



August 2011

Pension Division Newsletter

- *Note Our New E-mail Addresses*
- *Exchange Traded Note Investments*
- *Additional IRS Tax-Exempt Revocations*
- *Reporting Reminder and State Aid Deadline*
- *SBI Prospectus Mailing*
- *Call for Working Group Members*
- *Compliance Helpful Hints*
- *Helpful Contact Information* 

Note Our New E-mail Addresses

The Office of the State Auditor's e-mail addresses are changing due to a change in the State e-mail system. Please make sure that e-mail addresses you have for Pension Division staff are in the following format: @osa.state.mn.us. If you use the version @state.mn.us, we may not receive your e-mail and, by September, our office will not receive any e-mails using the old address. Please make sure that you update your address books with the new @osa.state.mn.us addresses. Thank you!

Exchange Traded Note Investments

Some relief associations have begun investing in Exchange Traded Notes (ETNs). ETNs are obligations issued by banks. The interest paid on an ETN is based on an index or benchmark. ETNs are not rated and are considered unsecured debt of the issuing bank. Since the ETN is not rated, investors look at the issuing bank's rating to evaluate the ETN's credit risk. We have reviewed ETNs as possible investments for relief associations under the Public Pension Investment Statute, Minn. Stat. Section 356A.06.

For relief associations using the Short List (Minn. Stat. Section 356A.06, subd. 6), the only non-government obligations eligible as investments are corporate bonds rated in one of the top three categories. Clearly ETNs fail to meet this requirement.

For relief associations using the Long List, Minn. Stat. Section 356A.06, subd. 7 (j) specifically authorizes investment in Exchange Traded Funds (ETFs). However, there is no similar authorization for ETNs. With few exceptions, "obligations" eligible as investments on the Long List must also be rated by a nationally-recognized rating agency. ETNs are not rated, nor are they included among the exceptions to the rating requirement.

It is therefore the conclusion of the Office of the State Auditor that ETNs are not permissible investments for relief associations using either the Short or Long List of permissible investments. Volunteer fire relief associations cannot invest in ETNs.

Additional IRS Tax-Exempt Revocations

In June the Internal Revenue Service (IRS) announced that approximately 275,000 nonprofit organizations nationwide had automatically lost their tax-exempt status because they did not file required annual reports for three consecutive years. About 60 volunteer fire relief associations in Minnesota were included on the June revocation list.

The IRS is updating the revocation list monthly as organizations lose their tax-exempt status for not filing. Updates made during July and August show that about twelve additional Minnesota relief associations lost their tax-exempt status.

Information for relief association trustees seeking reinstatement of their tax-exempt status was provided in the Office of the State Auditor's June Pension Newsletter, which can be viewed at: http://www.auditor.state.mn.us/other/PensionDocs/pensionNewsletter_1106.pdf.

To view the list of organizations that lost their tax-exempt status, go to the IRS website at: <http://www.irs.gov/charities/article/0,,id=239696,00.html>. Click on the link that says "Automatic Revocation of Exemption List."

Reporting Reminder and State Aid Deadline

The 2010 reporting-year forms for volunteer fire relief associations were due by March 31 for relief associations with less than \$200,000 in assets and liabilities and by June 30 for relief associations that exceeded this statutory threshold. Notices were sent via e-mail and U.S. Mail to relief associations that have not submitted all required reporting information. Your assistance is appreciated in ensuring the late reporting forms are submitted as soon as possible. Late reporting forms may result in a delay in your relief association's receipt of its 2011 state fire aid.

If your relief association has submitted its reporting forms but has been notified by our Pension Division staff that additional information is needed, please provide the requested information as soon as possible. The first certification deadline for 2011 state fire aid is September 15. To be certified as eligible for receipt of your state fire aid in the first round of payments, all required 2010 reporting information must be submitted, the review must be completed, and any identified issues must be resolved by that date.

If you have questions regarding relief association reporting requirements, please contact the Pension Division at (651) 282-6110 or at pension@osa.state.mn.us.

SBI Prospectus Mailing

The State Board of Investment (SBI) recently mailed its July 1, 2011, prospectus. The Office of the State Auditor provided mailing information to the SBI for relief association trustees whose contact information was determined to be public information. Because our office could only provide public contact information, we assisted the SBI by mailing prospectuses to the trustees whose mailing information was classified as not public. We wanted to bring this mailing arrangement to your attention since some of you may have noticed a change in the mailing format or in the prospectus recipient. If you have questions, please contact the Pension Division at the phone number or e-mail address provided above.

Call for Working Group Members

This fall, the Office of the State Auditor will convene the Volunteer Fire Relief Association Working Group for the fifth consecutive year. The Working Group brings together the major volunteer fire relief association stakeholders to work on legislative changes to make the pension process easier and more effective. If you or members in your community would like to suggest topics for the Working Group to consider, please forward them to Rose Hennessy Allen at (651) 296-5985 or at Rose.Hennessy-Allen@osa.state.mn.us.

