

# **Minnesota Volunteer Fire Relief Association**

## **Working Group Meeting**

Office of the State Auditor

Tuesday, October 22, 2019

11 a.m. to 1 p.m.

- I. Call to Order**  
*Chair Auditor Blaha.*
- II. Review and Approval of Working Group Meeting Minutes**  
Exhibit A. Draft October 1, 2019 Meeting Minutes
- III. Discussion of Supplemental Benefits for Firefighters Receiving Multiple Distributions**  
Exhibit B.
- IV. Discussion of Uniformity of Benefits Technical Change**  
Exhibit C.
- V. Discussion of Interest or Additional Investment Income for Deferred Members**  
Exhibit D.
- VI. Review of Working Group Topic Rankings**  
Exhibit E.
- VII. Discussion of Fire and Supplemental State Aid**  
Exhibit F.
- VIII. Other Business**
- IX. Next Meeting**  
Friday, November 8, 2019  
11 a.m. to 1 p.m.  
Retirement Systems Building
- X. Adjournment**

# **Volunteer Fire Relief Association Working Group**

Office of the State Auditor

Tuesday, October 1, 2019

11 a.m. to 1 p.m.

## **Members Present**

Julie Blaha, State Auditor

Eric Bullen, Minnesota State Fire Chiefs Association Representative (defined benefit lump sum plans)

Steve Donney, City of Harmony Mayor

Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)

Sue Iverson, City of Lake Elmo Finance Director (by phone)

Dave Jaeger, Mahnommen Fire Relief Association Treasurer (defined benefit lump sum plans)

Ron Johnson, Minnesota State Fire Department Association Representative (defined contribution plans)

Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)

Kevin Wall, Lower Saint Croix Valley Fire Relief Association President (defined benefit lump sum plans)

Thomas Wilson, Eden Prairie Fire Relief Association Trustee (defined benefit monthly/lump sum plans)

## **Members Excused**

Michael Kruse, Falcon Heights Fire Relief Association Treasurer (defined contribution plans)

## **Office of the State Auditor and Legislative Support Present**

Ramona Advani, Deputy State Auditor and General Counsel

Chad Burkitt, Legislative Commission on Pension and Retirement Analyst

Rose Hennessy Allen, Office of the State Auditor Pension Director

Susan Lenczewski, Legislative Commission on Pension and Retirement Executive Director

## **Others Present**

David Andrews, Public Employees Retirement Association Representative

Anne Finn, League of Minnesota Cities Representative

Todd Greseth, Wanamingo Fire Relief Association Representative

Colleen Hartmon Bollom, Harmon & Hartmon Financial Group Representative

Angie Huss, Lockridge Grindal Nauen Representative

Frankie Johnson, Rice Michels & Walther Representative

Emily Knutson, Van Iwaarden Associates Representative

Donald McFarland, Office of the State Auditor Communications and Legislative Affairs Director

Brian McKnight, Parr McKnight Wealth Management Representative

John Michael, Fox 9 Producer

Molly Resch, Office of the State Auditor Pension Analyst

Mike Scott, Eagan Fire Chief

Jeff Skime, Public

Amy Strenge, Public Employees Retirement Association Representative

Mike Stroeing, Public

Kristie Strum, Minnesota Department of Revenue Representative

Megan Thrasher, Office of the State Auditor External Affairs Coordinator

Maddison Zikmund, Spring Lake Park, Blaine, Mounds View Fire Department Representative

The following motions were duly made, seconded and approved:

RESOLVED to approve the December 6, 2018, meeting minutes;

RESOLVED to approve the October 1, 2019, meeting agenda; and

RESOLVED to approve discussion of the four topics forwarded to the Working Group for consideration by the legislature and other agencies.

**I. Call to Order**

Auditor Blaha called the meeting to order.

**II. Introductions**

The Working Group members and others in attendance identified themselves and the communities they represent.

**III. Review and Approval of Working Group Meeting Minutes**

The members reviewed the December 6, 2018, meeting minutes that had been provided in advance. The minutes were then adopted unanimously.

**IV. Working Group Process Discussion**

- Working Group Meeting Schedule

The Working Group members reviewed the meeting schedule and notified Auditor Blaha of potential conflicts.

