



DATE: September 26, 2019
TO: SVFRP Advisory Board
FROM: Amy Streng, Policy Coordinator
SUBJECT: Fire State Aid Allocation

The Fire State Aid Program, funded by a surcharge on homeowner's insurance premiums, is used to help subsidize firefighter pension costs for local governments and fire relief associations. Currently, Minn. Stat. §69.031, Subd. 5 requires the Fire State Aid a municipality receives to be transmitted to either the affiliated Volunteer Relief Association (VFRA) or to PERA if the volunteer firefighters are members of PERA-SVF. If the municipality does not have a VFRA or volunteer firefighters belong to SVF, the municipality may use the Fire State Aid to fund employer contributions for PERA P&F. If the municipality does not have firefighters belonging to VFRA, SVF, or PERA P&F, the municipality can use Fire State Aid for membership fees in firefighter organizations or to maintain/equip the fire department.

Prior to 2013, municipalities with a paid firefighter relief association that had merged into PERA P&F were allowed to allocate an appropriate portion of Fire State Aid to help fund any municipal contributions owed to PERA P&F. However, current statute does not allow for a municipality with both full-time/career and volunteer firefighters to split the Fire State Aid between the VFRA/SVF and PERA P&F.

The Fire State Aid Working Group met to discuss whether municipalities operating a combination fire department should be permitted to use the Fire State Aid for both contributions to a VFRA or a SVF, as well as, for employer contributions to PERA P&F. The Fire State Aid Working Group recommended general legislation that allows for Fire State Aid to be allocated by municipalities for both volunteer pension costs associated with VFRAs and for full-time/career pension costs associated with PERA P&F. The working group recommended that municipalities with at least one full-time PERA P&F eligible firefighter should be allowed to split the Fire State Aid between VFRA and PERA P&F. The working group supported the importance of local autonomy and agreement. Agreement between the municipality and the relief association is paramount to the recommendation of the Fire State Aid Working Group.

However, the LCPR staff has highlighted concerns regarding the implementation of the Fire State Aid Working Group recommendations for SVF. Primarily the issue focuses on the inability for the SVF membership to enter into an agreement/contract with the municipality. The SVF membership lacks the legal standing to negotiate and subsequently agree to an allocation agreement. Therefore questions are raised with the Fire State Aid Working Group recommendations. For example, how does the municipality negotiate with a non-organized group?

Over the course of the summer, options have been discussed between PERA and the LCPR staff to address the issues raised for the SVF. Option one allows for the municipality to select the allocation. The allocation is then put to vote before the active and deferred membership requiring a majority of respondents voting to support the agreement. PERA would administer the vote. This approach allows for the municipality to select the allocation, but still requires the volunteer firefighters' input. However, this approach raises concerns involving the administrative burden for PERA to conduct a difficult vote, and a question whether a majority consent is adequate.

Option two allows for the municipality to decide the allocation after meeting eligibility requirements. Eligibility requirements would require the fund to meet funding level requirements and annual funding requirements. Due to the requirements, only the excess fire state aid would be available for allocation. Once the requirements have been met, the municipality may elect to have PERA divide the eligible Fire State Aid between the SVF account and the PERA P&F. This option would require the municipality to annually elect the amount allocated to the PERA P&F. However, there is no input from the volunteer firefighters. If there is concern regarding the lack of input, an option would be to allow for an appeal process for the volunteer firefighters. If two-thirds of the volunteer firefighters submitted a petition to PERA. PERA would verify the petition, and the split could not occur for that year.

Staff Conclusion

Staff recommends Option Two with further discussion with the Advisory Board regarding the role of the firefighters in the decision.