

# Pension Division Newsletter

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## Reporting Reminder and Audit Threshold

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 2018, an audit is first required with the 2019 reports that are submitted to the OSA during 2020. 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.

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.

## Working Group Update

The 2018 Omnibus Retirement Bill includes the 2016 and the 2017 Working Group legislation. The Bill also includes some non-Working Group provisions that could affect relief associations. The Bill was passed by both the House and Senate, and Governor Dayton has indicated that he will sign the Bill on May 31.

We will release a legislative update this summer that provides information about the relief association changes contained in the Bill.

We would like to thank the Working Group members for their work on this legislation and also thank all of those who attended the meetings to provide their input.



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](mailto: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 2018 Schedule Form must be certified to the municipality or independent nonprofit firefighting corporation.

**September 15:**

First certification deadline for 2018 fire state aid. To be certified as eligible, all 2017 information must be submitted to the OSA, the OSA review must be completed, and any issues resolved.

**Resources for Auditors**

Resources are available on the OSA website for auditors working with volunteer fire relief associations. The 2017 Minnesota Legal Compliance Audit Guide for Relief Associations prescribes the minimum procedures and audit scope for legal compliance audits. To access the Guide, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20180208.005>.

The OSA has developed minimum procedures and a reporting format for agreed-upon procedures engagements for relief associations. These can be found at:

<http://www.auditor.state.mn.us/default.aspx?page=20151209.000>.

Audit reports of public pension plans prepared by the OSA are posted on our website and can be used as a reference. The audit reports can be viewed at:

<http://www.auditor.state.mn.us/list.aspx?type=afs>.

**Submitting Agreed-Upon Procedures and Audit Reports**

Agreed-upon procedures and audit reports for relief associations should be submitted to the OSA electronically through the State Auditor’s Form Entry System (SAFES). Both types of reports must be saved as PDF documents and be uploaded by the relief association’s accountant or auditor. A relief association must authorize its accountant or auditor to have SAFES access to the association’s reporting information by completing and submitting a 2018 User Authorization Form, which can be accessed at: <https://www.auditor.state.mn.us/default.aspx?page=20130131.000>.

To submit a report, choose the “Submit Documents” tab within SAFES. Browse and select the document for submission. When submitting the agreed-upon procedures report, choose “Agreed-Upon Procedures Report” when specifying the document type. To submit an audit report through SAFES, choose “Pension Audit Report” when specifying the document type.

When submitting audit reports, please be sure that the management letter is included in the submission. When submitting PDF documents through SAFES, the financial statements, required supplementary information, and management letter should be saved and submitted as one PDF document.

## Service Pension Rollovers and Safe Harbor Notices

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](#)

Minnesota law allows transfers of single, lump-sum benefit payments by relief associations in certain situations. First, the relief association must be a qualified pension plan under the IRS Code, and second, it must be a plan that provides a single payment service pension. If those two conditions are met, then, at the written request of the retiring member, the relief association can transfer the member's lump sum pension to the member's individual retirement account (IRA).

In addition, if the two conditions are met, then upon the death of an active member and at the written request of the surviving spouse, the spouse's survivor benefit may be transferred to the spouse's IRA.

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

In addition, relief associations are required under the Internal Revenue Code to provide a safe harbor notice to recipients of eligible rollover distributions. A safe harbor notice is a written explanation that describes the direct rollover rules, the mandatory income tax withholding rules for distributions not directly rolled over, the tax treatment of distributions not rolled over, and the circumstances when distributions may be subject to different restrictions and tax consequences after being rolled over.

For additional information regarding safe harbor notice requirements and sample safe harbor explanations, see Internal Revenue Notices 2009-68 at: <https://www.irs.gov/pub/irs-drop/n-09-68.pdf> and 2014-74 at: <http://www.irs.gov/pub/irs-drop/n-14-74.pdf>.

Language is provided in the OSA's Sample Bylaw Guides authorizing service pension rollovers to a retiring member's IRA and survivor benefit rollovers to a surviving spouse's IRA. Links to the Sample Bylaw Guides are provided to the left, or the Guides can be found on the OSA website in both MS Word and Adobe PDF formats at:

<http://www.auditor.state.mn.us/default.aspx?page=20120208.000>.

**Statements of Position:**

[Firefighter Service Credit Determinations](#)

[Combined Service Pensions for Volunteer Firefighters](#)

[Paying a Defined-Benefit Lump-Sum Service Pension](#)

[Allocations and Deductions for Defined Contribution Plans](#)

## Minnesota Deferred Compensation Plan

Volunteer firefighters are eligible to participate in the Minnesota Deferred Compensation Plan administered by the Minnesota State Retirement System. This plan offers a tax-deferred savings plan that can help supplement other retirement benefits. Volunteer firefighters may also choose to roll over their relief association service pension to their deferred compensation account. Volunteer firefighters who would like to enroll in the deferred compensation plan must do so before terminating public employment.

Additional information about the plan is available on the Minnesota State Retirement System website, at: <https://www.msrs.state.mn.us/mndcp>.

## Important Information for Completing SAFES Forms

The OSA has become aware of an issue affecting some relief association FIRE and SC forms that are downloaded from SAFES.

Until further notice, we are asking that when completing a reporting form downloaded from SAFES, **please press the Ctrl, Alt, and F9 keys at the same time** to ensure that all calculations on your form are correct. Pressing these keys at the same time forces the form to recalculate and will resolve the issue. We recommend you do this twice (at a minimum): after you first open the form and again just before submitting the form. If you have already downloaded a FIRE or SC form and have begun working on it, do this the next time you open the form and again before submitting it.

Please feel free to contact us at [safes@osa.state.mn.us](mailto:safes@osa.state.mn.us) with any questions

## Pension Division Staff

If you have questions, please contact us:

Michael Johnson, Pension Analyst  
(651) 282-5430

[michael.johnson@osa.state.mn.us](mailto:michael.johnson@osa.state.mn.us)

Karen Morales, Pension Analyst  
(651) 284-3423

[karen.morales@osa.state.mn.us](mailto:karen.morales@osa.state.mn.us)

Molly Resch, Pension Analyst  
(651) 297-2765

[molly.resch@osa.state.mn.us](mailto:molly.resch@osa.state.mn.us)

Robin Paulsen, Office & Admin. Specialist  
(651) 296-6267

[robin.paulsen@osa.state.mn.us](mailto:robin.paulsen@osa.state.mn.us)

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

[rose.hennessy-allen@osa.state.mn.us](mailto:rose.hennessy-allen@osa.state.mn.us)