



July 2009

## Pension Division Newsletter

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### *Secure E-mail Policy*

A new policy implemented by the Office of the State Auditor changes the way we are handling e-mails containing not public information. This change helps to safeguard personnel information that is provided about your relief association members on various forms submitted to our office. E-mails that contain not public information or have attachments (like reporting forms) that contain not public information must be encrypted and sent through the State of Minnesota's secure web server. In order to do this, you will receive an e-mail with a link to access the encrypted e-mail and attachments. When you click on the link you will be asked to set up an account by entering a password. The password is one that you create and is not connected with any password that you may have with the Office of the State Auditor. If you receive future secure e-mails from our office, you will simply need to click on the e-mail link and re-enter your same password to view the e-mail and any revised reporting forms that are attached.

### *2009/2010 Working Group*

The Office of the State Auditor will reconvene the Volunteer Fire Relief Association Working Group this summer. The purpose of the Working Group is to bring together the major relief association stakeholders to develop relationships, facilitate communication, discuss relief association issues, and make the pension process easier and more effective by recommending legislative changes.

The tentative dates for the Working Group are August 20, September 22, October 6, October 20, November 10, and December 8. All meetings are open to the public and will be held from 11:00 am to 1:00 pm at our office in Saint Paul. Meeting agendas and materials will be available on our website at <http://www.auditor.state.mn.us/default.aspx?page=reliefworkinggroup>.

We're interested in identifying current and pressing relief association issues for the Working Group to consider. In the past, trustees throughout Minnesota have suggested topics for the Group. If members in your community would like to suggest topics, please forward the topics to Rose Hennessy Allen at (651) 296-5985 or at [Rose.Hennessy-Allen@state.mn.us](mailto:Rose.Hennessy-Allen@state.mn.us).

### ***Defined Contribution Plan Allocations***

There are about 90 relief associations in Minnesota that offer defined contribution service pensions. Defined contribution plans are also called “split the pie” plans. Members of defined contribution plans receive a lump sum payment upon retirement that is based on the member’s individual account balance in the plan. Helpful hints for defined contribution plan account allocations are provided below.

- **Contributions**

State fire aid, municipal contributions, and forfeiture income must be credited in equal shares to active members. Members may only receive these contribution allocations for periods in which they were active. Members that are active for a portion of the year can receive prorated shares of contribution allocations for the completed months that they were active if the relief association bylaws authorize the monthly proration of allocations.

- **Investment Returns**

Investment gains or losses are to be allocated to active members on a prorata basis, in proportion to the share of the special fund assets to the credit of each individual active member account.

Relief associations can choose whether or not to provide investment allocations to deferred members. There are three options for deferred investment allocations. If a relief association chooses to provide for investment allocations to deferred members, one of the three options must be selected and be included in the relief association bylaws. The three options for defined contribution plans are to pay: 1) the rate actually earned on a separate investment account; 2) the rate actually earned on a separate investment vehicle; or 3) the full investment gains or losses (allocated in the same manner as for active members). Please remember that deferred members who separated from active service and membership when a different deferred interest or investment allocation option was in place in your relief association’s bylaws will continue to receive investment allocations based on the bylaw provisions in effect when they separated.

Additional information regarding investment allocations for deferred members of defined contribution plans, including sample bylaw language, is provided in the 2009 Legislative Update on the Office of the State Auditor’s website at:

[http://www.auditor.state.mn.us/other/PensionDocs/2009\\_Legislative\\_Update.pdf](http://www.auditor.state.mn.us/other/PensionDocs/2009_Legislative_Update.pdf)

- **Investment Management Fees**

Investment management fees should be deducted on a prorata basis from the accounts of members who shared in investment earnings or losses during the year.

- **Administrative Expenses**

Administrative expenses of the relief association may be deducted from member accounts in a manner that is specified in the relief association bylaws. Most relief associations deduct administrative expenses in equal shares, but some choose to deduct them on a prorata basis. Trustees of defined contribution plans should review their bylaws to ensure that the manner for deducting administrative expenses is clearly specified and that the bylaws clearly indicate which categories of members share in the expenses.

### ***Approval of Expenditures***

The Office of the State Auditor has become aware of situations in which fire department officers have approved expenditures from relief association accounts. 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. One of the fiduciary activities specifically assigned to relief association trustees is the expenditure of plan assets. Relief associations should make sure that meetings are scheduled regularly so that expenditures can be approved and disbursed on a timely basis. Fire department officers should not be involved in approving expenditures from relief association accounts.

### ***2009 Schedule Forms***

The 2009 Schedule Form (SC-09) for lump sum volunteer fire relief associations is required to be certified to the governing body of the affiliated municipality on or before August 1, 2009. Relief associations that are affiliated with an independent nonprofit firefighting corporation should certify the form to the board of the independent corporation. The SC-09 determines the relief association's projected assets and liabilities for 2009, and the minimum required contribution for 2010. The form is available for download from the Office of the State Auditor's website at <https://www.auditor.state.mn.us/safes/>.

Relief associations are encouraged to submit their SC-09 to the Office of the State Auditor following certification to the municipality so that a preliminary review of the data can be conducted later this year.

### ***New Statements of Position***

Two new Statements of Position are available on the Office of the State Auditor's website. The first, entitled "Volunteer Fire Relief Member's Return to Service," describes recent changes in state law allowing volunteer firefighters to return to service without penalty. The new law allows a relief association, by amending its bylaws, to decide whether members may return to active membership and under what conditions, as long as the conditions are consistent with the new law. The second new statement, entitled "Volunteer Fire Relief Association Investment Authority," provides information about authorized investments for volunteer fire relief associations. Two attachments detail the types of securities authorized under the limited and expanded list of authorized investments.

To view the complete statements, go to:

[http://www.auditor.state.mn.us/other/Statements/firereliefmemberreturntoservice\\_0906\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/firereliefmemberreturntoservice_0906_statement.pdf)  
[http://www.auditor.state.mn.us/other/Statements/firereliefinvestmentauthority\\_0907\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/firereliefinvestmentauthority_0907_statement.pdf)

### ***Technology Survey***

The Office of the State Auditor would like to thank all of you that completed our recent technology survey. The survey allowed us to gather information about the computer and internet systems used by relief associations. This information will help us tailor reporting forms and training sessions to meet your technology needs. We appreciate your time and effort. Thank you!

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*If you have questions please contact us:*

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