

Increasing the SVF Plan Benefit Level

A fire department's SVF Plan benefit level is the dollar amount corresponding to each year of a volunteer firefighter's certified service. The fire department's governing body has the authority to approve benefit level increases for the fire department and may elect to do so once per year. A benefit level increase approved in a given year will go into effect on January 1 of the next year. The governing body cannot elect to decrease the fire department's benefit level. Please visit website at mnpera.org for additional SVF benefit level resources.

BENEFIT LEVEL INCREASE CONSIDERATIONS

1. Review the funding report and other important information:

- *Benefit Levels and Financial Status Provided by PERA:* PERA provides the governing body information about their funding ratio and required contributions. In addition, PERA provides results under four different benefit levels: the current benefit level plus benefit levels increased by \$100, \$200, and \$1,000. Fire departments will receive these reports biennially no later than August 1. It is important to review this information when considering increasing the department's benefit level. You can find this information on page 4 of the Annual Funding report.
- *Asset Growth versus Liabilities.* Will future income (Fire State Aid + Contributions + Investment Income) increase at a rate higher than the liability increases (Service Cost + Interest Cost) for your fire department?
- *Investment Return Risk.* Investment returns can be volatile from year to year. A significant asset decrease could trigger a contribution. This is an important consideration if your entity cannot budget a required additional contribution for the year.
- *Payment of SVF Benefits to Participants.* Generally speaking, benefit payouts are anticipated in determining funding requirements and do not tend to adversely impact plans. Benefits payments will decrease assets but liabilities will decrease by the same amount.

2. Making a benefit level increase decision.

If you are comfortable answering yes to the following questions, a benefit level increase is a reasonable consideration for your entity:

- Is the funding ratio over 100% after an increase?
- Do you believe Fire State Aid + Contributions + Expected Earnings will be greater than Service Cost + Interest Cost after an increase?
- Are you comfortable that the 6% assumption will be met?
- Can the governing body afford a contribution if the investments have a poor year?

PROCESS TO INCREASE THE BENEFIT LEVEL

1. Review PERA's funding report and share it with others in the governing body who have the authority to approve benefit level increases for the fire department.
2. If the governing body decides to approve a benefit level increase, it documents that approval in a resolution. Sample resolutions for benefit level increases can be found on PERA's website at mnpera.org/plan-information/statewide-volunteer-firefighter/forms.
3. Return the completed resolution approving the benefit level increase to PERA via email at PERASVF@mnpera.org by December 31 of the current year to have PERA update the fire department's benefit level effective January 1 of the following year.