



# Pension Division Newsletter

September 2020

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## 2020 Fire and Supplemental State Aid

The Office of the State Auditor (OSA) is pleased to announce that nearly 75 percent of volunteer fire relief associations and other pension plans met all reporting requirements to be certified as eligible for the Department of Revenue to determine their qualification for 2020 fire and supplemental state aid in the first round of aid disbursements. Both state aid distributions will occur on or about October 1 for those plans certified by the OSA and deemed by the Department of Revenue as qualified to receive state aid.

A list of the 2020 fire and supplemental state aid amounts will be posted on the [OSA's website](#) at the end of September. A notice will be sent by e-mail when the state aid list is posted.

If your relief association has not yet submitted its 2019 reporting-year forms to the OSA, please do so as soon as possible. The second certification deadline for 2020 fire and supplemental state aid is November 1.

To be certified as eligible for receipt of state aid in the second round of payments, a relief association must have submitted all required 2019 reporting information to the OSA with enough time for the OSA to complete its review and for all issues identified by the OSA to have been satisfactorily resolved by the relief association before November 1.

## State Auditor's Working Group

The first meeting of the Volunteer Fire Relief Association Working Group convened by the OSA is set for October 6 from 11:00 a.m. to 12:30 p.m. The meetings will be held remotely via Zoom, and will be live-streamed for those who are interested in watching. The live-stream link, and the meeting agendas and materials, will be available on the Working Group page of the [OSA website](#) a few days before each meeting date. If you have questions or would like to speak on any of the agenda topics, please send us an [e-mail](#).

Additional Working Group meetings have been scheduled for October 20, November 10, November 17, and December 15.

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**What's Ahead:****October 1:**

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

**October 6:**

Working Group meeting from 11:00 a.m. to 12:30 p.m. via Zoom.

**October 20:**

Working Group meeting from 11:00 a.m. to 12:30 p.m. via Zoom.

**November 1:**

Second certification deadline for 2020 fire state aid.

**November 30:**

Final deadline for submitting 2019 reporting-year forms to avoid forfeiture of fire state aid.

**Defined Contribution Plan Law Changes**

The [2020 Pension and Retirement Bill](#) that was passed into law in May includes changes to investment return allocations for members of relief associations with a defined contribution plan. Inactive members and deferred members must now be credited with investment returns on the assets of the special fund. Note that these changes apply to defined contribution plans only; no changes were made to interest options for defined-benefit plan members.

Investment gains or losses for **inactive members** must be credited on a pro rata basis, in proportion to the share of the special fund assets to the credit of each individual inactive member account. This means that investment returns for inactive members must now be allocated in the same manner as investment returns are credited to active members. This law change affects allocations to inactive members beginning with the 2020 Defined Contribution Allocation Table.

Beginning January 1, 2021, **deferred members** of defined contribution plans must be credited with investment returns. *This new requirement applies to members who are currently deferred, and to future deferred members.* There are three options for crediting investment returns to defined-contribution plan deferred members. The options are:

1. Crediting the rate actually earned on a separate investment account;
2. Crediting the rate actually earned on a separate investment vehicle;
3. Crediting full investment gains and losses, allocated in the same manner as for active members.

If a relief association's bylaws do not define a method for crediting investment returns, deferred members will be credited with full investment gains and losses under option 3 above, beginning on January 1, 2021. If a defined contribution plan does not currently provide investment returns to its deferred members and wishes to credit deferred members with the rate actually earned on a separate investment account or separate investment vehicle, the bylaws must be amended to reflect the relief association's intent.

Additional information on these options for crediting investment returns to deferred members is provided in the OSA's Statement of Position. Additional information regarding the 2020 law changes will be provided later this year in our Legislative Update.

## Relief Association Plan Types

**Statements of Position:**

[Allocations and Deductions for Defined Contribution Plans](#)

[Management of Records](#)

[Special and General Funds, and Charitable Gambling Funds](#)

[Return to Service for Relief Association Members](#)

Questions occasionally arise regarding the type of pension plan that a relief association administers. A relief association’s plan type is characterized by how the plan is funded. Relief associations can either be defined-benefit retirement plans or defined-contribution retirement plans. A defined-benefit retirement plan provides a retirement benefit that is predetermined based on a formula. The unknown variable for a defined-benefit retirement plan is the amount of funding needed to support the predetermined benefits. Benefits are primarily funded through a combination of fire state aid, municipal contributions, and investment earnings. When revenue from one of these funding sources decreases, pressure may be put on the other funding sources to make up the difference.

Relief associations electing to administer defined-benefit retirement plans are further characterized by how benefits are paid. Defined-benefit retirement plans may either pay benefits as a one-time lump-sum payment or as a monthly payment made from the time of retirement until the member’s death.

A defined-contribution retirement plan provides a retirement benefit with a predetermined amount of funding. The unknown variable for a defined-contribution retirement plan is what a member’s benefit amount will be at retirement. The benefit amount is equal to the member’s individual account balance at the time of retirement. Members of defined-contribution plans receive equal shares of state and municipal contributions and prorated shares of investment earnings. Account balances vary from year to year based on the relief association’s investment performance, revenues, and expenses. Members of a defined-contribution plan receive a one-time lump-sum payment when they retire.

## Pension Division Staff

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