

2019 Legislative Update

for Volunteer Fire Relief Associations

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Introduction

The Omnibus Pension and Retirement Bill signed into law on May 30, 2019, contains a number of provisions that affect volunteer fire relief associations. Many of the changes were recommended by the Volunteer Fire Relief Association Working Group, which is annually convened by the Office of the State Auditor (OSA). The Working Group proposals included policy changes to law that impact relief associations, as well as technical updates to the statutes.

Will We Need to Make Changes to Our Bylaws?

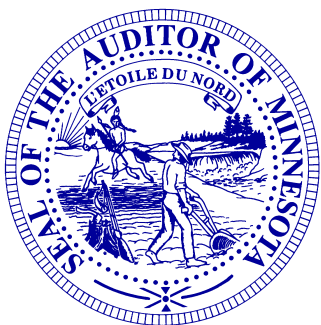
The technical updates may not require changes to your relief association's bylaws, unless your bylaws reference the specific statutory citations or quote provisions that have been changed. Our [Selected Relevant Statutes booklet](#) has been updated to reflect the 2019 changes. The booklet will help your relief association to compare its bylaw language with the new statutory language.

The OSA's [Sample Bylaw Guides](#) have been updated to reflect the recent law changes. The bylaw guides are available in both MS Word and PDF formats on our website at. Relief associations should consult with an attorney for answers to specific questions regarding their bylaws.

Click [HERE](#) to view a copy of the 2019 Omnibus Pension and Retirement Bill. The relief association provisions are located in Article 4.

Fire State Aid Provisions

The Department of Revenue worked on legislation that was passed into law during the 2019 Legislative Session that recodifies the fire state aid and police state aid provisions. Fire state aid and police state aid provisions had been combined in one section in statute, which also contained other provisions unrelated to either aid program. Now, fire state aid provisions have been moved to the newly-created Chapter 477B, and the police state aid provisions have been moved to the newly-created Chapter 477C. Only technical updates were made as part of this recodification.



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

Vesting Requirements

Beginning on January 1, 2020, relief associations with a defined benefit plan may elect to offer fully (100 percent) vested service pensions to members who have completed at least ten years of active service. Previously, members of defined benefit plans were required to complete at least 20 years of active service for full vesting.

Permitting a shorter vesting requirement is seen by some as a way to help fire departments that are facing challenges in the recruitment and retention of firefighters. The new law is permissive, rather than mandatory, and provides relief associations with flexibility to address the needs of their communities.

For example, a relief association may choose to provide partial (reduced) vesting after five years of service and full vesting after 15 years of active service. Or, a relief association may choose to offer only fully vested service pensions, and offer them to members with at least ten years of active service. A relief association could choose to make no change, and continue requiring 20 years of active service for full vesting.

The vesting requirements for defined contribution plans were changed during the 2004 Legislative Session. Defined contribution plans have been allowed since the 2004 law change to provide fully-vested service pensions to members with at least ten years of active service.

Members of both defined benefit and defined contribution plans must still have at least five years of active service for a partially-vested service pension.

Relief associations electing to change their requirements for full vesting must do so by amending their bylaws. The OSA's Sample Bylaw Guides provide several options that relief associations may use as a reference when considering bylaw changes.

Finally, both the defined benefit and defined contribution vesting provisions were rewritten to make them more clear, and to prohibit a relief association from requiring more than 20 years of active service for full vesting.

Section: Minn. Stat. § 424A.016, subd. 3 (defined contribution plans) and Minn. Stat. § 424A.02, subd. 2 (defined benefit plans).

Effective Date: January 1, 2020.

Sample Bylaw Guide

See Article VI of the Sample Bylaw Guides for sample language regarding vesting requirements and sample vesting tables.

Sample Bylaw Guide

See Article V, section 3 of the Sample Bylaw Guides for sample language prohibiting the receipt of concurrent service credit.

Benefit Levels for Firefighters with a Break in Service

Service pensions are required to be calculated using the benefit level in effect on the date that a member separates from active fire department service and relief association membership. Separating from active service means that a firefighter permanently ceases to perform firefighting duties with the fire department.

Sometimes, a member incurs a break in service or leave of absence at the end of the individual's firefighting career, and then resigns or is terminated without there being a resumption of active service. Prior to the law change discussed below, the benefit level used to calculate the service pension in these instances was the benefit level in effect on the date of the member's resignation or termination, which may have been higher than the benefit level in effect when the member was last active.

To avoid situations where firefighters share in benefit increases when not actively serving, a change was made so that if a member has a break in service or leave of absence at the end of the individual's firefighting career, the benefit level in effect when the firefighter began the break or leave is used to calculate benefits. This means that the benefit level when the member last was active is used to calculate the member's service pension if there is a break in service or leave of absence at the end of that individual's firefighting career.

In addition, a definition of "break in service" is added to statute, as this phrase was not previously defined.

Section: Minn. Stat. § 424A.001, subd. 9a (new break in service definition) and Minn. Stat. § 424A.015, subd. 6.

Effective Date: January 1, 2020.