- Working Group Purpose Statement

The Working Group members reviewed the purpose statement. There were no objections to the purpose statement as drafted.

- Working Group Process

The Working Group members reviewed the process statement. There were no objections to the process statement as drafted.

- Working Group Membership List

The Working Group members reviewed the membership list. Auditor Blaha explained that the list would be posted on the Office of the State Auditor (OSA)'s website. No changes to the list were identified.

The Working Group members voted unanimously to accept the agenda.

**V. Update on 2019 Relief Association Legislation**

Hennessy Allen provided a summary of the Working Group provisions passed into law during the 2019 Legislative Session. Lenczewski provided a summary of other relief association proposals that were discussed during the session.

## **VI. Discussion of Working Group Topic Suggestions**

- Requests from Legislature and Other Agencies

Auditor Blaha explained that two topics were suggested by members of the Legislative Commission on Pensions and Retirement (LCPR), one topic was identified by Lenczewski with the LCPR, and one topic was identified by the Department of Revenue. Hennessy Allen provided a summary of each topic suggestion. The Working Group members unanimously agreed that the four requests from the legislature and other agencies should be discussed by the Working Group this year.

- Requests from Stakeholders

Auditor Blaha explained that the requests from stakeholders were topics forwarded to the Working Group for consideration by relief association trustees, members, municipal officials, consultants, and OSA staff. Hennessy Allen provided the Working Group members with an explanation of each potential topic. Auditor Blaha said that a survey would be sent by email to each Working Group member before the next meeting to rank the topics. The rankings then will be used to set the Working Group priorities for the year.

## **VII. Other Business**

- Supplemental Benefits

Auditor Blaha explained that when a relief association pays a lump-sum distribution, the relief association is also required to pay a supplemental benefit. The supplemental benefit is intended to help offset taxes that must be paid on the service pension or benefit distribution. For service pensions and disability benefits, the amount of the supplemental benefit is equal to 10 percent of the lump-sum distribution, up to a maximum of \$1,000. For survivor benefits, the amount of the supplemental benefit is equal to 20 percent of the survivor benefit distribution, up to a maximum of \$2,000. Relief associations are eligible to apply for reimbursement from the State of Minnesota for supplemental benefits paid to qualified recipients.

Auditor Blaha said that the Department of Revenue has identified a few retired firefighters who have or will be receiving more than one lump-sum distribution. These firefighters either will receive multiple distributions from the same entity, or one distribution from multiple entities. The supplemental benefit statute does not clearly address multiple benefit payments to the same individual.

After discussion, the Working Group members agreed that firefighters who receive one distribution from multiple entities should be eligible for a supplemental benefit with each distribution. The members also discussed whether the \$1,000 maximum should be the maximum for each distribution, or a cumulative maximum. Hennessy Allen and Strum suggested that there may be administrative work required to keep track of a cumulative maximum, as benefits could be paid from either a relief association or the Statewide Plan administered by the Public Employees Retirement Association.

The Working Group members agreed to continue discussion on this agenda item at the next meeting. Working Group members also suggested that installment payments and the definition of a lump-sum distribution be considered.

**VIII. Next Meeting**

Tuesday, October 22, 2019

11 a.m. to 1 p.m.

Retirement Systems Building

**IX. Adjournment**

The meeting was adjourned at 1:00.

## Exhibit B Supplemental Benefits

### Topic:

When a relief association pays a lump-sum distribution, the relief association is also required to pay a supplemental benefit. The supplemental benefit is intended to help offset taxes that must be paid on the service pension or benefit distribution. For service pensions and disability benefits, the amount of the supplemental benefit is equal to 10 percent of the lump-sum distribution, up to a maximum of \$1,000. For survivor benefits, the amount of the supplemental benefit is equal to 20 percent of the survivor benefit distribution, up to a maximum of \$2,000. Relief associations are eligible to apply for reimbursement from the State of Minnesota for supplemental benefits paid to qualified recipients.

The Department of Revenue has identified several retired firefighters who have or will be receiving more than one lump-sum distribution. These firefighters fall into two categories:

- 1) firefighters who receive multiple distributions from the same entity; and
- 2) firefighters who receive one distribution from multiple entities.

The entities may be relief associations or fire departments that participate in the PERA Statewide Plan.

