



# Supplemental State Aid Work Group Meeting Agenda: November 17, 2021

- I. Call to Order**  
*Chair Auditor Blaha.*
- II. Introductions**  
Exhibit A.
  - Work Group Membership List (A)
- III. Work Group Process Discussion**  
Exhibits B through D.
  - 2021 Session Law (B)
  - Process Document (C)
  - Suggested Meeting Norms (D)
- IV. Supplemental State Aid Program Overview**  
Exhibit E.
  - Department of Revenue Program Summary
  - LCPR Background Document (E)
- V. Discussion of Data Needs for Future Meetings**
- VI. Next Meeting**  
Wednesday, December 8, 2021  
10 a.m. to 11:30 a.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 November 15, 2021.



# Exhibit A

## Supplemental State Aid Work Group Membership List

- 1. League of Minnesota Cities**  
Laurie Hokkanen, Manager  
City of Chanhassen  
(952) 227-1119  
[lhokkanen@ci.chanhassen.mn.us](mailto:lhokkanen@ci.chanhassen.mn.us)
- 2. League of Minnesota Cities**  
Marshall Hallock, CPA, Administrative  
Business Director  
City of Red Wing  
(651) 385-3602  
[marshall.hallock@ci.red-wing.mn.us](mailto:marshall.hallock@ci.red-wing.mn.us)
- 3. Minnesota Association of Townships**  
Todd Greseth, Treasurer  
Wanamingo Fire Department  
(507) 824-2121  
[todd@gmimn.com](mailto:todd@gmimn.com)
- 4. Minnesota Association of Townships**  
Mike Scott  
(651) 485-3371  
[mike.scott71@outlook.com](mailto:mike.scott71@outlook.com)
- 5. Minnesota State Fire Chiefs  
Association**  
Jim McCoy, Chief  
Austin Fire Department  
(507) 433-3405  
[jimm@ci.austin.mn.us](mailto:jimm@ci.austin.mn.us)
- 6. Minnesota State Fire Chiefs  
Association**  
Bruce Hemstad, Assistant Chief  
Bemidji Fire Department  
(218) 766-0014  
[bruce.hemstad@gmail.com](mailto:bruce.hemstad@gmail.com)
- 7. Minnesota State Fire Department  
Association**  
Roger Carlson, Firefighter  
Fairmont Fire Department  
(507) 236-5056  
[rogerc326@midco.net](mailto:rogerc326@midco.net)
- 8. Minnesota State Fire Department  
Association**  
Corey Nellis, Firefighter  
Avon Fire Department  
(320) 260-7402  
[corey.n@cityofavonmn.com](mailto:corey.n@cityofavonmn.com)
- 9. State Fire Marshal Division**  
John Ehret, Fire Safety Supervisor  
Department of Public Safety  
(651) 323-7134  
[john.ehret@state.mn.us](mailto:john.ehret@state.mn.us)
- 10. Public Employees Retirement  
Association**  
Doug Anderson, Executive Director  
Public Employees Retirement  
Association  
(651) 296-7460  
[doug.anderson@mnpera.org](mailto:doug.anderson@mnpera.org)
- 11. Department of Revenue**  
Kristie Strum, State Program  
Administrator Principal  
Department of Revenue  
[kristie.strum@state.mn.us](mailto:kristie.strum@state.mn.us)  
(651) 556-6074



## 12. State Auditor Julie Blaha

525 Park Street, Suite 500  
Saint Paul, MN 55103  
(651) 296-2551  
[state.auditor@osa.state.mn.us](mailto:state.auditor@osa.state.mn.us)

*Office of the State Auditor and  
Legislative Support*

### **Legislative Commission on Pensions & Retirement**

Susan Lenczewski, Executive Director  
55 State Office Building  
Saint Paul, MN 55155  
(651) 296-1309  
[susan.lenczewski@lcpr.leg.mn](mailto:susan.lenczewski@lcpr.leg.mn)

### **Legislative Commission on Pensions & Retirement**

Chad Burkitt, Analyst  
55 State Office Building  
Saint Paul, MN 55155  
(651) 296-7820  
[chad.burkitt@lcpr.leg.mn](mailto:chad.burkitt@lcpr.leg.mn)

### **Office of the State Auditor**

Ramona Advani, General Counsel and  
Deputy State Auditor  
525 Park Street, Suite 500  
Saint Paul, MN 55103  
(651) 297-3673  
[ramona.advani@osa.state.mn.us](mailto:ramona.advani@osa.state.mn.us)

### **Office of the State Auditor**

Rose Hennessy Allen, Pension Director  
525 Park Street, Suite 500  
Saint Paul, MN 55103  
(651) 296-5985  
[rose.hennessy-allen@osa.state.mn.us](mailto:rose.hennessy-allen@osa.state.mn.us)



# Exhibit B

## Supplemental State Aid Work Group Session Law

### **SUPPLEMENTAL STATE AID WORK GROUP.**

(a) The state auditor shall convene a Supplemental State Aid Work Group to discuss and articulate options to the Legislative Commission on Pensions and Retirement on changing the method of allocating police and firefighter retirement supplemental state aid under Minnesota Statutes, section 423A.022.

