

# Pension Division Newsletter

**Inside this issue:**

Maximum Benefit Levels	2
Combined Service Pensions	3
Supplemental Benefit Reminders	4
Pension Division Staff	4

## Schedule Form Reminder

The 2014 Schedule Form for lump-sum volunteer fire relief associations must be certified to the entity responsible for satisfying the minimum required contribution to the relief association’s special fund. If a relief association is affiliated with a city fire department and the city is responsible for satisfying any contribution requirement, the Schedule Form must be certified to the city council. The certification must be completed on or before August 1, 2014.

The 2014 Schedule Form is designed to help determine the relief association’s projected assets and liabilities for 2014 and the minimum required contribution for 2015. The Schedule Form is available for download from the State Auditor’s Form Entry System (SAFES) at: <https://www.auditor.state.mn.us/safes/>.

For additional information about required contributions, see the Office of the State Auditor (OSA)’s Statement of Position on this topic, at:

<http://www.auditor.state.mn.us/default.aspx?page=20110527.009>.

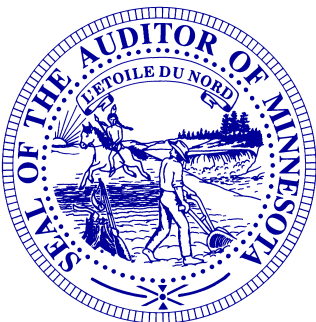
Relief associations are encouraged to submit their Schedule Form to the OSA following certification so that a preliminary review of the form data can be conducted.

## Reporting Reminder

The 2013 reporting-year forms for volunteer fire relief associations were due to the OSA by March 31 or by June 30, depending on the size of your relief association’s assets and liabilities. If you have not yet submitted your 2013 reporting-year forms, please do so as soon as possible. Late reporting forms may result in a delay in receiving your 2014 fire state aid.

The reporting-year forms can be accessed through SAFES at: <https://www.auditor.state.mn.us/safes/>.

Please contact the Pension Division of the OSA with any questions about your reporting forms or reporting requirements.



Office of the State Auditor  
 Pension Division  
 525 Park Street, Suite 500  
 Saint Paul, MN 55103  
 (651) 282-6110  
 Fax: (651) 282-5298  
[pension@osa.state.mn.us](mailto:pension@osa.state.mn.us)

## Maximum Benefit Levels

### What's Ahead:

#### August 1:

The 2014 Schedule Form and 2014 Maximum Benefit Worksheet must be certified to the municipality or independent nonprofit firefighting corporation.

#### September 15:

First certification deadline for 2014 fire state aid. To be certified as eligible, all 2013 information must be submitted to the OSA, the OSA review must be completed, and any issues resolved.

#### October 1:

Fire state aid is paid for those relief associations certified as eligible on the first certification deadline.

Volunteer fire relief associations that offer or pay lump-sum, monthly or monthly/lump-sum combination service pensions must annually calculate the average amount of available financing per active covered firefighter.

The OSA provides the Maximum Benefit Worksheet to help relief associations perform this calculation. The calculation determines the maximum lump sum and monthly benefit levels the relief association is authorized under State law to establish for the year. Relief associations are to perform the maximum benefit calculation on or before August 1 as part of the association's annual certification of the financial requirements and minimum municipal obligation.

A relief association may find that its maximum benefit level fell for 2014, and the relief association may now be operating at a benefit level that is higher than the allowable maximum benefit level.

A relief association may continue to operate at a benefit level higher than the allowable maximum benefit level: 1) if the benefit level was properly adopted; and 2) if it was at or below the allowable maximum benefit level when it was established; and 3) if the decrease to the calculated maximum benefit level was due to either a decrease in fire state aid or an increase in the number of active members during the three-year period on which the calculation is based.

Most relief associations have seen a decrease in fire state aid during the past three years so will qualify to continue operating at their current benefit level so long as it was at or below the maximum benefit level when it was established. Relief associations that qualify to be "grandfathered in" at their current benefit level cannot increase their benefit level until the annual calculation shows that an increase is allowed.

Maximum Benefit Worksheet forms are available at:

<https://www.auditor.state.mn.us/safes/>.

For additional information about maximum benefit levels, see our Statement of Position on this topic at:

<http://www.auditor.state.mn.us/default.aspx?page=20110531.003>.

An online training session that shows how to complete the Maximum Benefit Worksheet can be viewed at:

<http://www.auditor.state.mn.us/default.aspx?page=20130312.001>.