The supplemental benefit statute does not clearly address multiple benefit payments to the same individual. Multiple payments may become more common as more firefighters utilize the “return to service” provisions in statute. It would be helpful for those administering and overseeing supplemental benefits to have clarity on this topic.

The number of supplemental benefit payments and total reimbursement amounts for the most recent five years are provided below:

Year Reimbursement Paid	Number of Entities Requesting Reimbursement	Number of Supplemental Benefits Paid	Total Reimbursed
2019	360	747	\$705,412
2018	330	667	\$631,691
2017	328	622	\$583,942
2016	308	570	\$533,782
2015	341	671	\$625,468

\* Data provided by the Minnesota Department of Revenue

## Considerations:

1. Should firefighters who receive distributions from more than one entity receive a supplemental benefit with each distribution?  
(Yes, per discussion at 10/01 Meeting)
  - a. If "Yes," should the \$1,000 maximum for supplemental benefits be the maximum for each benefit or a cumulative maximum?
2. Should firefighters who receive more than one distribution from the same entity receive a supplemental benefit with each distribution?
  - a. If "Yes," should the \$1,000 maximum for supplemental benefits be the maximum for each benefit or a cumulative maximum?
3. Any additional?

## Statute:

### 424A.10 STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.

Subdivision 1. **Definitions.** For purposes of this section:

(1) "qualified recipient" means a volunteer firefighter who receives a lump-sum distribution of pension or retirement benefits from a volunteer firefighters relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan;

(2) "survivor of a deceased active or deferred volunteer firefighter" means the surviving spouse of a deceased active or deferred volunteer firefighter or, if none, the surviving child or children of a deceased active or deferred volunteer firefighter, or, if none, the designated beneficiary of the deceased active or deferred volunteer firefighter, or, if no beneficiary has been designated, the estate of the deceased active or deferred volunteer firefighter;

(3) "active volunteer firefighter" means a person who:

(i) regularly renders fire suppression service, the performance or supervision of authorized fire prevention duties, or the performance or supervision of authorized emergency medical response activities for a fire department;

(ii) has met the statutory and other requirements for relief association membership; and

(iii) is deemed by the relief association under law and its bylaws to be a fully qualified member of the relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for at least one month;

(4) "deferred volunteer firefighter" means a former active volunteer firefighter who:

(i) terminated active firefighting service, the performance or supervision of authorized fire prevention duties, or the performance or supervision of authorized emergency medical response activities; and

(ii) has sufficient service credit from the applicable relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan to be entitled to a service pension under the bylaws of the relief association, but has not applied for or has not received the service pension; and

(5) "volunteer firefighter" includes an individual whose services were utilized to perform or supervise fire prevention duties if authorized under section 424A.01, subdivision 5, and individuals whose services were used to perform emergency medical response duties or supervise emergency medical response activities if authorized under section 424A.01, subdivision 5a.

**Subd. 2. Payment of supplemental benefit.** (a) Upon the payment by a volunteer firefighters relief association or by the voluntary statewide lump-sum volunteer firefighter retirement plan of a lump-sum distribution to a qualified recipient, the association must pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the contrary, the relief association must pay the supplemental benefit out of its special fund and the voluntary statewide lump-sum volunteer firefighter retirement plan must pay the supplemental benefit out of the voluntary statewide lump-sum volunteer firefighter retirement plan. This benefit is an amount equal to ten percent of the regular lump-sum distribution that is paid on the basis of the recipient's service as a volunteer firefighter. In no case may the amount of the supplemental benefit exceed \$1,000. A supplemental benefit under this paragraph may not be paid to a survivor of a deceased active or deferred volunteer firefighter in that capacity.

(b) Upon the payment by a relief association or the retirement plan of a lump-sum survivor benefit to a survivor of a deceased active volunteer firefighter or of a deceased deferred volunteer firefighter, the association must pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the special fund of the relief association and the retirement plan must pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the retirement fund if chapter 353G so provides. The amount of the supplemental survivor benefit is 20 percent of the survivor benefit, but not to exceed \$2,000.

(c) For purposes of this section, the term "regular lump-sum distribution" means the pretax lump-sum distribution excluding any interest that may have been credited during a volunteer firefighter's period of deferral.