Return to Service

Technical changes were made to clarify the provision for firefighters who resume active service after a break in service or leave of absence. In addition, the "return to service" provision was modified so that a relief association, if it wishes, may provide a shorter vesting requirement for firefighters who resume active service after being paid a service pension or disability benefit.

(See continuation on next page.)

Sample Bylaw Guide

See Article II, section 10 of the Sample Bylaw Guides for sample language defining vesting requirements for members who resume active service after receipt of a service pension or disability benefit.

Return to Service—Continued

Allowing relief associations to define shorter vesting requirements for members who resume active service and membership after being paid a service pension or disability benefit helps keep firefighters in the fire service.

If a relief association amends its bylaws to define a shorter vesting requirement, a firefighter must wait at least 60 days following receipt of the service pension or disability benefit before resuming active firefighting with the fire department and active membership in the relief association. In addition, the shorter vesting requirement applies only to firefighters who resume active service with the same fire department after receipt of a service pension or benefit. Upon the resumption of service and membership, the firefighter starts over for pension purposes as a new member.

Relief associations electing to define shorter vesting requirements for these “return to service” members have the authority to define the minimum service requirements as they wish in the bylaws.

Section: Minn. Stat. § 424A.01, subd. 6.

Effective Date: January 1, 2020.

Additional Information: See the OSA’s [Statement of Position on Return to Service for Members of Fire Relief Associations](#).

Audit Requirements

Statute was clarified to make clear that audits for relief associations must include a legal compliance audit using the OSA’s legal compliance audit guide. Audits for relief associations must follow the minimum audit procedures prescribed by the OSA.

Relief associations with assets or liabilities of at least \$500,000, or assets or liabilities that have exceeded this threshold in a prior year, require an annual audit.

Section: Minn. Stat. § 69.051, subd. 1.

Effective Date: May 31, 2019.

Additional Information: See the OSA’s [Legal Compliance Audit Guide for Relief Associations](#).

Sample Bylaw Guide

See Article VIII, section 2 of the Sample Bylaw Guides for sample language regarding supplemental survivor benefits.

Supplemental Benefits

When a relief association pays a lump-sum survivor benefit to a surviving spouse or to a surviving child or children, the relief association is required to also pay a supplemental survivor benefit. The supplemental survivor benefit is equal to 20 percent of the survivor benefit amount, up to a maximum of \$2,000. Prior to this law change, if the survivor benefit was paid to a designated beneficiary or to an estate, no supplemental benefit was payable.

The intent of the supplemental benefit is to help offset state income taxes that must be paid on a pension or benefit distribution. Designated beneficiaries and individuals who receive a distribution through an estate likely have the same tax concerns or obligations as other recipients of a service pension or survivor benefit.

Therefore, a change was made to expand eligibility for supplemental survivor benefits to include designated beneficiaries and estates. Relief associations apply for reimbursement from the State of Minnesota for supplemental survivor benefits paid to qualified recipients.

Recipients of a lump-sum service pension or disability benefit receive a supplemental benefit equal to ten percent of the service pension or benefit amount, up to a maximum of \$1,000.

Section: Minn. Stat. § 424A.010, subd. 1.

Effective Date: January 1, 2020, and applies to supplemental benefits paid by a relief association in 2019 and thereafter for the death of an active or deferred volunteer firefighter that occurred on or after January 1, 2019.

Additional Information: See the OSA's Statement of Position on [Supplemental Benefits for Volunteer Firefighters](#).

Investment Reporting Threshold

The threshold at which additional investment reporting is required to the OSA was changed from \$25 million to \$50 million.

Section: Minn. Stat. § 356.219, subd. 3.

Effective Date: January 1, 2020,

Sample Bylaw Guide

See Article VII, sections 1 and 4 of the Sample Bylaw Guides for sample language defining survivor and disability benefits for deferred members.

Benefit Levels for Deferred Member Ancillary Benefits

Ancillary benefits are disability and survivor benefits. The ancillary benefit provision for relief associations with a defined-benefit plan has been updated to provide clarity for deferred member ancillary benefits.

The benefit level used to calculate deferred member disability and survivor benefits must be the benefit level specified in the bylaws.

If a relief association's bylaws do not specify a benefit level for deferred member ancillary benefits, the disability benefit or survivor benefit must be calculated using the benefit level in effect on the date of the member's separation from active service and membership (or the benefit level in effect when the member last was active if there was a break in service or leave of absence at the end of the individual's firefighting career).

Section: Minn. Stat. § 424A.02, subd. 9.

Effective Date: January 1, 2020.

Additional Information: See the OSA's Statement of Position on [Survivor Benefits for Volunteer Firefighters](#).

Pension Division Staff

If you have questions, please contact us:

Michael Johnson, Pension Analyst

(651) 282-5430

michael.johnson@osa.state.mn.us

Molly Resch, Pension Analyst

(651) 297-2765

molly.resch@osa.state.mn.us

Maia Dabney-Miller, Pension Analyst

(651) 284-3423

maia.dabney-miller@osa.state.mn.us

Robin Paulsen, Administrative Specialist

(651) 296-6267

robin.paulsen@osa.state.mn.us

Rose Hennessy Allen, Pension Director

(651) 296-5985

rose.hennessy-allen@osa.state.mn.us