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Statement of Position Municipal Contribution Calculations for Monthly Plan Volunteer Fire Relief Associations

Volunteer fire relief associations that pay or offer monthly benefits to retiring firefighters are required to obtain an actuarial valuation showing the condition of the association's special fund.¹ The actuarial valuation is used by the officers of the relief association to annually determine the financial requirements of the special fund and the required municipal contribution.

Actuarial Valuation

It is important to use the correct actuarial valuation when calculating municipal contribution requirements. For most of the monthly benefit plans, the Governmental Accounting Standards Board (GASB) requires an actuarial valuation at least every two years.² In addition, a new actuarial valuation is required whenever there is a benefit change.³

The required municipal contribution must be calculated and certified annually on or before August 1, using the most recent actuarial valuation.⁴ The most recent actuarial valuation is generally a valuation from January 1 of the same year or December 31 of the prior year.

As an example, consider a relief association that obtained an actuarial valuation as of December 31, 2018. This actuarial valuation would be used to calculate the financial requirements that are certified on or before August 1, 2019, and the minimum municipal contribution payable in 2020.

Required Municipal Contribution Calculation

Using the most recent actuarial valuation, the minimum required contribution equals the financial requirements of the special fund minus 1) the amount of fire state aid to be received during the following calendar year; and 2) the amount of any contributions to the

¹ Minn. Stat. § 424A.093, subd. 2.

² See Minn. Stat. § 69.051, subd. 1 (financial statements are required to be in conformity with generally accepted accounting principles); GASB Statement 25, para. 35.

³ Minn. Stat. § 424A.093, subd. 3.

⁴ Minn. Stat. § 424A.093, subd. 4.

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special fund from the active members of the relief association to be received during the following calendar year. Therefore, the first step in calculating the minimum required municipal contribution is to determine the financial requirements of the special fund for the following year. This is determination varies according to whether the special fund is “fully funded” or not.

A relief association is “fully funded” when there are sufficient assets to cover future liabilities. If the special fund is not fully funded, the financial requirements for the following calendar year are determined by taking into account 1) the total accrued liability for all members of the relief association, calculated for the following calendar year; 2) the increase in the total accrued liability for the following calendar year over the present calendar year; 3) the amount of anticipated future administrative expenses; and 4) a portion of the deficit resulting from an increase in the service pension or experience losses occurring over the last 20 years.⁵

If the special fund is fully funded, the financial requirements for the following calendar year are the total of 1) the increase in the total accrued liability for all members for the following calendar year over the present calendar year; and 2) the amount of anticipated future administrative expenses; less 3) ten percent of the relief association’s surplus.⁶

Estimated Fire State Aid

Minnesota law defines “a reasonable amount of anticipated fire state aid” as the amount of fire state aid actually received in the prior year increased by up to 3.5 percent.⁷ Because the law requires prior-year fire state aid amounts to be used when calculating the future year’s minimum municipal obligation, there is a delay in recognizing fire state aid increases or decreases that a relief association may experience.

Municipal contribution amounts payable in 2020, for example, are determined using the financial requirements certified by August 1, 2019, which are based on the actual 2018 fire state aid amounts.

The supplemental state aid amount used when calculating the required municipal contribution should be equal to the amount of supplemental state aid actually received in the prior year. No increase to the supplemental state aid amount can be projected because the total amount appropriated to the supplemental state aid program each year by the State is a flat amount.

Relief associations cannot modify the required municipal contribution calculation after it has been certified to change projection amounts after better information is obtained or the actual amounts are known.

⁵ Minn. Stat. § 424A.093, subd. 4(b).

⁶ Id.

⁷ Minn. Stat. § 424A.093, subd. 5(b).

The relief association officers must certify the required municipal contribution by August 1 annually to the entity responsible for satisfying the contribution amount. For example, if the affiliated city is the entity responsible for satisfying contribution requirements, the relief association officers must certify the required municipal contribution to the city. If the responsible entity is a joint powers entity, the certification must be made in the manner specified in the joint powers agreement, or if the joint powers agreement is silent on this point, the certification must be made to the chair of the joint powers board.

Payment of Required Municipal Contributions

If the relief association's benefit level is ratified by the affiliated municipality, the municipality is required by statute to make any contributions that become due at that benefit level. Municipal contributions are to be paid during the year in which the contribution is required. A municipality may use any source of public revenue, including a tax levy, to fulfill its requirement to provide at least the minimum municipal obligation.⁸

If the municipality does not include the full amount of the minimum municipal obligation in its levy for any year, the officers of the relief association must certify that amount to the county auditor, who must spread a levy in the amount of the certified minimum municipal contribution on the taxable property of the municipality.⁹

Additional information regarding required municipal contributions to relief associations can be found in the Office of the State Auditor's Statement of Position on this topic, titled "[Required Municipal Contributions to Volunteer Fire Relief Associations.](#)"

⁸ Minn. Stat. § 424A.093, subd. 5(e).

⁹ Minn. Stat. § 424A.093, subd. 5(f).