(d) An individual may receive a supplemental benefit under paragraph (a) or under paragraph (b), but not under both paragraphs with respect to one lump-sum volunteer firefighter benefit.

**Subd. 3. State reimbursement.** (a) Each year, to be eligible for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year, the volunteer firefighters relief association or the voluntary statewide lump-sum volunteer firefighter retirement plan shall apply to the commissioner of revenue by February 15. By March 15, the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid by the relief association to qualified recipients and to survivors of deceased active or deferred volunteer firefighters.

(b) The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The

commissioner of revenue shall reimburse the relief association by paying the reimbursement amount to the treasurer of the municipality where the association is located and shall reimburse the retirement plan by paying the reimbursement amount to the executive director of the Public Employees Retirement Association. Within 30 days after receipt, the municipal treasurer shall transmit the state reimbursement to the treasurer of the association if the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the reimbursement payment to the association until the complete financial report is filed. If the association has dissolved or has been removed as a trustee of state aid, the treasurer shall deposit the money in a special account in the municipal treasury, and the money may be disbursed only for the purposes and in the manner provided in section 424A.08. When paid to the association, the reimbursement payment must be deposited in the special fund of the relief association and when paid to the retirement plan, the reimbursement payment must be deposited in the retirement fund of the plan.

(c) A sum sufficient to make the payments is appropriated from the general fund to the commissioner of revenue.

**Subd. 4. In lieu of income tax exclusion.** (a) The supplemental benefit provided by this section is in lieu of the state income tax exclusion for lump-sum distributions of retirement benefits paid to volunteer firefighters.

(b) If the law is modified to exclude or exempt volunteer firefighters' lump-sum distributions from state income taxation, the supplemental benefits under this section are no longer payable, beginning with the first calendar year in which the exclusion or exemption is effective. This subdivision does not apply to exemption of all or part of a lump-sum distribution under section 290.032 or 290.0802.

## Exhibit C

# Uniformity of Benefits Technical Change

### **Current Language (as amended during the 2019 Session):**

#### **424A.03 UNIFORMITY OF VOLUNTEER FIREFIGHTER SERVICE PENSION AND RETIREMENT BENEFITS.**

Subdivision 1. **Limitation on nonuniformity of pensions.** Every partially salaried and partially volunteer firefighters relief association must provide service pensions to volunteer firefighter members based on the years of service of the members not on the compensation paid to the members for firefighting services. Each relief association must provide service pensions to salaried members as set forth in chapter 424 and applicable special laws.

Subd. 2. **Penalties for violations.** A municipality which has a fire department associated with a relief association which violates the provisions of subdivision 1 is directly associated or which contracts with an independent nonprofit firefighting corporation associated with a relief association which violates the provisions of subdivision 1 is a subsidiary may not be included in the apportionment of fire state aid and police and firefighter retirement supplemental state aid payable under chapter 477B and section 423A.022 and may not be included in the apportionment of fire state aid to the various municipalities under section 477B.03.

### **Proposed Language:**

#### **424A.03 VOLUNTEER FIREFIGHTER SERVICE PENSION AND RETIREMENT BENEFITS BASED ON SERVICE.**

Subdivision 1. **Service pensions based on service, not compensation.** A relief association must provide service pensions or retirement benefits to its members based on the years of service of the members, not on the compensation paid to the members for their service.

Subd. 2. **Penalty for violation.** If a relief association violates subdivision 1, the affiliated municipality or municipalities must not be included in the apportionment of fire state aid and police and firefighter retirement supplemental state aid payable under chapter 477B and section 423A.022 and in the apportionment of fire state aid to the various municipalities under section 477B.03.

## Exhibit D Deferred Interest

### Topic:

During the 2019 Legislative Session, questions were raised by members of the Legislative Commission on Pensions and Retirement (LCPR) about the payment of interest or additional investment income to deferred members of relief associations. Deferred interest, or deferred augmentation, has been phased out for members of the statewide retirement systems.

