



Supplemental State Aid Work Group Meeting Agenda: February 10, 2022

- I. Call to Order**
Chair Auditor Blaha.
- II. Review and Approval of Work Group Meeting Minutes**
Exhibit A. Draft January 12, 2022, Meeting Minutes
- III. Review of Requested Information**
Exhibit B. Member and Funding Data
- IV. Discussion of Allocation Options and Data Needs**
Exhibits C and D.
 - Supplemental State Aid Allocation Options (C)
 - Options Analysis (D)
- V. Other Business**
- VI. Next Meeting**
Thursday, March 10, 2022
2:00 p.m. to 3:30 p.m.
Virtually via Zoom
- VII. Adjournment**

Individuals with disabilities who need a reasonable accommodation to participate in this event, please contact Rose Hennessy Allen at (651) 296-5985 or (800) 627-3529 (TTY) by February 8, 2022.



Exhibit A

1-12-22 Approved Minutes

Members Present

Julie Blaha, State Auditor
Doug Anderson, Public Employees Retirement Association Executive Director
Roger Carlson, Minnesota State Fire Department Association Representative
John Ehret, State Fire Marshal Division Representative
Todd Greseth, Minnesota Association of Townships Representative
Marshall Hallock, League of Minnesota Cities Representative
Bruce Hemstad, Minnesota State Fire Chiefs Association Representative
Laurie Hokkanen, League of Minnesota Cities Representative
Jim McCoy, Minnesota State Fire Chiefs Association Representative
Corey Nellis, Minnesota State Fire Department Association Representative
Mike Scott, Minnesota Association of Townships Representative
Kristie Strum, Department of Revenue Representative

Members Excused

None

Office of the State Auditor and Legislative Support Present

Ramona Advani, Deputy State Auditor and General Counsel
Chad Burkitt, Legislative Commission on Pensions and Retirement Analyst
Rose Hennessy Allen, Office of the State Auditor Pension Director
Susan Lenczewski, Legislative Commission on Pensions and Retirement Executive Director

I. Call to Order

Auditor Blaha called the meeting to order. She explained that the meeting was being recorded and streamed to the Office of the State Auditor (OSA)'s YouTube channel. The meeting agenda was accepted with no objections.

II. Review and Approval of Work Group Meeting Minutes

The members reviewed the December 8, 2021, meeting minutes that had been provided in advance. The meeting minutes were accepted with no objections.

III. Review of Requested Information

Work Group members reviewed a comparison of 2020 supplemental state aid amounts and the aid amounts had they been determined based on the number of active firefighters, instead. The document was sorted by the difference in aid amounts, and Hennessy Allen provided information on the number of entities that would see an increase or decrease in aid under the example and the average reduction and increase amounts. It was noted that requirements for "active" service are defined locally, and the number of "active" members is determined locally and reported to PERA or the OSA.

The Work Group members reviewed information on authorized uses of fire state aid and supplemental state aid for various types of fire departments. Work Group members requested additional information on the number of relief associations with members who solely perform emergency medical services, and the number of fire departments that are volunteer and paid on-call.

IV. Discussion of Allocation Options and Data Needs

Auditor Blaha shared the list of options for the allocation of supplemental state aid. She explained that this initial list is comprised of options shared so far, and more can be added as the group continues its discussions. Work Group members added the following options: 1) when the aid currently paid to the PERA P&F Plan and the MSRS State Patrol Plan expires, earmark it to a fund payable to volunteer firefighters in a relief association or the PERA SVF Plan; 2) when a fire department becomes a mostly full-time department, its supplemental state aid would be redirected to small fire departments; and 3) request additional funding from the State.

Metrics that Work Group members mentioned for evaluating the impact of state aid allocation changes include the demonstrated need for additional funding, preparedness (training) and workload requirements, return on investment, equity, and consideration of what communities would give up or gain if there was a decrease or increase in their aid amount. Work Group members also discussed the desire in some fire departments to use state aid to pay stipends to firefighters, who sometimes prefer to receive compensation now rather than waiting until retirement.

V. Other Business

There was no other business.

