
Appropriations Committee

HB 1336

Brief Description: Splitting the volunteer firefighters' and reserve officers' relief and pension principal fund into two accounts.

Sponsors: Representatives Stokesbary, Springer, Reeves, Graham and Lekanoff; by request of Board for Volunteer Fire Fighters.

Brief Summary of Bill

- Divides the Volunteer Firefighters' and Reserve Officers' Relief and Pension System into two separate plans, one for Volunteer Firefighters, and one for Reserve Officers.
- Requires that any tax liability that may result from the division of the plan be paid by the principal fund for the appropriate plan.

Hearing Date: 1/26/23

Staff: David Pringle (786-7310).

Background:

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension System (VFFRORPS) provides death, disability, medical, and retirement benefits to volunteer firefighters, reserve officers, and emergency medical workers in cities, towns, and fire protection districts. The VFFRORPS is funded by member and employer contributions and 40 percent of the fire insurance premium tax.

Employers are required to participate in the death, disability, and medical benefit plans—collectively referred to as "relief benefits"—offered by the VFFRORPS, but participation in the pension component is optional, and participants must enroll to be covered by the plan. Relief

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benefits are available to members covered under the relief provisions of the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Act who are injured in the performance of duty. The annual fee for Volunteer Firefighters is \$50 for disability relief and \$90 for pensions. The annual fee for reserve officers is \$45 for disability relief and \$45 for pensions.

Eligibility for retirement pension benefits from the VFFRORPS begins after 10 years of service as a member. The amount of the pension increases for each five years of service beyond the minimum 10 years and for payments made into the pension portion of the VFFRORPS. Full retirement benefits are available at age 65, and early retirement benefits are available to members with 25 years of service on an actuarially reduced basis beginning at age 60. The maximum pension benefit is \$350 per month, increased by \$10 for each year beyond 25 that the retirement fee is paid.

In 2020 it was discovered that the VFFRORPS was not a tax-qualified plan under the rules of the federal Internal Revenue Service (IRS), meaning that the contributions and benefits for the volunteers in the plan could be subject to additional income tax consequences. Upon consulting with tax counsel and the IRS, it was determined that in order to become a qualified plan, it could not contain both volunteer firefighters and reserve officers within the same plan.

Summary of Bill:

The Volunteer Firefighters' and Reserve Officers' Relief and Pension System is divided into two separate plans, one for Volunteer Firefighters, and one for Reserve Officers. Any tax liability that results from the division of the plan to be paid by the principal fund for the appropriate plan.

Appropriation: None.

Fiscal Note: Requested on January 18, 2023.

Effective Date: The bill contains multiple effective dates. Please see the bill.