In addition, each year membership of the Working Group changes so that new communities can be represented. The Group typically holds about five weekday meetings spread across the fall and early winter months at our office in Saint Paul. If you are interested in serving on the Working Group, please contact Rose Hennessy Allen at the phone number or e-mail address provided above.

Compliance Helpful Hints

This segment of our Newsletter highlights common compliance mistakes and provides education so that your relief association can be proactive in preventing similar mistakes from occurring. Two common compliance mistakes are highlighted below.

- **Fundraising Expenses** – Special fund assets may only be disbursed for purposes expressly authorized under state law. Expenses for fundraising activities are not authorized disbursements for a relief association’s special fund. If a relief association participates in fundraising activities, all fundraising expenses must be paid by the general fund, and should not be deducted from revenue intended for the special fund.
- **Deferred Interest** – Relief associations that have elected to pay interest to deferred members at an interest rate, up to five percent, set by the board of trustees are required to obtain municipal approval of the deferred interest rate. Deferred interest is not payable under this option until the municipality has approved the interest rate, and approval must be obtained each time the rate is changed before the new rate becomes payable. Deferred interest rate changes should be implemented on a prospective basis only.

Helpful Contact Information

A two-page document is attached that contains contact information for many of the government offices and agencies that relief associations interact with. We hope that this document will be a helpful reference for relief association trustees.

If you have questions please contact us:

Aaron Dahl, Pension Analyst
(651) 297-2765 Aaron.Dahl@osa.state.mn.us

Jim Jensen, Pension Analyst
(651) 284-3423 Jim.Jensen@osa.state.mn.us

Gail Richie, Office & Administrative Specialist
(651) 282-6110 Gail.Richie@osa.state.mn.us

Michael Johnson, Pension Analyst
(651) 282-5430 Michael.Johnson@osa.state.mn.us

Kevin Kearney, Student Intern
(651) 296-6279 Kevin.Kearney@osa.state.mn.us

Rose Hennessy Allen, Pension Director
(651) 296-5985 Rose.Hennessy-Allen@osa.state.mn.us



Helpful Contact Information for Volunteer Fire Relief Associations

Office of the State Auditor

Contact for questions regarding annual reporting forms and general plan administration questions.

Website: www.auditor.state.mn.us

Phone: 651-282-6110

E-mail: pension@osa.state.mn.us

Fax: 651-282-5298

Mailing Address:

Office of the State Auditor
Attn: Pension Division
525 Park Street, Suite 500
Saint Paul, MN 55103

OTHER MINNESOTA STATE OFFICES

Department of Revenue

Contact Larry Bewley with the Property Tax Division with questions regarding supplemental benefit reimbursements and regarding the annual Fire Equipment Certification reporting form.

Website: www.taxes.state.mn.us

Phone: 651-556-6096

E-mail: larry.bewley@state.mn.us

Gambling Control Board

Contact for assistance with charitable gambling funds and activity.

Website: www.gcb.state.mn.us

Phone: 651-639-4000

Campaign Finance and Public Disclosure Board

Contact for assistance with Statement of Economic Interest and Certification forms.

Website: www.cfboard.state.mn.us

Phone: 1-800-657-3889 or 651-297-7352

Office of the Secretary of State

Contact with questions regarding the annual corporate registration (to maintain nonprofit corporation status) and to file articles of incorporation.

Website: www.sos.state.mn.us

Phone: 1-877-551-6767 or 651-296-2803

E-mail: business.services@state.mn.us

Legislative Commission on Pensions and Retirement

Contact with questions regarding the Investment Business Recipient Disclosure form.

Website: www.lcpr.leg.mn

Phone: 651-296-2750

Information Policy Analysis Division, Department of Administration

Contact for assistance with Minnesota's Open Meeting Law and data practices.

Website: www.ipad.state.mn.us/index.html

Phone: 1-800-657-3721 or 651-296-6733

E-mail: info.ipad@state.mn.us

Minnesota State Board of Investment

Contact with questions regarding investment in the Supplemental Fund.

Website: www.sbi.state.mn.us/index.html

Phone: 651-296-3328

E-mail: minn.sbi@state.mn.us

Public Employees Retirement Association

Contact with questions regarding the Statewide Volunteer Firefighter Retirement Plan.

Website: www.mnpera.org

Phone: 1-800-652-9026 or 651-296-7460

FEDERAL OFFICES

Internal Revenue Service

Contact with questions regarding tax-exempt status, qualified plan status, Form 990 filings, and pension withholding taxes.

Website: www.irs.gov

Phone: 1-877-829-5500 (for questions about tax-exempt status revocations and filings)

651-312-8082 (Local IRS office in Saint Paul)

651-312-7999 (Minnesota Office of the Taxpayer Advocate)