

# Pension Division Newsletter

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## 2014 Fire State Aid

The Office of the State Auditor (OSA) is pleased to announce that 521 volunteer fire relief associations and other pension plans met all reporting requirements to be certified as eligible for receipt of their 2014 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 2014 fire and supplemental state aid amounts from the Minnesota Department of Revenue have been posted to the OSA website at:

<http://www.auditor.state.mn.us/default.aspx?page=20120214.000>.

An adjustment was made to the supplemental state aid amounts this year to provide an additional allocation to relief associations affiliated with independent nonprofit firefighting corporations. A drafting error in the 2013 legislation that created the supplemental state aid program caused relief associations affiliated with independent nonprofit firefighting corporations to be excluded from the supplemental state aid distribution. This error was corrected during the 2014 legislative session. Relief associations affiliated with independent nonprofit firefighting corporations are eligible to receive 2014 supplemental state aid and will also receive an additional one-time allocation of supplemental state aid to make up for the amounts they did not receive last year because of the error.

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.



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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 22:**

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

**November 1:**

Second certification deadline for 2014 fire state aid.

**November 13:**

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

**November 15:**

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

**November 30:**

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

## Requirement to Report Evidence of Theft

Public pension plans, including volunteer fire relief associations, are required to promptly report in writing evidence of theft or misuse of public funds to the OSA and to local law enforcement. The written report to the OSA must include a detailed description of the alleged incident or incidents.

Information on how to report financial concerns to the OSA, and a form for reporting, can be found at:

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

## Internal Controls

Internal controls are procedures designed to protect a relief association from loss or misuse of its assets. Sound internal controls help ensure that transactions are properly authorized and the information contained in the financial reports is reliable.

Segregation of duties is an important internal control intended to prevent unauthorized transactions. Recommendations for segregating duties include having an individual other than the relief association's treasurer receive and review unopened bank statements, reconcile the bank accounts, and review cancelled checks for unusual activity.

Examples of "red flags" that would merit further review include any discrepancies between actual performance and anticipated results, receipts not matching deposits, disbursements to unknown or unapproved vendors, one signature on checks or presigned blank checks, and gaps in receipt or check numbers.

A relief association should discuss internal controls with its auditor, who may have additional helpful suggestions based on his or her experience with the specific association.

A Statement of Position is available on the OSA website that provides more information on the importance of internal controls. The Statement can be viewed at:

<http://www.auditor.state.mn.us/default.aspx?page=20110607.013>.

**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**

**Pension and Benefit Rollovers**

Minnesota law authorizes a relief association that is a qualified plan and pays a single-payment service pension to directly transfer on an institution-to-institution basis an eligible member’s lump-sum service pension. The transfer must be made at the written request of the retiring member and must be to the requesting member’s individual retirement account (IRA).

In addition, following the death of an active member, the lump-sum survivor benefit may be directly transferred to the surviving spouse’s IRA. The transfer is at the written request of the deceased member’s surviving spouse. Survivor benefits paid following the death of a member who was not active, and survivor benefits paid to someone other than the surviving spouse, are not eligible to be rolled over.

Relief associations do not have authority to roll over service pensions or survivor benefits to 401(k) retirement plans.

**Schedule Form Updates**

Lump-sum relief associations were required to complete the 2014 Schedule Form during July of this year and to certify the Form to the affiliated municipality or independent nonprofit firefighting corporation by August 1. Some relief association trustees have inquired whether revisions can be made to the Form later this year to take into consideration investment gains or other revenue increases that occur after August 1.

Minnesota law requires that relief associations report to the OSA estimates of future revenues and expenditures. These estimates are to be made by August 1 and are based on information then available. The estimates cannot be changed, even if new and better information becomes available later because the statute requires estimates made to be based on information available on August 1. Differences between forecasted and actual revenues and expenditures will be reflected on the 2015 Schedule Form that will be completed next year.

Additional information about the Schedule Form is provided in the July 2012 Pension Division Newsletter, which can be viewed at:

[http://www.auditor.state.mn.us/other/PensionDocs/pensionNewsletter\\_1207.pdf](http://www.auditor.state.mn.us/other/PensionDocs/pensionNewsletter_1207.pdf).

**Statements of Position:**

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

[Firefighter Service Credit Determinations](#)

[Combined Service Pensions for Volunteer Firefighters](#)

[Considerations When Making Benefit Changes](#)

**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 22 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 November 13, December 2, and December 8. 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>.

If you have questions regarding the Working Group or would like to suggest topics for the Group to consider, please contact Rose Hennessy Allen at [Rose.Hennessy-Allen@osa.state.mn.us](mailto:Rose.Hennessy-Allen@osa.state.mn.us) or at (651) 296-5985.

**Payment of Insurance Premiums**

Relief associations have authority to use special fund assets to pay for casualty insurance premiums to the Volunteer Firefighters' Benefit Association or to an insurance company licensed by the State of Minnesota offering casualty insurance. This statutory authority allows a relief association to obtain insurance for its membership that will provide coverage should a member become injured, disabled, or deceased. These insurance policies can be provided as an alternative to offering disability benefits through the relief association or can be provided in conjunction with a relief association's ancillary benefit program.

**Pension Division Staff**

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