Below are a few reasons identified for LCPR members in a March 12, 2019, memo by Susan Lenczewski, LCPR Executive Director, that augmentation was eliminated for the statewide retirement systems:

- With the scrutiny applied to public pension plans and the funded levels of those plans, eliminating a benefit that provided no benefit to current employees or current retirees was a relatively painless way to reduce benefit costs for the plans.
- Augmentation benefits former employees (firefighters, in this case) without regard to why their service ended. Reasons for that could include termination because of poor performance, inappropriate or unprofessional behavior, or worse.
- With one exception (in South Dakota), no other governmental pension plan nation-wide provides this benefit. For context, augmentation is an unknown concept in the private sector: private sector defined benefit pension plan do not pay cost-of-living adjustments (interest, in this case) on deferred vested benefits.
- Augmentation does not encourage portability, if “portability” is defined as the ability of an individual to terminate service and take his or her retirement benefits to the next position. Augmentation, in fact, inhibits the transfer of pension benefits, because doing so means no more interest payments.

Currently, relief associations can credit interest or additional investment earnings to deferred members if allowed by their bylaws. Relief associations that elect to offer deferred interest can do so in the following ways:

1. **Set up a Separate Investment Account.** Deferred member assets are pooled in a separate investment account and members receive interest at the investment performance rate actually earned on the account.
2. **Set up a Separate Investment Vehicle.** A separate investment vehicle is established for each deferred member. The deferred member receives interest at the investment performance rate actually earned on the separate investment vehicle.

3. **Board of Trustees Sets Interest Rate.** The relief association’s board of trustees determines the rate of interest for deferred members, between 0 and 5 percent. This option is available only to defined-benefit plans.
4. **Credit Full Investment Gains and Losses.** Deferred members receive investment allocations in the same manner as active members. Each deferred member’s account balance is credited with net investment gains or losses at the rate actually earned on the investment of special fund assets. This option is available only to defined-contribution plans.

Over 70 percent of the defined-benefit relief associations no longer offer interest or additional investment income to new members who become deferred. The number of relief associations that pay interest using the different available options are listed below:

**Defined-Benefit Relief Associations (Data for 493 plans)**

	No Interest	Board-Set Return (0% to 5%)	Separate Account	Separate Investment Vehicle
Number of Plans	348	111	13	21

Note: Only two of the 22 relief associations that pay monthly benefits offer deferred interest. Both pay a flat 5% return.

**Defined-Contribution Relief Associations (Data for 86 plans)**

	No Interest	Full Gains/Losses	Separate Account	Separate Investment Vehicle
Number of Plans	23	39	15	9

**Considerations:**

1. Should defined-benefit relief associations continue to have authority to pay interest or additional investment income to deferred members?
  - a. If yes, what is the Working Group’s rationale for recommending to the LCPR that no change to current law be made?
  - b. If no, should a phase-out be recommended (i.e., interest stops for members who join as of a certain date) or should interest payments for all members stop as of a specified date?
2. Should defined-contribution relief associations continue to have authority to pay interest or additional investment income to deferred members?
  - a. If yes, what is the Working Group’s rationale for recommending to the LCPR that no change to current law be made?
  - b. If no, should a phase-out be recommended (i.e., interest stops for members who join as of a certain date) or should interest payments for all members stop as of a specified date?

