

***Everything you ever wanted to know about  
LOSAP Programs.....***

***but were afraid to ask !!!***

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*Vice President, Hometown Firefighter Services*



**HOMETOWN**

***Firefighter Services***



## Length of Service Award Programs (LOSAPS)

- Are pension-like programs increasingly used across the United States.
- LOSAP Programs assist communities in recruiting, retaining and rewarding volunteer firefighters and EMS personnel.
- Nationwide 86 % of all fire departments are volunteer departments.
- Communities are increasingly seeking tools to assist them in boosting the ranks of volunteers.

# New York State Legislation



In the early 1990's the N.Y. State legislature passed laws that allowed Fire Districts, Villages and Towns to establish Length of Service Award Programs (LOSAP).

This legislation became part of the N.Y. State General Municipal Laws

Adoption of a LOSAP Program requires:

- Approval by 60 % of Governing Board of Sponsor (i.e. District).
- Must pass in a Public Referendum which authorizes the expenditure of taxpayer dollars.



**GENERAL MUNICIPAL LAWS OF THE NEW YORK STATE**

- ARTICLE 11-A (Sections 214 – 219 A)  
**Service Award Programs**
- ARTICLE 11- AA (Sections 219 B – 219 I)  
**Defined Contribution Service Award Programs for Volunteer Ambulance Workers**
- ARTICLE 11 – AAA ( Sections 219 J – 219 P)  
**Defined Benefit Service Award Program for Volunteer Ambulance Workers**
- ARTICLE 11 – AAAA (Sections 219 Q – 219 T)  
**Supplemental Service Awards for Volunteer Ambulance Workers and Firefighters**  
***Post Entitlement (AKA LOSAP Part 2)***
- **WEBSITE**

[nys.law.streaver.net/gmu.html](http://nys.law.streaver.net/gmu.html)



# Types of LOSAP Programs

Public Referendum Sponsors (i.e. Fire Districts) had to determine what type of LOSAP Program would be provided to volunteers and be financed.

Two types are available:

## Defined Contribution

- Sponsor commits to between \$ 300. - \$ 1,200. per year is credited to each Firefighter
- Maximum period of 50 years of service.
- Less expensive of two Programs
- Commonly seen in small Departments and Village / Town Departments

## Defined Benefit

- Sponsor commits to contribute between \$ 5. up to \$ 30. per month multiplied by the number of years of service a member volunteers.
- Maximum benefit of 50 years
- Maximum monthly benefit of \$ 1,000.
- More expensive of two alternatives

## **Eligibility**

- All active members of the organization are eligible to participate in the Program
- 18 years of age
- 1 completed year of service

## **Points**

Members must earn 50 points in a calendar year as mandated by NYS General Municipal Laws:

- Department responses
- Training courses and classes
- Drills
- Meetings
- Stand- bys
- Misc. Activities



## LOSAP PROGRAM

- District/ Sponsor can select which activities they want to award points for, but the GML sets the maximum number of points that can be granted.
- Active volunteers earning 50 points annually must be credited with 1 year of firefighting credit.
- Annually the fire company / department is required to submit a list to the sponsoring district of all members who have earned 50 points.
- Board of Fire Commissioners (sponsor) are required to review the list and approve the final annual certification in a Board meeting resolution.
- Firefighters have 30 days to challenge the posted LOSAP points information.
- Thereafter the census of firefighters who have achieved the 50 points is sent to the Program Administrator and Actuary and becomes part of the permanent records of each member (their “accrued benefit”).



## Vesting

<u>Years of Service</u>	<u>Non-Forfeitable %</u>
Less than 5 years	0 %
5 years or more	100 %

*Note that all Members are vested upon reaching entitlement age, death or being declared as disabled.*





## When do benefits (payments ) begin?

- After being in the Plan for at least a year
- Benefits will start when the Member reaches “Entitlement Age”
- Entitlement Age can be between 55 years old through 65 years old.
- Each District(sponsor) must determine the Entitlement Age for their Plan
- Entitlement age can be changed by the sponsor (District), requires a public referendum.



# Tax Considerations

## *Do taxes have to be paid on Benefits?*

### **Federal Taxes**

- All LOSAP Program benefits are subject to federal taxation
- The LOSAP Plan Administrator or Insurance Company will issue a 1099 to the Member annually.
  - 1099 Misc. – if payments are issued from a LOSAP Trust
  - 1099 R – if LOSAP payments are made from an annuity.

### **State Taxes**

Refer to a FASNY publication entitled “The Ins and Outs of LOSAP Tax Exemption”.

Gov. Andrew Cuomo approved legislation exempting the proceeds from LOSAP Program from New York State personal income taxes in the 2014 – 2015 State Budget.

- Lump Sum payments are not exempt.
- Exemption applies to both Defined Contribution and Defined Benefit Plans.
- Must be 59 ½ years old for payments to be exempt
- Recommend sharing a copy of the publication to your tax advisor



# Payment Options

Some LOSAP Programs offer a number of payment options to their Member when they reach “Entitlement Age”. Others offer only 1 option, usually Life with 10 Year Certain.

Examples of Payment Options are:

- Lump Sum payment
  - 5 year fixed period
  - 10 years fixed period
  - Life with 10 year Certain
  - Life annuity
  - Life with 100% Survivor Benefits
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- The payment option that you choose should be one that meets your individual life circumstances.
  - Each option has a “Tax Consideration”.
  - Some options have a “Risk Consideration”.
  - A good Plan Administrator will arrange to counsel each Member individually upon reaching entitlement age.
  - Once an option is selected (like most pension plans) the decision can not be changed.



