

Testimony of Frederick Brewer, CPA

In Support of LD 588, *An Act To Promote Public Safety and Retain Essential First Responders by Funding the Maine Length of Service Award Program*
March 20, 2023

Good Morning Senator Beebe-Center, Representative Salisbury, and honorable members of the Committee on Criminal Justice and Public Safety. My name is Frederick Brewer, and I am the Governor's Appointee to the Length of Service Award Program for the State of Maine. I was appointed to the LOSAP board because of my background as a CPA, my training and expertise working with municipalities and retirement plans & my life long experience as a fourth-generation volunteer firefighter on the Massasoit Engine Co. of Damariscotta. I appreciate the opportunity to speak in support of LD 588, An Act To Promote Public Safety and Retain Essential First Responders by Funding the Maine Length of Service Award Program. The original bill that established the program was passed under the 127th legislative session in 2015. We have actively been working toward funding this bill since that time. Funding for the program was provided from the Appropriations Committee in the 130th legislative session with startup money of \$500,000. We have been working to establish the program over the last year and have now been able to start accepting municipal contributions to the program. For the 2022/2023 fiscal year we were awarded \$1,000,000 in the supplemental budget by the Governor and \$500,000 from the Appropriations Committee. The \$500,000 will cover the administrative cost of the program and \$1,000,000 will be used to fund a State contribution to participants accounts for their service. We submitted a request for \$2.5 million in funding in the Biennial Budget the Appropriations Committee is currently reviewing. Unfortunately the funds we requested as part of the regular budgetary process were cut out of the budget that was submitted under LD 258. This has shifted our focus from implementing the program and getting participants enrolled in the program to asking your committee to approve our request for funding.

This bill is the product of an effort to address Maine's crisis to attract, retain, and support our volunteer first responders, which our communities have been so reliant upon for generations and even more acutely today. This bill seeks to provide funding for Maine's LOSAP:

The first part of the funding will appropriate funds for the administrative costs of the program so that municipalities in Maine can contribute to the program for the benefit of their volunteer firefighters and EMS personnel.

The second part of the funding is for a State contribution to the program. The State appropriation will fund contributions for firefighters and EMS personnel that meet the training, meeting attendance, and calls that their department has during the year. This is referred to as qualified services under the plan.

The LOSAP board established the service award calculation so that first responders can accrue benefits for services that will benefit the communities they serve the most. The benefit of the state contribution is that we have set a floor of 30 points that the participant needs to earn. If they do not achieve the 30 points, then they will not receive a contribution from the State. The ceiling of the program is \$1,000 annually per participant. This enables departments to encourage additional participation from their membership by showing them how much service credit they have earned throughout the year. The communities that benefit the most from this program, are those in the more rural part of the State.

Maine's LOSAP is a deferred compensation program under Internal Revenue Code 457. A defined contribution program puts funds in the participants account and they can draw on it after they reach retirement age and have provided 5 years of vesting service to their community. The defined contribution plan is effective because it doesn't create any pension liabilities that the State will have to fund in future years. The only funding requirement is the annual contribution to the program based on the participants service to their community.

LOSAP programs vary from State to State. States like **Maryland, Wisconsin, Oregon and Pennsylvania** have similar State-wide, defined contribution programs. States like **New York, New Mexico, Montana** have defined benefit programs that provide a specific pension amount, when they reach retirement age, based on their years of service. Some States like New York allow the individual volunteer departments to have their own LOSAP program that is monitored by the State. Maine is a State wide program that allows individual municipalities to add to the first responders account to supplement the contribution from the State, as they see fit.

For the sake of the health and future of our volunteer first responders in Maine, and the communities that depend on them, I urge you to vote in favor of this bill. I welcome any questions about the operation of the program and thank you for your service.