**Exhibit E**  
**2019-2020 Working Group Topic Rankings**

Topic	Score	Rank
Discuss fire state aid and supplemental state aid and whether they should be allocated in a different manner.	14.25	<b>1</b>
Review situations where firefighters receive more in interest during their period of deferral than in service credit while active, and consider ways to lessen the incentive for a firefighter to end active firefighting duties because of this imbalance.	13.71	<b>2</b>
Consider reviewing the definition of "volunteer firefighter" in the relief association statutes for consistency with definitions in other statutes. Consider adding definitions for part-time and full-time firefighters, and for combination fire departments.	13.5	<b>3</b>
Consider changing the certification requirement so that fire chiefs need not need wait 60 days to certify service credit amounts after providing notice to each firefighter, if each firefighter received the notification and provided confirmation that the amount is correct.	13.13	<b>4</b>
Review the accrued liability factors for defined-benefit lump-sum plans to determine if changes are needed for relief associations that elect to authorize full vesting after less than 20 years of service.	12.88	<b>5</b>
Discuss whether the municipal clerk and relief association should have the ability to approve or deny the fire chief's certification.	12.88	<b>6</b>
Consider ways in which a relief association could allow for a bonus payment from the special fund for firefighters with at least 20 years of service, for example, as a way to retain firefighters. Ideas include authorizing a higher per-year-of-service benefit level for these years.	11.88	<b>7</b>
Consider allowing for emergency or hardship distributions to firefighters.	11.63	<b>8</b>
Consider increasing the threshold at which an audit is required. The current threshold is \$500,000 in either assets or liabilities.	11.13	<b>9</b>
Consider changing the combined service pension provision so that the pension amount accrued in the first relief association is locked in, and that vesting continues accruing in the subsequent relief association.	10.88	<b>10</b>
Discuss allowing members who return to service to keep any interest that had been accrued during their period of deferral.	10.38	<b>11</b>
Consider updating the insurance premiums language on the list of authorized special fund disbursements to remove the requirement that the insurance company offer casualty insurance.	10.38	<b>12</b>
Consider allowing vesting percentages to be prorated monthly for fractional years of service.	9.63	<b>13</b>
Consider whether the prohibition on the receipt of concurrent service credit should be broadened so that it applies to service credit in MSRS, too.	9.25	<b>14</b>
Consider whether the deadline for the fire chief to provide notice of the certified service credit amount is appropriate, or whether the fire chief should be provided with more time.	9.13	<b>15</b>
Consider allowing relief associations to set a lower benefit level amount for EMS-only members if the minimum service requirements for these individuals are less than for firefighters.	8.88	<b>16</b>
Consider allowing firefighters who are hired on a full-time basis and retire from the relief association to be paid their relief association service pension before reaching age 50.	8.13	<b>17</b>
Discuss removing language that exempts members with an approved leave of absence from the minimum period of resumption requirement.	7	<b>18</b>
Consider making combined service pensions mandatory and available to all firefighters with service in more than one fire department.	5.63	<b>19</b>
Consider allowing relief associations to provide different benefit levels per year of service depending on the percent of calls or other requirements that a firefighter completes.	5.57	<b>20</b>

## 2019-2020 Fire Relief Association Working Group (OSA) State Aid Programs for Fire Relief Associations

Oct. 22, 2019 • Prepared by Kristie Strum • [kristie.strum@state.mn.us](mailto:kristie.strum@state.mn.us) • 651-556-6074

### For More Information

Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and enter keywords in the Search box:

- “Fire State Aid”
- “SBR”

### Supplemental Benefit Reimbursement

- Next filing period begins mid-November 2019 for supplemental benefits paid in 2019
- May also include benefits not previously claimed that were paid in 2015 through 2018
- Form SBR due Feb. 15, 2020
- Reimbursements paid by Mar. 15, 2020

Payable Year	Number of Forms Filed	Number of Firefighters Reported	Total Reimbursed
2015	341	671	\$625,468
2016	308	570	\$533,782
2017	328	622	\$583,942
2018	330	667	\$631,691
2019	360	747	\$705,412

### Fire State Aid: Totals for Most Recent Five Years

Payable Year	Total Initial Aid Available	\$ Difference From Prior Year	% Difference From Prior Year	Minimum Aid	Distributed*
2015	\$27,431,516	\$1,545,298	5.89%	\$897,436	\$28,314,579
2016	\$28,113,508	\$332,605	1.20%	\$897,436	\$28,546,841
2017	\$28,250,811	\$137,303	0.49%	\$897,436	\$28,763,068
2018	\$29,119,645	\$868,834	3.08%	\$897,436	\$29,572,434
2019	\$30,095,986	\$976,341	3.35%	\$897,436	\$30,468,416**

\* After deductions for OSA costs, adjustments, penalties, and forfeitures

\*\* This amount will be finalized in June 2020

## Fire State Aid Overview

### Initial Aid

This component is funded by a surcharge on homeowner's insurance policy premiums. An example of how initial aid is calculated is shown below.

