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Article for Minnesota Fire Chief

Combined Service Pensions for Volunteer Firefighters

By Rebecca Otto, State Auditor

In the past year, the Office of the State Auditor has received an increase in questions regarding combined service pensions and how they work. The increase may be due to economic downturn and people having to relocate for jobs. The following article describes in detail how combined service pensions work in Minnesota for Volunteer Fire Relief Associations.

How Combined Service Pensions Work

Minnesota law provides authority for defined-benefit relief associations to pay a combined service pension to members with service in more than one volunteer fire department. To pay a combined service pension, the bylaws of each participating relief association must be amended to provide for the combined service pension payments.

In addition, 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. A volunteer firefighter may receive a prorated pension from multiple volunteer firefighter associations so long as the requirements of the statute are met.

When a combined service pension is payable, assets are *not* transferred between or among relief associations. 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 calculated for other retiring members, except that years of service among all participating relief associations are combined for vesting purposes. As for other retiring members, each pension is based on the service pension amount in effect for the relief association on the date on which active volunteer firefighting services covered by that fire department terminate.

Years of service are combined for vesting purposes, so 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 and paid until the member permanently ceases all firefighting duties. Transferring pension assets from one relief association to another is not authorized without special legislation.

Examples

Let's look at an example. A member serves for ten years with one volunteer fire department and then serves for an additional five years with another volunteer fire department. The affiliated relief associations of both fire departments offer vesting after ten completed years of service, and both have amended their bylaws to offer combined service pensions. When the member ultimately retires from the second fire department, he or she will receive two pension payments, one from each affiliated relief association.

The pension from the first relief association is based on ten years of service (the time served with that particular fire department) and the benefit level in effect with that particular relief association when the member separated. The vesting percentage, however, is based on the combined 15 years of service, rather than just the ten years served with the first fire department.

In this example, the member would also receive a service pension from the second relief association based on the five years served with the second fire department. The pension would be calculated at five years times the benefit level in effect when the member separated from service with the second fire department. The vesting percentage used in the calculation would again be based on the combined 15 years of service, rather than just the five years served with that fire department.

Let's consider another example. A member serves for two years with one volunteer fire department and then serves for an additional three years with another volunteer fire department. The affiliated relief associations of both fire departments offer vesting after five completed years of service, and both have amended their bylaws to offer combined service pensions. This member would be eligible for a combined service pension because the member is vested based on his or her combined total years of service.

The service pension payable from both relief associations will be based on the years served with each particular fire department and the benefit level in effect in each particular relief association when the member separated. The vesting percentage used for both pensions will be based on the combined total five years of service.

Additional Information

For further information regarding combined service pensions, see Minnesota Statutes, section 424A.02, subdivision 13, at <u>https://www.revisor.mn.gov/statutes/?id=424A.02</u>.

If you have questions about combined service pensions, please contact Rose Hennessy Allen of our Pension Division at (651) 296-5985 or at <u>Rose.Hennessy-Allen@osa.state.mn.us</u>.