

Pension Division Newsletter

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2017 Fire State Aid

The Office of the State Auditor (OSA) is pleased to announce that 368 volunteer fire relief associations and other pension plans met all reporting requirements to be certified as eligible for the Department of Revenue to determine their qualification for 2017 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 by the OSA and deemed by the Department of Revenue as qualified to receive state aid.

Lists of the 2017 fire and supplemental state aid amounts are available on the OSA’s website at:

<http://www.auditor.state.mn.us/default.aspx?page=20170927.000>.

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 FIRE 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.

The second certification deadline for 2017 fire and supplemental state aid is November 1.

This means that to be certified as eligible for receipt of fire and supplemental state aid in the second round of payments, a relief association must have submitted all required 2016 reporting information to the OSA with enough time for the OSA to complete its review and for all issues identified by the OSA to have been satisfactorily resolved by the relief association before November 1.

If your relief association has not yet submitted its 2016 reporting-year forms to the OSA, please do so as soon as possible.



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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.

November 1:

Second certification deadline for 2017 fire state aid.

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 2016 reporting-year forms to the OSA to avoid forfeiture of fire state aid.

Below-Investment-Grade Bonds

In 2012 there were changes to the investment statutes that govern volunteer fire relief associations and other public pension plans. To avoid compliance issues, relief associations need to be aware of and stay within 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 their 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.

Special Fund Deposit Errors

Statements of Position:

[Checking Accounts for Fire Departments and Relief Associations](#)

[Fundraisers and Donations](#)

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

[Differences between Municipal Departments and Independent Nonprofit Firefighting Corporations](#)

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 properly 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.

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