#### 2019 Fire State Aid – Initial Aid Component Calculation Example: Spruce FD

Step	Action	Information or Calculation
1	Collect Service Area Data	City of Spruce: 100% Daisy Township: 50%
2	Find 2018 Estimated Market Value (EMV) of Service Area	City of Spruce: \$230,395,300 x 100% = \$230,395,300 Daisy Township: \$532,588,300 x 50% = \$266,294,150
3	Collect 2010 Census Population of Service Area	City of Spruce: 3,460 x 100% = 3,460 Daisy Township: 173 x 50% = 87
4	Calculate Statewide Totals	EMV for Fire State Aid: \$824,342,355,416 Population for Fire State Aid: 5,297,302
5	Calculate Service Area EMV Divided by State Total EMV	City of Spruce: $(\$230,395,300 / \$824,342,355,416) \times 100 = 0.02795\%$ Daisy Township: $(\$266,294,150 / \$824,342,355,416) \times 100 = 0.03230\%$
6	Calculate Service Area Population Divided by State Total Population	City of Spruce: $(3,460 / 5,297,302) \times 100 = 0.06532\%$ Daisy Township: $(87 / 5,297,302) \times 100 = 0.00164\%$
7	Collect Initial Fire State Aid Amounts	Total Fire State Aid (after OSA costs): \$29,612,271 <ul style="list-style-type: none"> <li>• EMV Aid: \$14,806,135</li> <li>• Population Aid: \$14,806,135</li> </ul>
8	Calculate EMV Aid	City of Spruce: $0.02795\% \times \$14,806,135 = \$4,138$ Daisy Township: $0.03230\% \times \$14,806,135 = \$4,783$ <b>Total: \$8,921</b>
9	Calculate Population Aid	City of Spruce: $0.06532\% \times \$14,349,535 = \$9,671$ Daisy Township: $0.00164\% \times \$14,349,535 = \$243$ <b>Total: \$9,914</b>
10	Calculate Total Initial Fire State Aid	$\$8,921 + \$9,914 = \$18,835$

### Minimum Aid

This component is funded through a separate aid program, Amortization Aid, and can vary depending on how much aid is distributed to the other recipients of that program. The amount has been \$897,435.90 since aid payable in 2013.

This component is targeted to fire departments with lower estimated market value and/or population. Only fire departments with a volunteer fire relief association or that participate in PERA’s statewide volunteer plan can qualify for minimum aid.

The first step in calculating this component is to use a baseline number of active firefighters to set an amount of initial aid per member. That baseline number is also used to come up with an amount of minimum aid per member. If the minimum aid amount per member is greater than the initial amount per member, a department receives the minimum aid in addition to initial aid.

Year Relief Association Established	Calendar Year Financial Reporting to OSA	Maximum number of active volunteer firefighters
Before or during 1993	1993	30
1994 through 1999	1998	30
2000 and later	First annual reporting	20
PERA statewide plan	As of date joined	30

Minnesota Statutes, section 69.021, subdivision 7, paragraph (d)

### Police & Fire Retirement Supplemental Aid (Minnesota Statutes, section 423A.022)

Statute provides a total appropriation of \$15,500,000 for this aid program. That amount is distributed as follows:

- 58.064% (\$8,999,920) to PERA Police & Fire Fund
- 35.484% (\$5,500,020) to all fire departments that do not solely employ firefighters with retirement coverage provided by the PERA Police & Fire Fund
- 6.452% (\$1,000,060) to MSRS State Patrol Fund

The \$5.5 million in aid for fire departments that do not solely employ firefighters with retirement coverage provided by the PERA Police & Fire Fund is proportioned based on each qualifying department’s total Fire State Aid compared to the Fire State Aid of all other qualifying departments.

### 2019 Volunteer Portion of Supplemental Aid: Calculation Example

Step	Action	Information or Calculation
1	Find Fire Department’s Total 2019 Fire State Aid	Spruce FD: \$18,835
2	Find Total 2019 Fire State Aid for All Qualifying Departments	\$23,758,110
3	Calculate Fire Department’s Proportion	$\$18,835 / \$23,758,110 = 0.08\%$
4	Calculate Fire Department’s Supplemental Aid	$0.08\% \times \$5,500,020 = \$4,360$

### Information for Most Recent Five Years

Payable Year	Number of Qualifying Departments	Percentage of Fire State Aid*
2015	750	24.47%
2016	748	24.26%
2017	745	24.20%
2018	744	23.79%
2019	742	23.15%

\* This percentage is provided for informational purposes only. The percentage has been decreasing each year because this aid's appropriated amount stays the same from year to year while Fire State Aid has been increasing each year.