REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@osa.state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

Statement of Position
Volunteer Fire Relief Association Allocations and Deductions:
Defined Contribution Plans

A volunteer fire relief association may pay a retirement benefit to its volunteer fire fighters. The benefit may be paid as a defined benefit lump-sum service pension, a defined benefit monthly service pension or a defined contribution service pension, depending on what is provided for in the bylaws. Members of defined contribution plans receive a lump-sum payment upon retirement based on the member's individual account balance in the plan.

Defined-Contribution Plan Allocations

In defined contribution plans, fire state aid, supplemental state aid, municipal contributions, and forfeiture income must be credited in equal shares to active members.[1] Members may only receive these contribution allocations for periods in which they were considered active. Members who are active only for a portion of the year may receive prorated shares of contribution allocations for the completed months 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 pro rata basis, in proportion to the share of the special fund assets to the credit of each individual active member account. In addition, a relief association may credit investment returns to the accounts of inactive members, so long as the bylaws permit it and describe how it is to be done.[2]

Investment gains and losses may be treated differently for deferred members. Relief associations can choose whether or not to provide investment allocations to deferred members. If a relief association chooses to provide for investment allocations to deferred members, one of the following three options must be selected to be included in the relief association bylaws:

1) to pay the rate actually earned on a separate investment account;
2) to pay the rate actually earned on a separate investment vehicle; or

[1] Defined contribution plans are sometimes called "split the pie" plans.
[2] Minn. Stat. § 424A.016, subd. 4.

Reviewed: October 2015
Revised: August 2014
2009-2007

3) to pay the full investment gains or losses allocated in the same manner as for active members.

A deferred member who separated from active service and membership when the relief association's bylaws included a different deferred interest or investment allocation option will continue to receive investment allocations based on the bylaw provisions in effect when the member separated.

Deductions

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

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 pro rata 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.