

# Pension Division Newsletter

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## New Supplemental State Aid Program

A new supplemental state aid program was established during the 2013 legislative session to provide additional funding for fire and police retirement plans.

Effective for the fiscal year that began July 1, 2013, an appropriation of \$15,500,000 annually will be made to the new aid program. Of this appropriation, about \$5.5 million will be allocated annually for volunteer fire relief associations and for volunteer firefighters covered by the voluntary Statewide Plan administered by the Public Employees Retirement Association (PERA). The remaining amount will be allocated to the PERA police and fire fund and to the state patrol plan administered by the Minnesota State Retirement System.

The supplemental state aid amount that a relief association receives will be equal to the proportionate share that each association currently receives of fire state aid. A list of the 2013 state aid amounts for each relief association is available on the OSA website at: <http://www.auditor.state.mn.us/default.aspx?page=20110527.003>.

The supplemental state aid is paid at the same time as the fire state aid. A state aid payment is usually made by an electronic funds transfer from the State to the municipality affiliated with the relief association. The supplemental state aid and fire state aid are paid in two separate transfers, with both transfers occurring on the same date. The municipality must transfer the supplemental state aid to the treasurer of the relief association within 30 days of receipt for deposit in the association's Special Fund.

A relief association becomes eligible to receive supplemental state aid when all reporting requirements are met with the OSA, and the association has satisfied its reporting requirements with other government offices.

It is important to note that the supplemental state aid program will automatically terminate once the funding ratio of the PERA police and fire fund or the state patrol plan equals or exceeds 90 percent, whichever occurs last. The termination of the program should be taken into consideration when considering benefit improvements.



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## Supplemental Benefit Reimbursements

### What's Ahead:

**November 30:**

Final deadline for submitting 2012 reporting-year forms to avoid forfeiture of fire state aid.

**December 5:**

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

**December 18:**

Working Group Meeting from 11:00 a.m. to 1:00 p.m. at the office of 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 17:**

Final deadline for submitting 2013 Supplemental Benefit Reimbursement Forms to the Department of Revenue

The Minnesota Department of Revenue (DOR) sent a letter to each relief association regarding changes to the process for seeking reimbursement of any supplemental benefits paid during 2013. The reimbursement form is now available online, and the DOR is requiring that relief associations submit the form online. Paper reimbursement forms will no longer be accepted.

The DOR is also requiring that relief association's 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.

Another important change is that reimbursement forms will be accepted only between November 15 and February 15 (extended to February 17 in 2014). If your relief association seeks reimbursement of supplemental benefits paid during 2013, the reimbursement form must be submitted to the DOR between November 15, 2013 and February 17, 2014, to receive reimbursement in March 2014. If your relief association misses this filing period, your association cannot submit the reimbursement request until the filing period begins again the following November 15.

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

Relief associations are required to pay a supplemental benefit to each member who receives a lump sum distribution. For 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.

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

## New Audit Threshold

### Helpful Links:

[2013 Legislative Update](#)

[Key Reporting Requirements](#)

[Selected Relevant Statutes Summary](#)

[Information for New Trustees](#)

[Helpful Contact Information](#)

The threshold at which a relief association is required to have an audit was increased during the 2013 legislative session from \$200,000 to \$500,000.

Because of this legislative change, many relief associations will have an **earlier reporting deadline during 2014** because of this legislative change.

Beginning with financial reports due during 2014 that cover the 2013 calendar year, relief associations with assets or liabilities of at least \$500,000 must submit an audit report and annual reporting forms to the OSA. The audit report and annual reporting forms are due to the OSA by **June 30**.

Relief associations with assets and liabilities of less than \$500,000 must submit annual reporting forms. The financial Reporting Form (RF) must be certified by an independent public accountant or auditor. These relief associations need not obtain an audit. The reporting forms and accountant or auditor certification are due to the OSA by **March 31**.

