting Form signed annually by the municipal clerk and submitted to the OSA is the financial report referred to in this statutory provision.

The relief association treasurer should make sure that the fire and supplemental state aid is promptly deposited into the association’s special fund.

If your relief association has not yet submitted its 2014 reporting-year forms to the OSA, please do so as soon as possible. The second certification deadline for 2015 fire and supplemental state aid is November 1. To be certified as eligible for receipt of fire and supplemental state aid in the second round of payments, all required 2014 reporting information must have been submitted to the OSA, the OSA’s review of the information must have been completed, and any issues identified by the OSA must have been resolved.



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What's Ahead:

October 1:

Fire state aid is paid for those relief associations certified as eligible on the first certification deadline.

October 7:

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

October 21:

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

November 1:

Second certification deadline for 2015 fire state aid.

November 30:

Final deadline for submitting 2014 reporting-year forms to avoid forfeiture of fire state aid.

Working Group Meetings Scheduled

The OSA will again convene the Volunteer Fire Relief Association Working Group this fall. The Working Group meets to identify and work through current and pressing relief association issues. The first meeting of the Working Group is set for October 7 and will be held from 11:00 a.m. to 1:00 p.m. at our office in Saint Paul.

Additional Working Group meetings have been scheduled for October 21, November 10, December 3, and December 16. An additional meeting in January will also be scheduled. All meetings are open to the public and will be held from 11:00 a.m. to 1:00 p.m. at our office in Saint Paul. Meeting agendas and materials will be available on our website at:

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

Special Fund Deposit Errors

Special fund assets may be disbursed only for purposes expressly authorized under Minnesota law. The special fund may be used to pay benefits, such as service pensions, disability benefits, and survivor benefits, and certain fees and other expenses specifically authorized by law.

Administrative expenses, that is, necessary, reasonable and direct expenses of maintaining, protecting and administering the special fund, may be paid out of the special fund as long as such payments are permitted by law, provided for in the bylaws, and approved by the board of trustees.

Funds erroneously deposited into a relief association's special fund cannot be taken out of the special fund unless the association obtains specific written authorization from the OSA. The OSA has authority, after a relief association has presented evidence that the deposit error occurred in good faith, to order the transfer from the special fund to the appropriate fund or account an amount equal to the funds deposited in error.

If a relief association discovers that funds have been deposited into the special fund in error, please contact the OSA right away. Funds cannot be transferred from the special fund unless and until a relief association obtains written authority from the OSA.

Sample Bylaw Guides:

LUMP-SUM

City Fire Department

Town Fire Department

Joint-Powers Fire Department

Independent Corporation

DEFINED-CONTRIBUTION

City Fire Department

Town Fire Department

Joint-Powers Fire Department

Independent Corporation

Below-Investment-Grade Bonds

Changes to the investment statutes that govern volunteer fire relief associations and other public pension plans became effective in 2012. The OSA has seen compliance issues with relief associations exceeding portfolio limits set in these statutes.

Under the law, a relief association may invest directly, or indirectly, up to five percent of its portfolio in below-investment-grade bonds. The five-percent portfolio limit on below-investment-grade bonds includes direct investment in these types of bonds as well as investments through mutual funds or exchange-traded funds. Many relief associations invest in mutual funds that have a small allocation in these types of bonds. The portion of these mutual funds that include below-investment-grade bonds are counted toward the five-percent portfolio limit.

All unrated bonds are also counted toward the five-percent portfolio limit.

Consider an example. A relief association has \$15,000 invested in a balanced mutual fund with 40 percent of its holdings allocated to bonds. Of these bonds, 20 percent are below-investment-grade and 5 percent are unrated. Of this mutual fund’s holdings, \$1,500 would count toward the relief association’s total portfolio limit of five-percent on below-investment-grade bonds.

Additional information about relief association investment authority is provided in our Statement of Position on this topic, which can be accessed on the OSA website at:

<http://www.auditor.state.mn.us/default.aspx?page=20110527.006>.

Investment Transfer Verifiers

Relief association trustees should make sure that transfer verifiers are on file with your financial institutions and, if applicable, the State Board of Investment (SBI). A verifier is an officer of the relief association whom the financial institution or SBI will contact to confirm the account number to which the money should be transferred when it receives a wire transfer request. Having a designated individual who will be the contact person to confirm transfer requests is a good internal control and helps to protect the pension assets.

Survivor Benefits for Deferred Members

Statements of Position:

[Considerations When Making Benefit Changes](#)

[Maintaining a General Fund After Joining the Statewide Plan](#)

[Required Municipal Contributions to Fire Relief Associations](#)

[Investment Policies for Relief Associations](#)

If a relief association member dies while in deferred status, the association must look to the survivor benefit provisions of its bylaws to determine if the member’s survivors are eligible for a distribution from the association and, if so, how the survivor benefit will be calculated. If a member dies while in deferred status, the member is no longer deferred and no deferred service pension is payable. The only distribution authorized in these circumstances is a survivor benefit, and only if allowed by the bylaws.

A relief association wishing to provide payment to the surviving spouse, surviving children, or designed beneficiary of a deferred member must specifically authorize this type of survivor benefit payment in its bylaws.

For a defined-benefit lump-sum plan, a monthly plan, or a monthly/lump-sum combination plan, survivor benefits paid on behalf of a deferred member can be calculated in the same manner as for active-member survivor benefits, or the survivor benefit can be of a lesser amount. Many relief associations, for example, pay a deferred member’s accrued benefit (*i.e.*, the member’s vested benefit) as the survivor benefit.

For a defined-contribution plan, survivor benefits paid on behalf of a deferred member must equal the vested amount of the deceased member’s individual account.

Several optional survivor benefit provisions are included in our Sample Bylaw Guides that can be used as a reference. The Sample Bylaw Guides can be accessed on our website at:

<http://www.auditor.state.mn.us/default.aspx?page=20120208.000>.

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