



May 2009

## Pension Division Newsletter

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### *SAFES Helpful Hints*

Answers to many frequently asked questions regarding the State Auditor's Form Entry System (SAFES), the web application for downloading and submitting electronic reporting forms, have been posted on our website at <http://www.auditor.state.mn.us/default.aspx?page=safesfaq>. New features of SAFES include the ability to request that a password be e-mailed to you if you forget your password and the ability to change your password to one that you create.

To find your relief association's online reporting forms after logging into the SAFES website, click on the "Form List" tab and then click on the "Pension Plan" tab. Links to your relief association's online forms should be displayed.

### *Investment Report Cards*

The Office of the State Auditor will be creating an "Investment Report Card" for each relief association this year as an educational tool. The report card will be sent after our review of your relief association's financial and investment reporting forms is complete. The report card provides one-year and multi-year rates of return calculated for your relief association, as well as a custom benchmark rate of return. The custom benchmark rate of return can be used to measure your relief association's actual investment performance for 2008 against market returns. The report card also contains your relief association's asset allocations for the year and rates of return for common benchmark indices.

### *New Statements of Position*

Two new Statements of Position that pertain to relief associations have been posted on our website. The first is entitled "Fire Relief Association Funds: Special and General Funds, and Charitable Gambling Funds." This statement identifies and explains differences between the types of funds that a relief association may maintain, including differences in permissible expenditures and investments and in recordkeeping requirements. The statement can be viewed at: [http://www.auditor.state.mn.us/other/Statements/FireReliefAssociationFunds\\_0905\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/FireReliefAssociationFunds_0905_statement.pdf).

The second new statement is entitled "Fire Relief Association Investment Policies" and provides information regarding the importance of investment policies for relief associations and

recommended topics to include in a policy. The statement can be viewed at: [http://www.auditor.state.mn.us/other/Statements/firereliefinvestmentpolicy\\_0905\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/firereliefinvestmentpolicy_0905_statement.pdf).

### ***Working Group Legislative Proposals***

The 2009 Omnibus Retirement Bill (S.F. 191 Betzold), which contains the Working Group's legislative proposals, was passed by both the Senate and the House on May 18 and was signed into law by Governor Pawlenty on May 22. We will be providing a legislative update within the next few weeks that will include an in-depth explanation of the law changes affecting your relief association. We also will provide sample bylaw language that your relief association may use as a reference if it chooses to adopt any of the new options allowed under state law.

The Office of the State Auditor would like to thank the Working Group and Defined Contribution Plan Sub-Group members for their work on this legislation. We believe that the Working Group's proposals will provide for greater clarity and flexibility and provide new options for some fire departments that are facing recruitment and retention problems.

### ***Market Concerns – FAQs***

In previous newsletters we provided answers to questions we received from relief association trustees and municipal representatives in response to the recent market volatility. We are providing a few more questions and answers that we hope you will find helpful.

**Q:** A member of our relief association has asked if he can be paid his service pension before reaching age 50 because of a family hardship. Is this allowed?

**A:** No. One of the requirements under state law that must be met before a member may be paid his or her service pension is reaching age 50. Relief associations may establish a higher minimum retirement age in their bylaws, but may not establish a minimum retirement age lower than 50. While some public and private retirement plans have authority to make disbursements in cases of a hardship, this authority is not extended to volunteer fire relief associations. This means that members are not authorized to receive a service pension prior to reaching age 50. The only exceptions to the age 50 requirement are in cases where a survivor benefit or a disability benefit is disbursed.

**Q:** A member of our relief association has asked if she can use her service pension as collateral for a personal loan. Is this allowed?

**A:** No. Members entitled to a service pension or other benefit from your relief association special fund are specifically precluded under state law from assigning any pension or benefit payments. Relief associations are also prohibited from recognizing any assignment or paying over any sum which has been assigned. This means that pensions or other benefits that a member may be entitled to cannot be used as collateral.

### ***Treasurer Bonds***

State law requires the treasurer of a volunteer fire relief association to be bonded for at least ten percent of the association assets; however, the amount of the bond need not exceed \$500,000. Officers of relief associations that are affiliated with a city fire department, where the city is bonded through the League of Minnesota Cities Insurance Trust (LMCIT), are automatically defined as covered employees on the city's bond. In these cases the relief association does not need to purchase a separate bond because the association treasurer and other officers are already

bonded. The relief association should obtain a copy of the city's LMCIT bond to ensure that the amount of the bond is at least ten percent of the association assets.

Because the statutory requirement specifies that the bond must be in an amount equal to at least ten percent of the assets of the relief association, the bond should not be subject to a deductible. For relief associations covered by a LMCIT bond, the LMCIT will reimburse the association in full in the event of a covered loss, subject to the bond coverage limit. The city will reimburse the LMCIT for any deductible which applies to the loss. This arrangement is specified in the LMCIT bond coverage as an endorsement.

Relief association treasurers who are bonded through an organization other than the LMCIT should review their fidelity bond and make changes as necessary to ensure that it is not subject to a deductible.

### ***SBI Fixed Interest Account***

During our recent training sessions we received questions from several relief association trustees regarding the State Board of Investment's Fixed Interest Account. The Fixed Interest Account is a conservative investment option that provides competitive interest rates using slightly longer-term investments than a typical money market account. Volunteer fire relief associations are not authorized to invest in the Fixed Interest Account, however, because of their tax status with the Internal Revenue Service (IRS). The Fixed Interest Account uses insurance contracts in its investment vehicles. Most relief associations have a 501c status with the IRS, and federal regulations prohibit life insurance companies from commingling 501c plan money with money from 401a, 401k, and 457 plans.

### ***Training Opportunity***

Members of the Pension Division will be conducting a training course at the annual Minnesota State Fire Department Association (MSFDA) conference in Owatonna. Our session will be from 8:00 to noon on the morning of Friday, June 12<sup>th</sup>. If you didn't have an opportunity to attend one of our training sessions this spring, you are encouraged to register for the MSFDA training class. Our class is listed in the conference materials as "02 – Relief Association [State Auditor Reports]," and will cover topics including calculating required municipal contributions, a legislative update, compliance issues, bylaws, investments, and reporting forms. If you will be at the MSFDA conference but are not able to attend our training class, please stop by before or after the session to meet members of our Pension team.

### ***SC-09 Form Now Available***

As indicated in our May 14 e-mail notice, the online Excel 2009 Schedule Form (SC-09) is now available for completion. **This form is only required to be completed by lump sum plans.** To access the online SC-09, please visit the State Auditor's Form Entry System (SAFES) at <https://www.auditor.state.mn.us/safes/>. You will be asked to enter your username and password to download the SC-09. If you are unable to locate your username and password, please email Gail Richie at [Gail.Richie@state.mn.us](mailto:Gail.Richie@state.mn.us) to obtain the information.

Relief associations that submitted their 2008 Schedule Form should find that most of the data on the SC-09 has been pre-populated. Please carefully review the pre-populated data and make any updates or corrections that may be necessary. Instructions for completing the form can be found on the first tab when the form is opened, and helpful reminders and error messages are provided

within the form itself. If your relief association submitted its 2008 Form but data is not pre-populated in the SC-09, please contact Rose Hennessy Allen at [Rose.Hennessy-Allen@state.mn.us](mailto:Rose.Hennessy-Allen@state.mn.us) to obtain a pre-populated form.

Several helpful hints for completing the SC-09 were provided in our May 14 e-mail. If you did not receive the e-mail or have questions about completing the form please contact one of the Pension Division members listed below.

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*If you have questions please contact us:*

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