VI. Next Meeting

Thursday, February 10, 2022

2:00 p.m. to 3:30 p.m.

Virtually via Zoom

VII. Adjournment

The meeting was adjourned at 11:36 a.m.



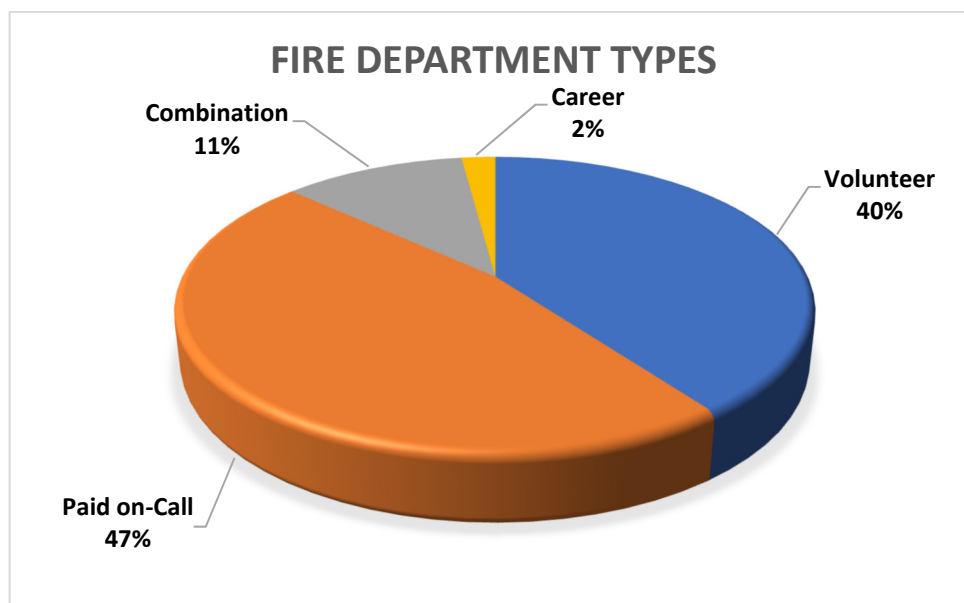
Exhibit B

Member and Funding Data

Supplemental State Aid Work Group members requested information on the number of relief associations that permit in their membership individuals who solely provide emergency medical services. The 2020 relief association reporting forms indicate three relief associations with members who solely perform medical duties.

There also was a request for the number of volunteer fire departments in Minnesota and the number of paid on-call fire departments. The Minnesota Board of Firefighter Training and Education has begun collecting this information, and provided the following as of the start of the 2022 fiscal year:

- 309 Volunteer Departments
- 363 Paid on-Call Departments
- 86 Combination Departments (at least 1 member is full-time)
- 16 Career Departments (all members are full-time)