(b) The scope of the work group is limited to supplemental state aid paid to municipalities other than municipalities solely employing firefighters with retirement coverage provided by the public employees police and fire retirement plan.

(c) The work group must:

(i) consider 2021 Senate File No. 609; House File No. 419, including the discussion and testimony on the bills at the meeting of the commission on March 23, 2021, and

(ii) address the disparities in the allocation of fire state aid among fire departments.

(d) Members of the work group shall include:

(1) two representatives of Minnesota cities, appointed by the League of Minnesota Cities;

(2) two representatives of Minnesota towns, appointed by the Minnesota Association of Townships;

(3) two representatives of Minnesota fire chiefs, appointed by the Minnesota State Fire Chiefs Association;

(4) two representatives of Minnesota volunteer firefighters who are active volunteer firefighters, appointed by the Minnesota State Fire Departments Association;

(5) one representative of the State Fire Marshal Division of the Department of Public Safety, designated by the commissioner of public safety;

(6) the executive director of the Public Employees Retirement Association or the executive director's designee; and

(7) one representative of the Department of Revenue, designated by the commissioner of revenue.

(e) Additionally, a staff member of the Legislative Commission on Pensions and Retirement shall attend the meetings of the work group to provide background information as requested by members.

(f) The state auditor shall chair the work group. The work group may conduct meetings remotely.



(g) The work group shall submit a report by December 31, 2022, to the chair, vice-chair, and executive director of the Legislative Commission on Pensions and Retirement.

(h) The work group expires on June 30, 2023.

**EFFECTIVE DATE.** This section is effective June 30, 2021.



# Exhibit C

## Supplemental State Aid Work Group Process Document

### **Status**



SSAWG first meetings will focus on understanding the current Supplemental Fire State Aid structure, history, and goals.

### **Options**



Next meetings will be about generating other funding options to explore. Depending on how many options we generate, we may narrow the list to the most representative and feasible choices to explore.

### **Effects**



Once staff has researched the potential effects of each option, we will discuss the effects of each option we decided to explore.

### **Fairness**



While staff is researching effects, the SSAWG will decide which kinds of equity in funds distribution should be our focus. Once effects are finalized, we will assess how each option impacts fairness.

### **Effectiveness**



After we have analyzed our funding options, we will discuss the effectiveness of each. At this point, we may ask for testimony from the public. We may or may not come to agreement, but will capture the debate.

### **Report**



Once we complete our work, staff will compile our results into a report for approval of the SSAWG. Our final report will include our options, research, and summary of Group input on equity and fairness of each option.

### **Sharing**



The report will be shared with the Legislative Committee on Pensions and Retirement as well as with the general public on our website.



# Exhibit D

## Supplemental State Aid Work Group Suggested Meeting Norms

- Discuss and articulate options on changing the method of allocating police and firefighter retirement supplemental state aid (more commonly known as “supplemental state aid”).
- Unanimous consent is required for all proposals to move forward, although proposals without unanimous consent may be revisited and reconsidered.
- The chat function will not be used for discussion during meetings.

## Background Information on the 2013 Police and Fire Supplemental Retirement State Aid

The police and fire supplemental retirement state aid was proposed on behalf of a coalition of police organizations and professional firefighter organizations to assist in addressing the growing retirement funding problems.

As initially drafted and introduced as a legislative bill in 2013, the proposal amended Minnesota Statutes, Chapters 69, relating to policy and fire state aid, and 297I, relating to insurance premium taxes, to impose a \$5 per calendar year surcharge on homeowners insurance and automobile insurance policies, with the proceeds from the homeowners insurance surcharge allocated roughly one-third to the fire state aid program and distributed to the statewide lump-sum volunteer firefighter retirement fund or to municipalities or nonprofit firefighting corporations and roughly two-thirds to the Public Employees Police and Fire Retirement Plan (PERA-P&F) and with the proceeds from the automobile insurance surcharge allocated one-third to the police state aid program and distributed to all counties, cities, and state departments employing police officers and two-thirds to PERA-P&F and the State Patrol Retirement Plan distributed on the basis of the number of active member police officers.

When heard by the Legislative Commission on Pensions and Retirement, the Commission corrected the allocation mechanism of the proposed legislation to match the proponents expressed intent, specified a date for the aid allocations from the two accounts, November 1 annually, one month after the allocation date for the fire state aid and police state aid programs, on which portions of the new aid allocation depend, and required reporting from the Public Employees Retirement Association (PERA) to the Commissioner of Revenue information on Public Employees Police and Fire Retirement Plan (PERA-P&F) coverage and Statewide Lump-Sum Volunteer Firefighter Retirement Plan (PERA-SVF) participation that is needed to implement the surcharge fire pension aid allocation formula and set a termination date for the new state aid based on when the State Patrol Plan and the Public Employees Police and Fire Retirement Plan (PERA-P&F) achieve a 90% funded ratio on a market value of assets basis.

