



August 2008

Pension Division Newsletter

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Defined Contribution Plan Sub-Group

The Defined Contribution Plan Sub-Group held meetings on July 29, August 7, and August 19. The sub-group discussed the timing of forfeitures for partially vested members, rollovers for members not yet 50, municipal contributions for defined contribution plans, reporting form deadlines, deferred interest, combined service pensions, investment return allocations, plan consolidations, administrative expenses, and military service credit. Although each of these topics was discussed, the sub-group members decided to take action on only some of the issues. The sub-group also began the task of reorganizing Chapter 424A into separate sections that are specific to defined contribution plans and to defined benefit plans.

Meeting materials, including meeting minutes, are available on our website at <http://www.auditor.state.mn.us/default.aspx?page=reliefworkinggroup>. If you are a member or trustee of a defined contribution plan, please take a few moments to review the meeting materials. The sub-group is drafting legislation that, if passed into law, could impact your relief association. Your input regarding the legislative initiatives is appreciated.

The sub-group will hold a final meeting to review draft legislation on Thursday, September 18 from 11:00 a.m. to 1:00 p.m. at our Saint Paul office. If you have questions regarding the sub-group or its legislative recommendations, please contact Rose Hennessy Allen at (651) 296-5985 or Rose.Hennessy-Allen@state.mn.us.

Schedule Form Reminders

The 2008 Schedule (SC-08) for lump sum relief associations was to be certified to the affiliated municipality or independent nonprofit firefighting corporation by August 1, 2008. Although the form is not required to be submitted to the Office of the State Auditor (OSA) until next year when it is to be submitted with the other 2008 reporting year forms, relief associations are encouraged to submit the form to our office this fall. The Pension Division will be conducting a preliminary review of SC-08 forms this fall and winter, and the SC-08 data is needed to pre-populate your 2009 Schedule.

The Pension Division receives questions each year about what certain numbers mean on the Schedule form. We'd like to provide a few reminders:

- Accrued liabilities for active members on the Schedule are calculated according to a specific formula under state law. Because relief associations do not know how long each active member will serve, the liabilities are based on actuarial assumptions to determine a projected liability amount.

- State law requires that relief associations accrue the liability, even for members that are not yet vested, so that your association receives the appropriate level of funding to pay benefits as they become due.
- Deficits for lump sum plans are amortized over a ten-year period, so only a portion of the deficit is funded each year. If the affiliated municipality or independent nonprofit firefighting corporation approved your relief association's benefit level, the municipality or corporation is statutorily required to make any contributions that become due at that benefit level.
- Whether your relief association has a deficit or a surplus is only one factor in determining whether a contribution is required. The required contribution calculation is based on a formula prescribed under state law. The formula determines the projected revenues and the projected expenses. If the projected revenues are not enough to cover the projected expenses, then a contribution may be required. The formula for calculating the required contribution is provided on page four of the Schedule form.
- The form is completed mid-way through the year so that municipalities and independent nonprofit firefighting corporations can include any contribution requirements when setting their budgets for the upcoming year. Required contributions calculated on the SC-08 form are to be contributed to your relief association during 2009.

SBI Prospectus Mailing

The State Board of Investment (SBI) recently mailed its July 1, 2008 prospectus. The OSA provided mailing information to the SBI for relief association trustees whose contact information was determined to be public information. Because the OSA 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 to the prospectus recipient.

Investment Basics – Reading Your SBI Statement

A sample SBI statement is attached that contains notes and descriptions. We hope that the annotated statement will make reading SBI account statements easier and highlight important information, such as rates of return and benchmarks. If you have suggestions for future "Investment Basics" topics please contact Luke Hinz at (651) 296-6279 or Lucas.Hinz@state.mn.us.

If you have questions please contact us:

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Name of Relief Association

**Statement of Supplemental Retirement
Annual Fund Balances and Results
For the 5/31/2008 Valuation Date.**

Contact Name
Name of Relief Association

Contact Information

Suppl Index Stock	BeginningBalance	Contrib/Withdrwl	Interest	Gain_Loss	Ending_Balance
5/31/2007 BB	\$1,369,754.15	\$0.00	\$0.00	(\$89,368.45)	\$1,280,385.70
7/2/2007 Contrib	\$0.00	\$1,645,485.53	\$0.00	(\$78,421.97)	\$1,567,063.56
10/2/2007 Withdrawl	\$0.00	(\$250,000.00)	\$0.00	\$15,541.38	(\$234,458.62)
1/2/2008 Contrib	\$0.00	\$100,000.00	\$0.00	(\$2,981.26)	\$97,018.74
3/3/2008 Withdrawl	\$0.00	(\$350,000.00)	\$0.00	(\$22,918.62)	(\$372,918.62)
Average Returns	\$1,369,754.15	\$1,145,485.53	\$0.00	(\$178,148.92)	\$2,337,090.76
Mo	3mo.	12mo	60mo	Valuation Date Units	102593.9753
Period	2.06%	6.55%	-6.53% 10.35%	Valuation Date Unit Value	\$22.78

Suppl Bond	BeginningBalance	Contrib/Withdrwl	Interest	Gain_Loss	Ending_Balance
5/31/2007 BB	\$1,362,672.65	\$0.00	\$0.00	\$60,408.34	\$1,423,080.99
10/2/2007 Contrib	\$0.00	\$250,000.00	\$0.00	\$5,208.33	\$255,208.33
1/2/2008 Contrib	\$0.00	\$175,000.00	\$0.00	(\$569.57)	\$174,430.43
3/3/2008 Contrib	\$0.00	\$700,000.00	\$0.00	(\$6,790.62)	\$693,209.38
Average Returns	\$1,362,672.65	\$1,125,000.00	\$0.00	\$58,256.48	\$2,545,929.13
Mo	3mo.	12mo	60mo	Valuation Date Units	207830.9495
Period	-0.57%	-0.97%	4.44% 3.87%	Valuation Date Unit Value	\$12.25