State of Maine LOSAP

My Name is Frederick Brewer and I have been licensed as a CPA in the State of Maine since 2002. I perform municipal and 401k audits based out of my family's practice in Bath. I'm the fourth consecutive generation in my family to be a firefighter, specifically the fourth Brewer generation to be on the Damariscotta Fire Department. That mix of experience is why I was chosen to be the Governor's appointee to the LOSAP board who is qualified through training or experience in the field of investments, accounting, banking or insurance.

1. What goals did we set for the board after LD 164 passed in 2015 and the board was appointed in July 2017?

- a. Draft Bylaws to guide the board
- b. Get Allocation for service credit finalized in the next few months
- c. RFP for Third Party Administrator (TPA) and Investment Custodian to assist Trustees with Rolling out of the program to fire Departments state wide. Hoping to get this done in the late this spring or early summer.
- d. Get the Plan setup to accept contributions from the Towns and the State
- e. Do an RFP to secure an Auditor for the plan.
- f. Timeline was to be operational within 2 years (About where we thought we would be in the process)

2. Type of Plan

- a. IRC 457 plan for Deferred Compensation (other plan types are Defined Benefit plan, 401k, 403b and 457 plan)
 - i. Under MRC Title 5 Chapter 319 section 3372 This plan is a defined contribution plan
- b. LOSAP is a very specific section of IRC 457 (457 (e) 11) (see attached handout #1)
 - i. Specifically stated in this section that it is a "plan paying solely length of service awards to bona fide volunteers on account of "qualified services" performed by such volunteers." Qualified services under subparagraph C means "firefighting and prevention services, emergency medical service and Ambulance services."
- c. Three Different funding sources that have to be kept segregated by participant
 - i. Federal
 - ii. State – Proposed funding under LD 1014
 - iii. Municipal – At the discretion of the Selectmen/Budget Committee

3. Why a LOSAP plan and not another type of plan?

- a. There are no salary deferrals so the money goes directly to the volunteer from the State/Municipality
- b. Serves as an Incentive Program to encourage FF/EMS Personnel to achieve higher standards
- c. Can use the program to drive behavior and leverage the personnel that you already have trained

- 4. Current plan for calculation of State funded contributions: (Hand Out Earning Service Credit Website Copy #2)**
- a. To even Qualify you need to have completed the annual Bureau of Labor Standards Trainings:
 - b. Calculation of contribution is weighted based on the following three criterion with the following reasons the board thought the items were important:
 - i. Attendance at Training Sessions (35 Pts)
 - 1. Important to be properly trained
 - ii. Attendance at Fire Calls (55 pts)
 - 1. We want people attending calls because that is where they are needed
 - 2. No differentiation between interior FF and Traffic Control. Everyone helps out at calls and fills roles to accomplish the department's goals.
 - iii. Attendance at Regular Fire Meetings (10Pts)
 - 1. Means that the FF is informed of current events
 - iv. No contributions were included for items like work around the station, fire prevention activities and community outreach/fundraising events. We thought that contributions for these items would be best put into the hands of the chief to determine these types of contributions. The board felt that it would get too complicated to keep track of those individual items.
 - c. Contributions are calculated based on each individual department's attendance, you are not competing against other departments for a contribution from the state. You are competing against the maximum totals for training, calls and meeting attendance at your department. (Hand Out DFD Service Credit Calculation #3)

5. What is the \$2.5M funding going to cover?

- a. Administrative Costs (Based on 4,000 participants)
 - i. TPA services (\$40-\$50 per participant) (\$200k)
 - ii. Investment Services (\$15 per participant) (\$60k)
 - iii. Audit Services (\$40k)
 - iv. Website (\$4k)
- b. Participant Contributions (\$2.2m)
 - i. Wisconsin Plan Handout
 - 1. Contribution based on \$250 per participant (See Handout from Wisconsin RFP #4)

- 6. We need your help! I'm asking the Committee to vote "Ought to Pass" to fund this program that will benefit firefighters and EMT's in Maine.**

Sincerely,

**Frederick Brewer, CPA
LOSAP Board of Directors**