For example, a relief association's assets are \$300,000. This relief association was required to have an audit during the 2012 reporting year because the association's assets exceeded the \$200,000 threshold that was effective at that time. The relief association does NOT need to have an audit for the 2013 reporting year because its assets are below the new \$500,000 threshold. This relief association will only be required to submit, by March 31, annual reporting forms and the accountant or auditor certification.

Once a relief association exceeds the new \$500,000 threshold it must continue to have an audit and comply with the June 30 reporting deadline, even if its assets and liabilities subsequently drop below the threshold.

The 2013 reporting-year forms will be available for download from the OSA website in early January. Detailed instructions for accessing, completing, and submitting the reporting forms will be provided when the forms are available.

Relief associations are encouraged to make preparations to ensure that reporting forms will be completed and submitted to the OSA by their reporting deadline. Late reporting may result in a delay in a relief association's receipt of its state aid.

## Working Group Update

**Sample Bylaw Guides:**

**LUMP-SUM**

[City Fire Department](#)

[Town Fire Department](#)

[Joint-Powers Fire Department](#)

[Independent Corporation](#)

The 2013-2014 Volunteer Fire Relief Association Working Group met on November 6 and on November 20. The Group reviewed a list of topics that had been suggested for consideration by relief association trustees and municipal officials. The Group prioritized its focus for the season and began work on some technical changes that clarify the statutes.

The Group also discussed fiduciary duties and responsibilities, and brainstormed ideas for relief association trustees to obtain low- and no-cost continuing education.

Finally, the Group discussed how survivor and disability benefits should be handled for members of defined contribution plans who are on a break in service or leave of absence when the death or disability occurs.

Working Group meetings are open to the public. Meeting materials are available at:

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

**DEFINED-CONTRIBUTION**

[City Fire Department](#)

[Town Fire Department](#)

[Joint-Powers Fire Department](#)

[Independent Corporation](#)

## Donations from a Special Fund

Last month's Pension Division Newsletter included information about administrative expenses that a relief association may pay from its Special Fund. The OSA received requests for clarification on a relief association's ability to make donations from its Special Fund.

Special Fund assets may only be disbursed for purposes expressly authorized under Minnesota law. Authorized Special Fund disbursements include service pension, disability, and survivor benefit payments and certain authorized administrative expenses. A relief association does not have authority to make donations from its Special Fund. If a relief association would like to make a donation to an organization, it must do so using General Fund assets.

Additional information regarding Special Fund and General Fund disbursements is available in the OSA's Statement of Position on this topic, which can be viewed at:

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

## State Aid and Forfeiture Deadline

**Statements of Position:**

[Firefighter Service Credit Determinations](#)

[Return to Service](#)

[Investment Authority](#)

[Survivor Benefits](#)

[Special and General Funds, and Charitable Gambling Funds](#)

The OSA is pleased to announce that 76 volunteer fire relief associations met all reporting requirements to be certified as eligible for receipt of 2013 fire state aid and supplemental state aid for the second round of aid disbursements. State aid was disbursed on or about November 15 for the certified relief associations.

In total, 667 volunteer fire relief associations and other local public pension plans have been certified as eligible for their 2013 state aid. Only 56 volunteer fire relief associations have yet to meet their reporting requirements to be certified. The next certification deadline for 2013 state aid eligibility is **March 1, 2014**.

A list of the 2013 fire state aid and supplemental state aid amounts is available on the OSA’s website at:

<http://www.auditor.state.mn.us/default.aspx?page=20130927.000>.

State law requires forfeiture of fire state aid for volunteer fire relief associations that do not submit all required reporting information to the Office of the State Auditor by **November 30**.

If a relief association’s 2012 reporting forms are not received by November 30, 2013, a relief association’s 2013 state aid will be forfeited and the association will not be eligible for future state aid until the 2012 reporting forms are received. The Office of the State Auditor 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](mailto:pension@osa.state.mn.us).

## Pension Division Staff

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