The new state aid was intended to raise \$23 million and was specified to be allocated as follows:

<u>Surcharge Fire Pension Aid Account</u>		
Statewide Volunteer Fire Plan	\$137,990	1.84%
Volunteer firefighter relief associations	\$5,412,010	72.16%
Paid firefighter municipalities	\$649,350	8.66%
PERA-P&F	\$1,300,650	17.34%
Total	\$7,500,000	100.00%
<u>Surcharge Police Pension Aid Account</u>		
PERA-P&F employers	\$4,645,300	29.97%
Dept. of Public Safety and Dept. of Natural Resources	\$516,150	3.33%
State Patrol Retirement Plan	\$1,033,800	6.67%
PERA-P&F	\$9,304,650	60.03%
Total	\$15,500,000	100.00%
<u>Total Aid Allocation</u>		
Volunteer firefighter plans	\$5,550,000	24.13%
Municipalities and counties	\$5,294,630	23.03%
Dept. of Public Safety and Dept. of Natural Resources	\$516,150	2.24%
State Patrol Retirement Plan	\$1,033,800	4.49%
PERA-P&F	\$10,065,300	46.11%
Total	\$23,000,000	100.00%

When the proposed police and fire supplemental retirement state aid was subsequently heard by standing legislative committees, the source of the funding of the new state aid program was controversial and was ultimately modified, replaced by a direct State General Fund appropriation rather than by a surcharge on insurance policies.

As the new state aid program was added to the 2013 tax bills, the amount of the aid was revised to be \$15,500,000 and the recipients of the new state aid were narrowed to the State Patrol Plan, the PERA-P&F, and the various volunteer firefighter relief associations.

As enacted (Laws 2013, Ch. 143, Art. 2, Sec. 6), the police and fire supplemental retirement state aid was funded by a \$15.5 million annual appropriation, to be allocated 58.065% to PERA-P&F, 35.484% to municipalities other than those solely using firefighters covered by PERA-P&F, and 6.452% to MSRS on behalf of the State Patrol Plan, with the portion allocated to municipalities other than those solely using firefighters covered by PERA-P&F allocated within that group based on the proportion of total fire state aid received relative to each fire department, and terminates for all recipients when PERA-P&F and the State Patrol Retirement Plan both become at least 90% funded.

The fire department recipients of Police and Fire Retirement Supplemental State Aid with the largest amount of aid in 2013 were:

<u>Fire Department</u>	<u>County</u>	<u>Amount</u>
Plymouth Fire Department .....	Hennepin.....	\$102,477.93
Eden Prairie City Fire Department.....	Hennepin.....	95,957.37
Maple Grove Fire Department .....	Hennepin.....	86,482.18
Edina Fire Department .....	Hennepin.....	86,359.02
Brooklyn Park Fire Department.....	Hennepin.....	84,666.57
Eagan City Fire Department .....	Dakota.....	84,494.56
Woodbury Volunteer Fire Dept. Inc. ....	Washington.....	81,067.84
Minnetonka Fire Department.....	Hennepin.....	79,918.26
Burnsville Fire Department .....	Dakota.....	72,571.74
Lakeville City Fire Department .....	Dakota.....	70,565.72
Coon Rapids Fire Department .....	Anoka .....	67,362.86
Apple Valley City Fire Department .....	Dakota.....	59,168.05

The fire department recipients of Police and Fire Retirement Supplemental State Aid with the smallest amount of aid in 2013 were:

<u>Fire Department</u>	<u>County</u>	<u>Amount</u>
Correll Volunteer Fire Department .....	Big Stone .....	\$32.95
Louisburg Fire Department.....	Lac Qui Parle .....	43.05
Arco Fire Department.....	Lincoln.....	64.81
Alida/Bear Creek Fire Control.....	Cook .....	269.60
Skyline Fire Department.....	Blue Earth.....	323.53
Avoca Fire/Rescue Department .....	Murray .....	422.12
Nielsville Volunteer Fire Department .....	Polk.....	536.24
Big Falls Fire Department .....	Koochiching.....	596.95
Perley-Lee Township Volunteer Fire Dept.....	Norman .....	597.52
Minnesota City Fire Department.....	Winona .....	719.31
Beltrami Fire Department.....	Polk.....	746.28
Oslo Fire/Rescue Department .....	Marshall.....	779.91
Sedan Fire/Rescue Department.....	Pope.....	788.43
Bruno Volunteer Fire Department .....	Pine.....	807.85
Iona Fire Department.....	Murray .....	925.01
Eagles Nest Fire Department .....	St. Louis .....	939.57