



JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
[state.auditor@osa.state.mn.us](mailto:state.auditor@osa.state.mn.us) (E-mail)  
1-800-627-3529 (Relay Service)

Fall 2019 Issue

Article for *Minnesota Fire Chief*

---

### **New Law Allows Shorter Vesting Requirements**

*By Julie Blaha, State Auditor*

You may be familiar with the Volunteer Fire Relief Association Working Group that the State Auditor convenes each fall. The Working Group has been meeting for fifteen years now, and has recommended important legislative changes that help relief associations be successful. In this article, I would like to highlight one change initiated by the Working Group that was passed into law this year, and will go into effect on January 1, 2020.

#### **Requirements for Full Vesting**

Currently, firefighters who belong to a defined benefit relief association must complete at least 20 years of active fire department service to be eligible for a fully vested (unreduced, 100 percent) service pension at retirement. As fire departments struggle with recruitment and retention issues, and as firefighters have become more mobile and move among communities more frequently, questions have arisen about whether the 20-year service requirement for full vesting is still appropriate.

Relief associations that provide a defined contribution, or split-the-pie, service pension have had authority since 2004 to provide fully-vested service pensions after as few as ten years of active service, further calling into question the 20-year requirement for defined benefit relief associations.

After seeking input from fire service organizations, municipal officials, and relief association trustees, the Working Group decided to pursue a change. The new law that goes into effect on January 1 gives relief associations the option to allow full vesting after at least ten years of active service. The new law gives communities that are trying to retain firefighters another tool in their toolbox.

#### **Bylaw Considerations**

A relief association changes its vesting requirements by amending the bylaws. When amending the bylaws, a relief association must decide whether to provide service pensions only to firefighters who are fully vested, or to also provide reduced service pensions to firefighters who serve for at least a minimum length of time—that minimum being specified in the bylaws. Providing service pensions only to firefighters who are fully vested is an “all or nothing” approach, which may be appropriate based on the fire department staffing models and other components of the firefighter’s compensation.

A relief association cannot require more than 20 years of active fire department service for full vesting, and under the new law can offer full vesting after as few as ten years of active service.

Currently, most relief associations provide reduced service pensions to firefighters who serve for at least a minimum length of time, but not long enough to be fully vested. Service pensions for these firefighters are partially vested, meaning that the firefighter is entitled to only a specified percentage of the service pension amount. Vested percentages are based on the firefighter’s completed years of active service.

A relief association electing to allow partial vesting must require at least five years of active fire department service and at least five years of active relief association membership. The maximum vesting percentage that can be offered for a firefighter with five years of service is 40 percent. A relief association can choose to require a longer length of service for partial vesting.

Updated Sample Bylaw Guides that provide sample vesting language and vesting percentages will be available on the Office of the State Auditor (OSA)’s website this fall. Relief associations can use these guides as a reference when amending their bylaws.

## **Moving Ahead**

We will keep you updated about the Working Group’s activities and any law changes through our weekly E-Update, our monthly Pension Division Newsletter, and regular articles in the [Fire Chief](#). The Working Group meetings are open to the public, and anyone is welcome to attend. Working Group information, including meeting minutes and materials, can be found on the OSA’s website at [www.auditor.state.mn.us](http://www.auditor.state.mn.us). On the homepage select “Fire Relief Association Working Group” under the “Meeting Notices and Materials” heading.

If you have any questions regarding the new vesting law that goes into effect in January, please do not hesitate to contact my Pension Division staff at (651) 282-6110 or at [pension@osa.state.mn.us](mailto:pension@osa.state.mn.us).