



# Maximum Benefit Levels for Fire Relief Associations

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This time of year, many relief associations are busy completing annual reports filed with our office. As part of the reporting process, relief association trustees review their finances, and may consider whether to seek approval for a benefit level increase. We want to let you know about a law change enacted last year that increased the maximum allowable benefit level from \$10,000 to \$15,000 per year of service, with incremental amounts added between these levels.

## Maximum Benefit Worksheet

When establishing an annual benefit level, relief associations must be sure not to exceed the maximum benefit level authorized by State law. Exceeding the authorized benefit level can lead to a loss of fire state aid, and require collection of any benefit overpayments.

A relief association's maximum allowable benefit level for a given year is determined using a formula that is based on the fire state aid and municipal contributions received, the surplus amount (if any), and the number of active members. Each relief association performs the maximum benefit calculation on or before August 1 as part of its annual certification of the financial requirements and minimum municipal obligation.

The Office of the State Auditor (OSA) provides the Maximum Benefit Worksheet to help relief associations perform this calculation. The worksheet calculates the maximum benefit level that a relief association may establish for the year.

A relief association does not have the legal authority to set a benefit level higher than the maximum level, even if the benefit level is ratified by the affiliated municipality.

## Statutory Penalties for Payments above the Maximum

State law requires that severe penalties be imposed if a relief association pays a service pension that uses a benefit level above the maximum allowable benefit level. The penalties required by statute for payment above the maximum level are: 1) required recovery by the treasurer of the overpaid amount from all retired firefighters who received an overpayment; and 2) disqualification from receiving the next apportionment of fire state aid.

Because of these penalties, it is very important for relief association trustees and municipal officials to monitor maximum benefit levels when considering a benefit level change.



## **Establishing a Benefit Level**

If a relief association's board of trustees determines that a benefit level change is appropriate after calculating the maximum allowable benefit level and running financial projections, the board of trustees would make the change by approving it during a board meeting. Relief associations should follow the amendment procedures set forth in their bylaws and follow Open Meeting Law requirements to amend the bylaws and approve the change.

The next step in making a benefit level change is to seek ratification of the change from the affiliated municipality or independent nonprofit firefighting corporation. Ratification of a benefit level change is usually required before the new benefit level becomes effective. Relief associations should provide a bylaw amendment containing the benefit level change approved by the relief association's board of trustees to the city council, town board, or board of the independent nonprofit firefighting corporation for ratification. The city council, town board, or independent board can choose to ratify the benefit level change or choose not to ratify the change.

If the bylaws containing the benefit level change are ratified, the municipality or independent nonprofit firefighting corporation becomes responsible for ensuring the special fund has sufficient assets to cover approved benefit levels. Depending on a relief association's finances, the municipality or independent nonprofit firefighting corporation may be required to make contributions to the special fund so that the relief association has the assets needed to pay benefits at the approved benefit level.

## **Additional Information**

Helpful information about maximum benefit levels and changing benefit levels is provided in two Statements of Position on the OSA website. Go to [www.osa.state.mn.us](http://www.osa.state.mn.us). Choose the "Training + Guidance" menu option, and then select "Statements of Position." Statements entitled "Maximum Benefit Levels" and "Considerations When Making Benefit Changes" are posted under the "Pensions" heading.