## Combined Service Pensions

**Sample Bylaw Guides:**

**LUMP-SUM**

[City Fire Department](#)

[Town Fire Department](#)

[Joint-Powers Fire Department](#)

[Independent Corporation](#)

**DEFINED-CONTRIBUTION**

[City Fire Department](#)

[Town Fire Department](#)

[Joint-Powers Fire Department](#)

[Independent Corporation](#)

Minnesota law permits defined-benefit relief associations to pay combined service pensions to members with service in more than one volunteer fire department. A combined service pension is a service pension that combines years of service among multiple volunteer fire departments to determine a volunteer firefighter’s vesting.

To pay a combined service pension, the bylaws of each participating relief association must allow the combined service pension payments, or be amended to do so.

In addition, for vesting a member must have at least ten years of total service, unless each participating relief association requires only five years of service for vesting, in which case the member must have at least five total years of service to be eligible for the combined service pension.

Assets are *not* transferred between or among relief associations when a combined service pension is payable. When a member who is eligible for a combined service pension retires, the member is paid a pension from each participating relief association in which the member has accrued at least one year of active service credit. The service pensions are calculated the same as they would be for other retiring members, except that years of service among all participating relief associations are combined for vesting purposes.

Because years of service are combined for vesting purposes, the service pension amount paid from each participating relief association is more than would otherwise be payable. This is why the bylaws of each participating relief association must specifically authorize combined service pension payments in order for them to be offered. In addition, because the vesting percentage is based on the combined service in all participating fire departments, the pension amount cannot be calculated or paid until the member permanently ceases all firefighting duties.

Transferring pension assets from one relief association to another is not authorized without special legislation.

For additional information, including examples, see the OSA’s Statement of Position, at:

<http://www.auditor.state.mn.us/default.aspx?page=2011206.000>.

## Supplemental Benefit Reminders

**Statements of Position:**

**Considerations When Making Benefit Changes**

**Firefighter Service Credit Determinations**

**Checking Accounts for Fire Departments and Fire Relief Associations**

**Survivor Benefits**

Relief associations that pay service pensions as a lump-sum distribution must pay an additional lump-sum supplemental benefit. The supplemental benefit is intended to help offset taxes which must be paid on the service pension or benefit distribution. Answers to a few commonly-asked questions about supplemental benefits are provided below.

**Q:** How do we calculate the supplemental benefit?

**A:** The supplemental benefit is an amount equal to 10 percent of the service pension, but not to exceed \$1,000. Upon the payment of a lump-sum survivor benefit to a survivor of a deceased active or deferred volunteer firefighter, the supplemental benefit is 20 percent of the survivor benefit amount, but not to exceed \$2,000. The supplemental survivor benefit is payable to the surviving spouse, or, if none, to the surviving child and children.

**Q:** Do we include deferred interest when we calculate the supplemental benefit?

**A:** No. Supplemental benefit amounts are based on the pre-tax lump-sum distribution, and exclude any interest credited during a member's period of deferral.

**Q:** Are supplemental benefits restricted to only members with at least 20 years of service?

**A:** No. Supplemental benefits are payable to both fully-vested members and to members who are partially vested.

For additional information, see our November 2013 Pension Division Newsletter, at: <http://www.auditor.state.mn.us/default.aspx?page=pensionDocs>.

## Pension Division Staff

If you have questions, please contact us:

Aaron Dahl, Pension Analyst  
(651) 297-2765

[Aaron.Dahl@osa.state.mn.us](mailto:Aaron.Dahl@osa.state.mn.us)

Jim Jensen, Pension Analyst  
(651) 284-3423

[Jim.Jensen@osa.state.mn.us](mailto:Jim.Jensen@osa.state.mn.us)

Michael Johnson, Pension Analyst  
(651) 282-5430

[Michael.Johnson@osa.state.mn.us](mailto:Michael.Johnson@osa.state.mn.us)

Blake Pekkala, Pension Intern  
(651) 296-6279

[Blake.Pekkala@osa.state.mn.us](mailto:Blake.Pekkala@osa.state.mn.us)

Gail Richie, Office & Admin Assistant  
(651) 282-6110

[Gail.Richie@osa.state.mn.us](mailto:Gail.Richie@osa.state.mn.us)

Rose Hennessy Allen, Pension Director  
(651) 296-5985

[Rose.Hennessy-Allen@osa.state.mn.us](mailto:Rose.Hennessy-Allen@osa.state.mn.us)