## Other Benefits

### Pre-entitlement death and disability benefits

Are two immediate benefits of most LOSAP Plans

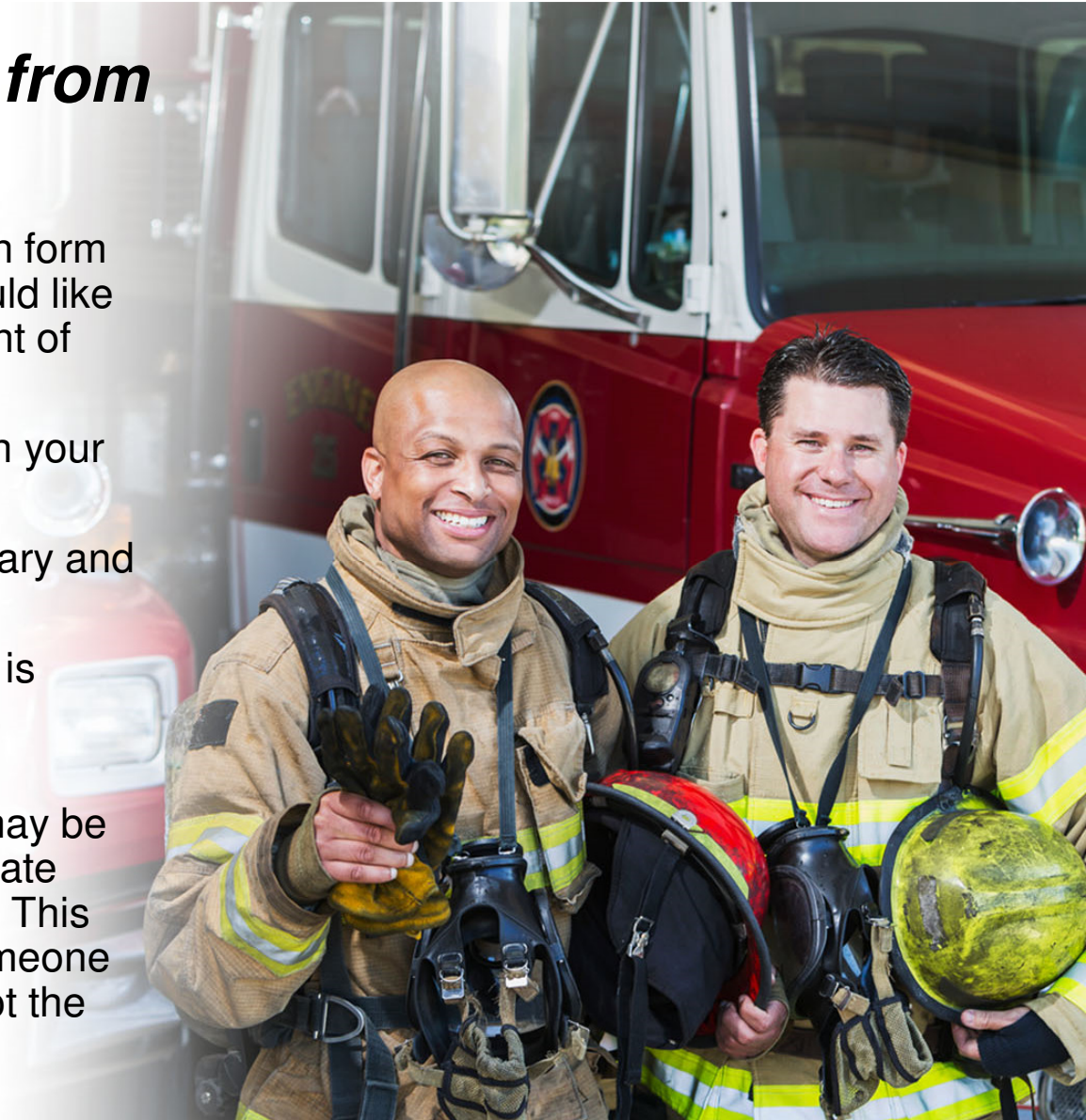
- ❖ If you die before your entitlement age, your beneficiary will receive a minimum death benefit or value of your earned benefit (AKA Accrued Value of Past Service), whichever is the greater. This is not limited to a fire service related death, it will be triggered by death from any cause.
- ❖ If before your entitlement age you become permanently and totally disabled (from any cause) you will receive a cash lump sum benefit based upon your accrued earned benefit. In addition, your life insurance protection from the District (Sponsor) will continue.



## ***Every important take away from this presentation !***

Please ensure that your Beneficiary Designation form is current and identifies the person that you would like to receive your LOSAP Plan benefits in the event of your passing.

- Keep a copy of all your Beneficiary forms with your other important paperwork.
- It is recommended that you designate a Primary and Contingent Beneficiary.
- If a life altering event occurs, reconsider who is identified as a Beneficiary, i.e. birth of a child, divorce, the death of your current beneficiary.
- If you don't deal with this issue, your family may be stuck dealing with the estate laws, the surrogate court or others making claim to your benefits. This situation can be problematic and result in someone getting your hard earned benefits that was not the person of your choice!



# Questions

*Thank You for inviting Hometown  
Firefighter Services to make this presentation  
to your organization !*

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