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Pension Division Newsletter

- *Investment Transition Guidance*

Investment Transition Guidance

As explained in our last newsletter, Edward Jones has made a corporate decision to no longer service volunteer fire relief associations in Minnesota. The Office of the State Auditor (OSA) has received numerous phone calls over the past week from relief associations forced to transfer their investments by this decision. The Pension Division is releasing this special newsletter to answer some of the common questions that we have received.

- **What steps does our relief association need to take?**

If your relief association invests with Edward Jones, your board of trustees should make preparations to hold a meeting to discuss investment options and objectives. Remember to follow the meeting notice requirements of your relief association bylaws. Your board of trustees may wish to designate one or more officers to research investment advisors or brokers in your area and investment companies that work with other relief associations in the state.

When researching new brokers your relief association should ask questions about the broker's compensation structure and the fees that will be associated with the relief association's investments. It is important to determine whether the new broker will be able to accept your current Edward Jones investments as an in-kind transfer of assets, or whether your current investments will need to be liquidated. Liquidating investments may result in investment fees or penalties. Once your relief association has made a decision on where to transfer its investments, it may take a few weeks for the transfer between investment companies to be completed. Your new broker or investment advisor will need to complete a broker certification form.

- **What is the impact on our state fire aid?**

The first certification deadline for state fire aid is September 15. On this date, the OSA must certify to the Department of Revenue the relief associations that are eligible to receive their state fire aid in the first round of aid disbursements. If your relief association is not affected by Edward Jones's recent decision to stop serving volunteer fire relief associations, a signed certification form must be on file for your relief association to be eligible for your state fire aid disbursement. The OSA realizes that relief associations that are affected by Edward Jones's decision may need additional time to meet the certification requirement. It may take some time for relief associations to research and choose a new broker, and to transfer the assets to the new broker. For this reason, an email or fax notifying our office that your relief association is in the process of selecting a new broker and taking the steps to transfer its assets will be sufficient for certification purposes.

Please keep in mind that in order for your relief association to be certified as eligible for receipt of its state fire aid, the 2006 reporting year forms must be submitted, reviewed, and any identified issues resolved.

- **What investment options do we have?**

Relief associations are authorized to invest with brokers that agree to handle your relief association's investments and assets in accordance with the requirements under state law and in accordance with any investment restrictions provided in your association's investment policy. One of the options available to relief associations is investing through the State Board of Investment (SBI)'s Supplemental Fund. Relief associations are *not* required to invest through the SBI.

Please do not hesitate to contact the OSA with any questions or concerns that you may have regarding this matter. We are here to help you during this transition process. Pension Director Rose Hennessy Allen is available to assist you at (651) 296-5985 or Rose.Hennessy-Allen@state.mn.us.

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