



Pension Division Newsletter

November 2021

Inside this issue:

<i>Supplemental Benefit Reimbursements</i>	2
<i>State Aid and Forfeiture Deadline</i>	3
<i>Approval of Relief Association Expenditures</i>	3
<i>Pension Division Staff</i>	3

Working Group Updates

State Auditor's Working Group

The Volunteer Fire Relief Association Working Group met on November 3 and November 16. The Working Group members are considering changes to maximum service pension amounts for relief associations with a defined benefit pension plan. The Working Group is considering a proposal that would eliminate the flexible service pension maximums that a relief association must calculate annually. Under the proposal being considered, relief associations could make changes to their benefit levels so long as the levels do not exceed the \$15,000 maximum lump sum benefit amount and the \$100 maximum monthly benefit amount, and the benefit changes are ratified by the municipality. (Note that limited authority currently exists for relief associations to increase their benefit levels without municipal ratification if certain conditions are met.)

The Working Group agreed to move forward with a clarification that would permit a supplemental benefit to be paid with each qualified lump sum distribution, so that firefighters who receive more than one distribution may receive a supplemental benefit with each payment.

The Working Group is also considering a change that would permit distributions to former spouses immediately upon finalization of a divorce, so that payments can be made before the relief association member separates from active service and is paid.

Upcoming Working Group meetings are scheduled for November 30 and December 14. Meeting materials and recordings are available on the [Working Group](#) page of the Office of the State Auditor (OSA)'s website.

Supplemental State Aid Work Group

The Supplemental State Aid Work Group held its first meeting on November 17. The Work Group received information on the legislative history and intent of the supplemental state aid program, and was provided with a summary of how the fire state aid and supplemental state aid programs are administered.

The Supplemental State Aid Work Group's next meeting is scheduled for December 8, from 10:00 a.m. to 11:30 a.m. via Zoom. Meeting materials and recordings are available on the [Supplemental State Aid Work Group](#) page of the OSA website.

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What's Ahead:**November 30:**

Final deadline for submitting 2020 reporting-year forms to avoid forfeiture of fire state aid.

November 30:

Relief Association Working Group meeting
11:00 a.m. to 12:30 p.m.
via Zoom.

December 8:

Supplemental State Aid Work Group meeting
10:00 a.m. to 11:30 p.m.
via Zoom.

December 14:

Relief Association Working Group meeting
11:00 a.m. to 12:30 p.m.
via Zoom.

January 15:

Certified Listing of Individuals Who Filed a Statement of Economic Interest due to the Campaign Finance and Public Disclosure Board.

Supplemental Benefit Reimbursements

The form to seek reimbursement of any supplemental benefits paid during 2021 is now available on the Minnesota Department of Revenue (DOR)'s website. The online form requires that a relief association provide its Minnesota ID number. If you do not know the relief association's ID number, you can obtain it by calling Business Registration within the DOR at (651) 282-5225.

If the relief association seeks reimbursement of supplemental benefits paid during 2021, the reimbursement form must be submitted to the DOR by February 15, 2022, to receive reimbursement in March 2022. If the relief association misses this filing deadline, the association cannot submit the reimbursement request again until the filing period begins the following November.

The reimbursement form, instructions, and a sample form are available on the [DOR website](#).

Relief associations that pay service pensions as a one-time lump-sum payment (rather than monthly payments) must also pay a lump-sum supplemental benefit. The supplemental benefit is paid at the same time as the service pension distribution. No supplemental benefit is paid for monthly service pension recipients. The supplemental benefit is intended to help offset taxes which must be paid on the service pension or benefit distribution.

For service 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. A 2019 law change allows a supplemental survivor benefit to be paid to a designated beneficiary or to an estate if the deceased firefighter had no surviving spouse or surviving children. The new law applies to supplemental benefits paid in 2019 and, thereafter, for the death of an active or deferred firefighter that occurred on or after January 1, 2019.

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

Additional information about supplemental benefits is provided in the OSA's [Statement of Position](#) on this topic.

Statements of Position:

Firefighter Service Credit Determinations

Relief Association Governance

Joint Powers Fire Departments and Fire Districts

State Aid and Forfeiture Deadline

The Office of the State Auditor is pleased to announce that 111 volunteer fire relief associations met all reporting requirements to be certified to the Department of Revenue as eligible for receipt of their 2021 fire state aid and supplemental state aid in the second round of aid payments. State aid was disbursed on or about November 15 for those plans that met the reporting requirements.

In total, about 80 percent of relief associations have now been certified as eligible for their 2021 state aid. A listing from the DOR of the 2021 fire state aid and supplemental state aid amounts can be found on the [OSA website](#).

Minnesota law requires forfeiture of fire state aid for relief associations that do not submit all required reporting information to the OSA by November 30, 2021. If 2020 reporting forms are not received by November 30, 2021, a relief association’s 2021 state aid will be forfeited. The OSA does not have authority to grant filing extensions past the November 30 deadline.

Approval of Relief Association Expenditures

One of the fiduciary activities specifically assigned to relief association trustees is the expenditure of plan assets. The relief association is a separate entity from the affiliated fire department, and the relief association board of trustees is charged with maintaining relief association accounts. Relief associations should make sure that meetings are scheduled regularly so that expenditures can be approved and disbursed on a timely basis.

Information on authorized expenditures is provided in our [Statement of Position](#) on relief association special funds, general funds, and charitable gambling funds.

Pension Division Staff

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