Growth	BeginningBalance	Contrib/Withdrwl	Interest	Gain_Loss	Ending_Balance
5/31/2007 BB	\$1,847,735.67	\$0.00	\$0.00	(\$139,362.61)	\$1,708,373.05
7/2/2007 Withdrawl	\$0.00	(\$1,813,485.53)	\$0.00	\$105,112.48	(\$1,708,373.05)
Average Returns	\$1,847,735.67	(\$1,813,485.53)	\$0.00	(\$34,250.13)	\$0.00
Mo	3mo.	12mo	60mo	Valuation Date Units	0.0001
Period	0.00%	0.00%	-1.85% 11.40%	Valuation Date Unit Value	\$28.93

Rates of return for selected periods. The 60-month return is annualized (% return per year).

Balance of each account at month end.

Suppl Money Mkt

	BeginningBalance	Contrib/Withdrwl	Interest	Gain_Loss	Ending_Balance
5/31/2007 BB	\$198,881.36	\$0.00	\$0.00	\$0.00	\$198,881.36
6/1/2007 Earnings	\$858.21	\$0.00	\$0.00	\$0.00	\$858.21
7/1/2007 Earnings	\$0.00	\$0.00	\$851.34	\$0.00	\$851.34
7/2/2007 Withdrawl	\$0.00	(\$18,000.00)	\$0.00	\$0.00	(\$18,000.00)
7/2/2007 Contrib	\$0.00	\$150,000.00	\$0.00	\$0.00	\$150,000.00
8/1/2007 Earnings	\$0.00	\$0.00	\$1,442.34	\$0.00	\$1,442.34
8/1/2007 Withdrawl	\$0.00	(\$25,000.00)	\$0.00	\$0.00	(\$25,000.00)
9/1/2007 Earnings	\$0.00	\$0.00	\$1,373.75	\$0.00	\$1,373.75
10/1/2007 Earnings	\$0.00	\$0.00	\$1,316.86	\$0.00	\$1,316.86
11/1/2007 Earnings	\$0.00	\$0.00	\$1,336.89	\$0.00	\$1,336.89
12/1/2007 Earnings	\$0.00	\$0.00	\$1,274.63	\$0.00	\$1,274.63
1/1/2008 Earnings	\$0.00	\$0.00	\$1,338.07	\$0.00	\$1,338.07
2/1/2008 Earnings	\$0.00	\$0.00	\$1,264.24	\$0.00	\$1,264.24
3/1/2008 Earnings	\$0.00	\$0.00	\$941.59	\$0.00	\$941.59
3/6/2008 Withdrawl	\$0.00	(\$18,000.00)	\$0.00	\$0.00	(\$18,000.00)
4/1/2008 Earnings	\$0.00	\$0.00	\$885.25	\$0.00	\$885.25
5/1/2008 Earnings	\$0.00	\$0.00	\$835.29	\$0.00	\$835.29
5/1/2008 Withdrawl	\$0.00	(\$18,000.00)	\$0.00	\$0.00	(\$18,000.00)
6/1/2008 Earnings	\$0.00	\$0.00	\$0.00	\$803.10	\$803.10

Average Returns \$199,739.57 \$71,000.00 \$12,860.25 \$803.10 **\$284,402.92**

	Mo	3mo.	12mo	60mo
Period	0.28%	0.86%	4.64%	3.41%

Valuation Date Units	284402.9200
Valuation Date Unit Value	\$1.00

Rates of return for selected periods

Suppl Internatl

	BeginningBalance	Contrib/Withdrwl	Interest	Gain_Loss	Ending_Balance
5/31/2007 BB	\$969,766.44	\$0.00	\$0.00	\$22,369.10	\$992,135.55
1/2/2008 Contrib	\$0.00	\$75,000.00	\$0.00	(\$1,653.70)	\$73,346.30
3/3/2008 Withdrawl	\$0.00	(\$350,000.00)	\$0.00	(\$19,090.91)	(\$369,090.91)

Average Returns \$969,766.44 (\$275,000.00) \$0.00 \$1,624.50 **\$696,390.94**

	Mo	3mo.	12mo	60mo
Period	2.17%	5.45%	2.31%	21.48%

Valuation Date Units	92359.5412
Valuation Date Unit Value	\$7.54

Total SBI portfolio rates of return

Total Portfolio Average Returns **Total value of funds on 5/31/2008** **\$5,863,813.75**

	Mo	3mo.	12mo	60mo
Period	0.83%	2.75%	-2.25%	9.36%

Welcome to the new reporting format. We've included the past 12 months activity and UNAUDITED performance returns. Audited performance returns are provided annually for 12/31/YYYY.

We currently show:

Originator Name
Verifier Name

as the originator of withdrawal requests and
as the verifier at Ph# Phone Number

The above originator should fax or mail withdrawal instructions to MSBI. Withdrawals will be wired to your fire fund's bank account. Include wire instructions and a bank contact and phone number. It is a good practice to provide us a knowledgeable contact we can call to confirm the wire.

To receive an e-mail confirmation on future transactions, please include your e-mail with your transfer request.

Benchmark returns for each SIF Account will be posted on SBI's website at www.sbi.state.mn.us by about the 15th of each month.

Contact Jason White (651)297-1916 with questions about your statement.

Gain_Loss:
The investment gain or loss for the contribution or withdrawal over the 12-month period ending on the statement date.

Ending_Balance:
The contribution or withdrawal +/- investment earnings for the 12-month period ending on the statement date.

Balance of each account at month end