Fire State Aid Working Group

March 12, 2019

Shana Morse, Public Employees Retirement Association
Jim McCoy, Minnesota State Fire Chiefs Association
Anne Finn, League of Minnesota Cities
Bruce Hemstad, Minnesota State Fire Depts. Assn.
Work Group Established

Minnesota Laws 2018, Ch. 11, Art. 14, Sec. 27

**Purpose:** to study the allocation of fire state aid (FSA) and make recommendations to the LCPR

- The current requirement that all fire state aid provided to municipalities with volunteer firefighters must be used to fund service pensions governed by chapter 353G (PERA-SVF) or 424A (VRFA); and,

- Modifying the requirement to allow municipalities to allocate a portion of the aid to pay employer contributions to the PERA-P&F Plan.
Work Group Requirements

- History and purpose of FSA
- History, purpose, and utilization of Minn. Stat. 2012, sec. 353A.10, which allowed certain municipalities to allocate a portion of FSA to pay PERA-P&F contributions
- The impact on current volunteer firefighters, recruitment and retention, and municipalities
- A presentation by the City of Austin and Austin Relief Association
# Work Group Membership

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<tr>
<th>Representing</th>
<th>Member</th>
<th>Title</th>
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<tr>
<td>League of Minnesota Cities</td>
<td>Anne Finn</td>
<td>Assistant Intergovernmental Relations Director League of Minnesota Cities</td>
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<td>Laurie Hokkanen</td>
<td>Administrative Services Director City of Plymouth</td>
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<td>Minnesota State Fire Chiefs Association</td>
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<td>Fire Chief City of Eagan</td>
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<td>State Program Administrator</td>
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Fire State Aid Background

• **1885:** Fire State Aid program established
  − Primary purpose: benefits for firefighters injured in the line of duty
  − Secondary purpose: support fire department with maintenance and equipment needs

• **1943:** Repealed authority to use for maintaining and equiping fire department

• **1959:** PERA-P&F established

• **1980s-90s:** non-volunteer relief association mergers into PERA-P&F, allocation allowed
  (Minn. Stat. § 353A.10, subd. 6, repealed 2013)
Public Employees Retirement Association of Minnesota

Current Allocation and Use

Funded by surcharge paid by homeowners’ insurance companies on homeowners’ insurance premiums

1. If PERA-SVF:  
   Paid to PERA-SVF

2. If Relief Association:  
   Paid to municipality for transfer to VRFA

3. If PERA-P&F Firefighters:  
   Paid to municipality to use for employer contributions to PERA-P&F

4. If none of the above:  
   Paid to municipality to use for membership fees in firefighter organizations or to maintain/equip fire dept
Growing Issue

• Struggling to find sufficient volunteers, particularly in metropolitan area
• Transitioning to combination of full-time and volunteer creates “combination” department
• More full-time firefighters may increase municipal pension costs and decrease number of volunteers resulting in fewer volunteers receiving full allocation of Fire State Aid
• Some municipalities desire to use FSA to support department’s changing staffing needs
Recommendations

• **General legislation preferred.** Current statutes insufficient. Case-by-case special legislation time consuming, long-term need.

• **Allocation for PERA-P&F contributions should be permissive.** Prescriptive requirements may not work well for all various local situations.

• **Local government autonomy desired.** Allocation allows local governments to determine how to best meet public safety needs.

• **Agreement is key to allocation.** Ensures municipality flexibility and that volunteers are involved in decision-making process.
1/1/2019-12/31/2019
Data year/basis for determining aid amount

12/31/2019
Did municipality make P&F contributions on behalf of at least one full-time firefighter and have a VRFA or participate in PERA-SVF?
Was there a written agreement in place between the municipality and the relief association board acknowledging the allocation? In case of SVF, did majority of active firefighters sign off on allocation?

March 1, 2020
Documents required (written agreements, etc.) submitted to OSA and/or PERA

April 30, 2020
OSA/PERA approves 2020 aid allocation
PERA to provide data on P&F contributions for 2019 to OSA

OSA/PERA receive data, investment information, prepare billings, etc.

Fall 2020
FSA for 2020 paid (based upon 2019 agreement) to either municipality or PERA.
If relief association, municipality must allocate.
If SVF Plan, PERA must allocate.

2021
The OSA will audit municipality allocations made in 2020 and the OLA will audit PERA.

Proposed Allocation of Fire State Aid Flow