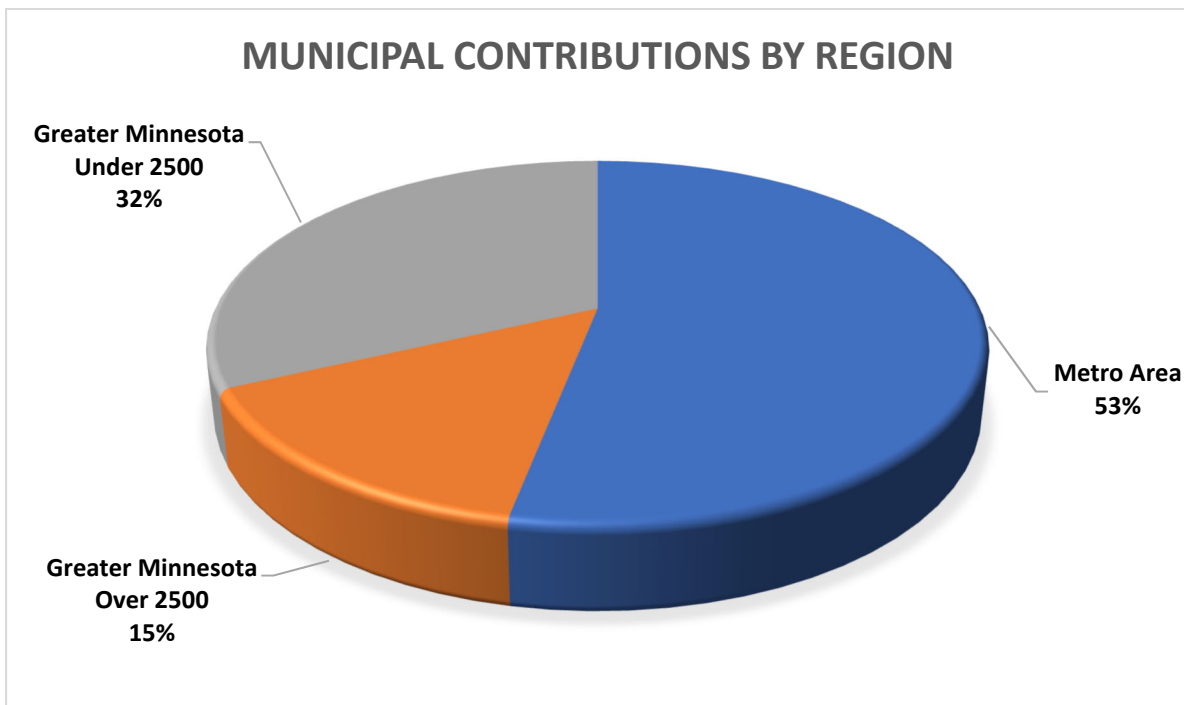
The following is an excerpt from the relief association 2019 Financial and Investment Report, providing information on municipal contributions:

“Municipal contribution amounts, like state aid amounts, varied by region. Relief associations in the Metro Area received \$3.0 million in municipal contributions, which made up 53.1 percent of the total municipal contributions received. Metro Area relief associations accounted for over one-half of all municipal contributions received, even though they make up only 12.9 percent of relief associations

included in this report. The average municipal contribution was \$71,588 for Metro Area plans that received one.

Relief associations affiliated with Greater Minnesota municipalities with a population over 2,500 received \$846,335 in municipal contributions, accounting for 14.9 percent of all municipal contributions received. The average municipal contribution for these relief associations was \$14,592.

Relief associations affiliated with Greater Minnesota municipalities with a population under 2,500 received \$1.8 million in municipal contributions, which is 32.0 percent of all municipal contributions received. Of these relief associations, 52.4 percent received a municipal contribution, with the average contribution being \$9,149.”



Finally, in response to a question about relief association funding, the 2019 average funding ratio was 140.0 percent, and the median funding ratio was 127.4 percent. The next page of this document is Table 1 from the 2019 report, summarizing relief association financial and membership information.

Table 1
Financial and Membership Summary
For the Year Ended December 31, 2009

	Monthly/Lump-Sum Service Pension Combination	Lump-Sum Service Pension	Monthly Service Pension	Defined Contribution Service Pension	Total All Volunteer Fire Plan Types
Net Assets	66,377,170	243,989,115	18,890,619	73,472,630	402,729,534
Accrued Liabilities	80,249,377	260,646,854	21,560,679	73,472,630	435,929,540
Surplus or (Deficit)	(13,872,207)	(16,657,739)	(2,670,060)	-	(33,200,006)
Fire State Aid	2,045,048	10,108,885	514,647	2,708,779	15,377,359
Supplemental Benefit Reimbursements	40,352	575,833	-	72,023	688,208
Municipal Contributions	1,394,748	4,513,978	585,188	1,348,391	7,842,305
Investment Earnings	12,202,875	36,722,854	2,779,794	11,911,415	63,616,938
Other	48,161	435,853	4,522	46,899	535,435
Total Revenues	15,731,184	52,357,403	3,884,151	16,087,507	88,060,245
Normal Cost	2,227,449	22,469,022	376,156	-	25,072,627
Deficit Amortization Payment	2,213,497	5,168,785	366,608	-	7,748,890
Estimated Administrative Expenses	333,914	1,341,681	49,051	-	1,724,646
LESS: 10% of Surplus	-	906,513	-	-	906,513
Total Financial Requirements	4,774,860	28,072,975	791,815	-	33,639,650
Administrative Expenses	293,125	1,828,891	46,702	254,245	2,422,963
Service Pension Benefit Expenditures	5,237,098	21,651,785	1,145,702	2,801,163	30,835,748
Other Benefit Expenditures	1,901	703,725	-	138,870	844,496
Total Expenses	5,532,124	24,184,401	1,192,404	3,194,278	34,103,207
Relief Associations Reporting	18	599	5	92	714
Number of Active Members	836	14,134	187	2,290	17,447
Number of Deferred/Inactive Members	237	2,271	33	824	3,365
Total Membership (for 714 reporting)	1,073	16,405	220	3,114	20,812
Number of Benefit Recipients	466	713	222	84	1,485



