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### **Disability Benefits for Volunteer Firefighters**

*By Rebecca Otto, State Auditor*

Volunteer fire relief associations exist to pay service pensions to retiring volunteer firefighters. Nearly all relief associations in Minnesota also provide for the payment of a survivor benefit following the death of an association member and a disability benefit should an association member become permanently disabled. In this column I'll share more information about disability benefits.

#### **Bylaws are Important**

Minnesota law sets a broad framework that relief associations must operate within. It is up to each individual relief association, through its bylaws, to define the specific benefit amounts and requirements for eligibility. A relief association's bylaws, along with its articles of incorporation, are the governing documents of the pension plan. It is very important that a relief association's bylaws be crafted in accordance with state statutes and to accurately reflect the association's intent. This is especially true when it comes to disability benefits. Occasionally, the Office of the State Auditor (OSA) receives an inquiry from a relief association trustee after an association member becomes disabled, and the trustee is surprised to discover that the association's bylaws do not permit a payment to the disabled member.

If a relief association elects to pay disability benefits, the bylaws must clearly state that disability benefits are provided and state the benefit amount (see sections below). The bylaws should clearly indicate whether the benefits are for active members only, or for active and deferred members. The bylaws should also define whether the benefits are limited to a disability incurred while in the line of duty, or are provided following any permanent disability.

Relief association trustees should work with an attorney when drafting disability benefit bylaw provisions and defining disability benefit qualifications. Before making payments,

relief associations should consult an attorney for guidance in making a determination about a member's qualification and eligibility for a disability benefit.

### **Disability Benefits for Active Members**

Minnesota law requires that disability benefits for active members be equal to the member's total earned benefit or total account balance. This means that disability benefits for active members are not reduced for members with fewer than 20 years of active service.

In a defined benefit plan, the active-member disability benefit is equal to the member's completed years (and months, if applicable) of active service multiplied by the benefit level in effect at the time of the member's disability. Defined benefit plans include lump-sum, monthly, and monthly/lump-sum relief associations.

In a defined contribution plan, the active-member disability benefit is equal to the member's total account balance at the time of the member's disability.

After a member has begun receiving a service pension, the member is no longer eligible to receive a disability benefit.

### **Disability Benefits for Deferred Members**

Defined benefit plans that elect to pay disability benefits to deferred members have some flexibility to define the disability benefit amount. The disability benefit amount may not exceed the total earned service pension of the disabled member. Most relief associations specify in their bylaws that a disability benefit equal to the member's deferred service pension amount will be paid to the disabled deferred member. This means that, if the member was not yet fully vested, the member would be paid the vested amount.

Defined contribution plans that elect to pay disability benefits to disabled deferred members must pay the vested account balance as the disability benefit.

Service pensions and benefits for deferred members are required to be calculated according to the bylaw provisions in effect when the member separated from active service and membership. A relief association therefore cannot change its bylaws after a member has become deferred to provide deferred-member disability benefits for that member. This is why it is very important for a relief association to make sure that its bylaws accurately reflect the association's intent.

### **Temporary Disability Benefits**

Some relief associations allow for the payment of short-term, or temporary, disability benefits. Temporary disability benefits are generally provided only to active members,

and are equal to a defined amount for a limited, specified period of time. For example, a temporary disability benefit could be equal to \$100 per week, for up to ten weeks.

### **Insurance Policies**

Some relief associations are providing their members with disability insurance coverage instead of disability benefits paid through the association. This eliminates the burden on a relief association's board of trustees to make determinations about a member's qualification for a disability benefit.

Relief associations are permitted to use Special Fund assets to purchase insurance premiums to provide the association membership with casualty insurance coverage. The insurance coverage can be in lieu of or in addition to disability benefits offered by the relief association itself. The insurance coverage can be provided by the state Volunteer Firefighters Benefit Association or by an insurance company licensed by the State of Minnesota offering casualty insurance.

### **Sample Bylaw Guides**

The OSA provides a series of sample bylaw guides to assist relief associations. The guides are designed to be used as a reference when developing, updating, and revising bylaws and are regularly updated to reflect current State law. The guides include sample permanent and temporary disability benefit options.

Sample bylaw guides are available on the OSA website in both MS Word and Adobe PDF formats. To view the guides, go to [www.auditor.state.mn.us](http://www.auditor.state.mn.us). On the home page select the menu item "For Local Officials" and click on "Pension Documents." You will find the guides under the "Bylaw Guides" heading.