

June 24, 2014

## **FREQUENTLY ASKED QUESTIONS:**

### **Proposed Amendments to Monthly Payments under the Length of Service Award Program**

**How do the amendments to the County's Length of Service Award Program (LOSAP) change the amount of the benefit paid to volunteers?**

The monthly benefit paid to volunteers who have reached age 50 and have 25 or more years of certified active service, called the "base payment," is being transitioned from a flat amount of \$250. Effective January 1, 2015, the base payment will change to 1% of the current starting salary of a trainee in the Department of Fire and Rescue Services (\$47,823). This means that, effective January 1, 2015 the base payment for qualified volunteers will be \$478 per month payable for life.

The benefit paid to volunteers who have more than 25 years of certified active service, \$10 per month payable for life for each additional year of service, will now require the volunteer to meet minimum operational training requirements.

**Can you give me an example?**

Yes. Joe, who has 35 years of certified active service as a volunteer firefighter, requested to begin receiving LOSAP benefits on January 1, 2014. He was eligible for the base payment of \$250 per month for life plus an additional \$10 per month for his 10 years of additional service. Joe's total LOSAP benefit during 2014 is \$350 per month for life.

If this amendment is adopted, then effective January 1, 2015, the base payment will increase to \$478 per month for life (based on the starting salary of a trainee in effect on that date) plus an additional \$10 per month for his years of additional service over 25. Joe's total LOSAP benefit during 2015 will be \$578 per month.

**Will LOSAP benefits increase when the starting salary of a firefighter trainee increases?**

Yes, the base payment will increase. In Joe's case, if the starting salary of a firefighter trainee increases, the base payment will also increase.

**Is there any point which the base payment will freeze?**

Yes. The Internal Revenue Code places a limit on the maximum benefit that can accrue to a volunteer for a year of service. To ensure compliance with the Internal Revenue Code limit, the amendment includes a detailed and technical calculation, based on

reasonable actuarial assumptions. Under the calculation, the base payment will not exceed \$808.77. This means that when the annual starting salary of a firefighter trainee exceeds \$80,877.00, the LOSAP base payment will be frozen at 1% of the annual starting salary of a firefighter trainee immediately before the increase. For example, assume that in fiscal year 2030, the starting salary for a firefighter trainee is \$80,800.00. In fiscal year 2031, the starting salary for a firefighter trainee increases to \$82,000.00. The base payment will be frozen at \$808.00.

**The amendment refers to a "test volunteer." What is a "test volunteer" and why is this important?**

The maximum benefit permitted under the Internal Revenue Code is not the same for every volunteer. For example, volunteers who have 25 consecutive years of volunteer service may have a smaller maximum benefit than volunteers who earned 25 years of service over a 30 year period because it is growing over a shorter period of time. Volunteers who begin volunteer service at age 25, volunteer for 25 consecutive years, and begin receiving the base payment at age 50 have the smallest maximum benefit. These volunteers are referred to in the amendment as "test volunteers." However, the County believes as a matter of policy that all volunteers who are eligible for the base payment should receive the same amount. Therefore, the amendment provides that the maximum benefit for all volunteers will be the same as the maximum benefit for the test volunteers, which is \$808.77 per month.

**Will the total LOSAP monthly benefits be capped at \$808.77?**

No. Only the base payment will be capped. If Joe, who had 35 years of certified service, is receiving LOSAP benefits at a time when the maximum benefit are capped at \$808.00, he is eligible for a base payment of \$808.00 per month, plus an additional \$10 per month for the 10 years of service over 25. Jim's total LOSAP monthly benefit will be \$908.00.

**What happens if the Internal Revenue Code is amended to increase the maximum benefit that can accrue to a volunteer for a year of service?**

The intent of the amendment is to provide a benefit equal to 1% of the annual salary of a firefighter trainee. The limit on the base payment is intended to comply with the requirements of the Internal Revenue Code. If the Internal Revenue Code is amended to increase the limitation on LOSAP benefits, the amendment will provide a benefit equal to 1% of the annual salary of a firefighter trainee to the extent permitted under the increased limit.