Exhibit C

Supplemental State Aid Allocation Options

Options for the Supplemental State Aid Work Group to consider regarding the allocation of supplemental state aid include the following:

Allocation Method

1. Keep current allocation method (aid is allocated in proportion to fire state aid amounts paid).
2. Change the allocation method so that it's based on the number of active firefighters.
3. Change the allocation method so that it's based on a fire department's call volume.
4. Use a hybrid allocation method based in part on the current method, in part on the number of firefighters, and in part on the volume of calls.

Funding Increase

5. When fire departments no longer qualify for supplemental state aid because they transition to an all full-time department, earmark their aid to small fire departments.
6. When the aid payable to the PERA P&F Plan and the MSRS State Patrol Plan ends, allocate the full \$15.5 million appropriated to the supplemental state aid program to fire departments with firefighters in a relief association or the PERA SVF Plan.
7. When the aid payable to the PERA P&F Plan and the MSRS State Patrol Plan ends, earmark the \$10 million in aid these plans receive to a fund payable to volunteer firefighters in a relief association or the PERA SVF Plan.
8. Change the allocation method so that when a fire department consists of mostly full-time firefighters, the affiliated pension plan would no longer qualify for supplemental state aid and the aid would instead be allocated to small fire departments.
9. Seek an increase in state funding for relief associations and fire departments in the PERA SVF Plan.

Use of Aid

10. Change the authorized uses of the aid to include payments to firefighters as annual stipends or other type of compensation.
11. Change the authorized uses of the aid to include certain fire department expenses, such as maintenance and equipment.
12. Consider which fire departments should receive the aid. Should full-time/career fire departments receive an allocation? Should fire departments with no pension coverage for their firefighters receive an allocation?
13. Others?

Options Analysis

Category	Option	Advantages	Disadvantages	Who is Impacted	Impacts	?	?
1. Allocation Method	Keep current allocation method.						
2.	Change allocation method so it's based on the number of active firefighters.						
3.	Change the allocation method so it's based on a fire department's call volume.						
4.	4. Use a hybrid allocation method based in part on the current method, in part on the number of firefighters, and in part on the volume of calls.						
5. Increase in Funding	When fire departments no longer qualify for supplemental state aid because they transition to an all full-time department, earmark their aid to small fire departments.						
6.	When the aid payable to the PERA P&F Plan and the MSRS State Patrol Plan ends, allocate the full \$15.5 million to fire departments with firefighters in a relief association or the PERA SVF Plan.						
7.	When the aid payable to the PERA P&F Plan and the MSRS State Patrol Plan ends, earmark the \$10 million in aid these plans receive to a fund payable to volunteer firefighters in a relief association or the PERA SVF Plan.						
8.	Change the allocation method so that when a fire department consists of mostly full-time firefighters, the affiliated pension plan would no longer qualify for supplemental state aid and the aid would instead be allocated to small fire departments.						
9.	Seek an increase in state funding for relief associations and fire departments in the PERA SVF Plan.						
10. Use of Aid	Change the authorized uses of the aid to include payments to firefighters as annual stipends or other type of compensation.						
11.	Change the authorized uses of the aid to include certain fire department expenses, such as maintenance and equipment.						
12.	Consider which fire departments should receive the aid. Should full-time/career fire departments receive an allocation? Should fire departments with no pension coverage for their firefighters receive an allocation?						