



# Maximum Benefit Level Changes

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New law alert: next year relief associations with a defined benefit lump-sum or monthly pension plan will have more flexibility when setting benefit levels. If you are a member or trustee of a relief association impacted by these changes, take a look and reach out to my Pension Division team with any questions.

## Maximum Benefit Levels

The 2022 Pension and Retirement Bill that was passed into law in May includes changes that will eliminate the requirement that each relief association with a defined benefit plan annually determine its maximum allowable benefit level. Relief associations had questioned the appropriateness of the calculation used to determine the maximum allowable benefit level, as it did not take into consideration a relief association's funded status or amount of assets available to pay for benefit level increases. Because these factors were not considered, the calculation sometimes produced odd results: relief associations with large surpluses being unable to increase benefits; or relief associations with deficits seemingly able to afford large increases.

After the 2022 law changes go into effect on January 1, 2023, a relief association will no longer be required to calculate a maximum allowable benefit level specific to its plan. Instead, all relief associations will be held to the same maximum allowable benefit levels, which are \$15,000 per year of service for lump-sum benefits or \$100 for monthly benefits. This provides relief associations and their affiliated municipalities with the ability to evaluate a potential benefit level change by considering the plan's funded status, contribution requirements, recruitment and retention needs, and any other local factors.

It is, and will continue to be, important for relief association and municipal trustees to obtain information they need to make an informed decision when considering a benefit level change. Many trustees work with their financial or investment consultants to run projections showing the impact a potential benefit level change could have on a relief association's funded status and financial requirements. After a relief association's board of trustees and the affiliated city council or town board ratify a benefit level change, the city or town is required to make any contributions needed to fully fund the approved benefits. A relief association cannot set a benefit level higher than the maximum allowable benefit level, even if the benefit amount is ratified by the municipal governing board.

## Additional Information

We are working to incorporate recent law changes into the educational materials posted on the Office of the State Auditor's website, and are considering tools to help trustees run financial projections. Watch for updates in the Pension Division Newsletter that we release by email each month. If you have questions, or would like to sign up to receive our newsletter updates, please contact our Pension Division at (651) 296-5985 or at [pension@osa.state.mn.us](mailto:pension@osa.state.mn.us).