



Pension Division Newsletter

May 2020

Inside this issue:

<i>Legislative Update— Continued</i>	2
<i>Reporting Reminder and Audit Threshold</i>	3
<i>Access to OSA Staff</i>	3
<i>Exception to Tax on Early Distributions</i>	4
<i>How to Sign Forms in SAFES</i>	4
<i>Pension Division Staff</i>	4

Legislative Update

The 2020 Pension and Retirement Bill was passed unanimously by the House and Senate, and was signed into law by Governor Walz on May 27, 2020. The Bill contains a number of provisions that affect volunteer fire relief associations. The changes will be discussed in more detail in our 2020 Legislative Update that will be released this summer. A brief summary of the relief association provisions is provided below.

State Auditor’s Working Group Provisions

The Volunteer Fire Relief Association Working Group convened by the State Auditor proposed several changes that were adopted unanimously by the Working Group members and passed into law. The changes:

- Reduce the length of time that fire chiefs must wait to certify service credit amounts to the relief association and municipality after the amounts have been communicated to active firefighters;
- Clarify that relief association audits are required to be conducted in compliance with generally accepted auditing standards;
- Update the deferred service pension provisions for defined contribution plans to make clear that deferred members must receive interest or additional investment performance during their periods of deferral;
- Adjust the accrued liability calculations for relief associations that pay a defined-benefit lump-sum benefit so they are based on a relief association’s specific vesting requirements and each member’s age and length of service (a more precise calculation than currently performed); and
- Make technical changes to clarify hard to understand language in the relief association statutes.

Other Relief Association Provisions

Other provisions included in the Bill were the product of other work groups or are changes sought for individual relief associations.

(Continued on next page.)

Office of the State Auditor
Pension Division
525 Park Street, Suite 500
Saint Paul, MN 55103
(651) 282-6110
Fax: (651) 282-5298
pension@osa.state.mn.us

What’s Ahead:

June 30:

Reporting forms for relief associations with assets or liabilities of at least \$500,000 are due to the OSA.

August 1:

The 2020 Schedule Form must be certified to the municipality or independent nonprofit firefighting corporation.

September 15:

First certification deadline for 2020 fire state aid. To be certified as eligible, all 2019 information must be submitted to the OSA, the OSA review must be completed, and any issues resolved.

Legislative Update—Continued

The provisions that are applicable to all relief associations are summarized below, and will also be discussed in more detail in our 2020 Legislative Update.

Fire State Aid Allocation: Allows fire state aid to be allocated between a relief association and the affiliated city if the fire department is a combination department and both the city and relief association have mutually agreed to an allocation method. The city may use the portion of fire state aid it retains to pay employer contributions to the Public Employees Retirement Association on behalf of its full-time firefighters;

Dissolutions: Defines a new process for relief associations that dissolve, which replaces the current process in statute. The new process includes the following:

- All members are fully vested in their retirement benefits;
- The relief association is authorized to increase its benefit level to reduce any surplus, and pay the surplus to members in the form of larger retirement benefits;
- Requires the relief association to transfer any remaining surplus to the municipality up to the amount of required contributions made by the municipality during the preceding ten years, and allows any remaining surplus to be split equally between the relief association and municipality; and
- Requires that all retirement benefits be paid within 210 days of the plan termination, and allows payments to firefighters who are not yet 50.

Plan Conversions Authorized. Procedures are defined for relief associations that are defined benefit relief associations to convert their defined benefit plan to a defined contribution plan. It is anticipated that future legislation will authorize a similar process for relief associations to convert their defined contribution plan to a defined benefit plan.

Maximum Lump Sum Benefit Level Increased. The maximum allowable lump-sum benefit level is increased from \$10,000 to \$15,000 per year of service. Relief associations may only increase their benefit level to the new maximum if they have the required available financing needed per firefighter.

Reporting Reminder and Audit Threshold

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](#)

Reporting forms for relief associations with assets or liabilities of at least \$500,000 are required to be submitted to the Office of the State Auditor (OSA) by June 30. Relief associations with assets or liabilities above this statutory threshold must also submit an annual audit to the OSA.

Whether a relief association has exceeded the statutory threshold is determined using end of year asset and liability amounts, and is based on Special Fund amounts, only. After a relief association exceeds the threshold in either assets or liabilities, an audit is required beginning with the next reporting year’s reports.

For example, if a relief association exceeds the threshold during 2020, an audit is first required with the 2021 reports that are submitted to the OSA during 2022. After a relief association exceeds the \$500,000 threshold, an audit continues to be required even if the relief association’s assets and liabilities subsequently drop below the threshold.

Auditors are required to follow the Legal Compliance Audit Guide for Relief Associations, which prescribes the minimum procedures and audit scope for legal compliance audits. Click [here](#) to access the Guide.

Relief associations with assets and liabilities that are both less than \$500,000 have a March 31 reporting deadline and must submit an agreed-upon procedures report with the reporting forms.

The OSA has developed minimum procedures and a reporting format for agreed-upon procedures engagements for relief associations. A sample client representation letter is also provided. Click [here](#) to access these agreed-upon procedures documents.

Access to OSA Staff

The OSA’s Pension Division staff are teleworking. We have access to our email, office phones, and receive faxes sent to our Pension fax number.

To the extent possible, please submit information to us electronically. This will help expedite our ability to review documents efficiently and quickly. We have a secure file sharing system and can provide you with a link upon request to submit documents to us securely using that system.

Exception to Tax on Early Distributions

Statements of Position:

Relief association service pension distributions are subject to income tax, and may be subject to an additional ten-percent tax. Generally, amounts an individual withdraws before reaching age 59^{1/2} are called “early” distributions. Individuals must pay an additional ten-percent early withdrawal tax unless an exception applies.

Considerations When Making Benefit Changes

An exception to the early withdrawal tax exists for public safety employees of a state, or political subdivision of a state, who separate from service during or after the year the employee reaches age 50.

Return to Service for Relief Association Members

Relief association members who elect to receive their service pension distribution directly, rather than roll it over to an Individual Retirement Account, should consult with their financial advisor as they may qualify for the exception to the early withdrawal tax.

Additional information about exceptions to the tax on early distributions can be found on the [Internal Revenue Service website](#).

Maximum Benefit Levels

How to Sign Forms in SAFES

Forms submitted through the State Auditor’s Form Entry System (SAFES) are usually available for viewing and signing immediately after they have been successfully uploaded.

Supplemental Benefits for Volunteer Firefighters

To sign forms electronically, begin by logging into [SAFES](#). Select the “Forms” tab and choose the appropriate reporting year. Forms that are available for signing electronically will have a blue “View Form” link next to the form name. Click on the blue link to view the form. If the information in the form is accurate, sign the form by clicking the “Sign” button. After you click the button, a 32-character unique identifier is displayed on the form, which represents your electronic signature.

Pension Division Staff

If you have questions, please contact us:

Michael Johnson, Pension Analyst
(651) 282-5430

Molly Resch, Pension Analyst
(651) 297-2765

Maia Dabney-Miller, Pension Analyst
(651) 284-3423

michael.johnson@osa.state.mn.us

molly.resch@osa.state.mn.us

maia.dabney-miller@osa.state.mn.us

Robin Paulsen, Administrative Specialist
(651) 296-6267

Rose Hennessy Allen, Pension Director
(651) 296-5985

robin.paulsen@osa.state.mn.us

rose.hennessy-allen@osa.state.mn.us