

## FACT SHEET

## PERA Defined Benefit Plans



PERA administers three traditional Defined Benefit Plans (DBP)—the General Plan, the Police and Fire Plan and the Correctional Plan — in which the member's benefit is determined by a formula based on years of service and average salary during the highest five consecutive years. Each is a 401(a) tax-qualified plan which provide a lifetime benefit to members. PERA also offers a non-traditional Defined Benefit Plan to entities with volunteer firefighters.

Employers must carefully determine the plan coverage for new employees and workers who move from one employment category to another because the PERA contribution rates, benefit payments, and Social Security withholding, may vary in each plan. As with decisions you make about overall PERA eligibility, members may appeal your selection of plan coverage. Minnesota Statutes contain detailed descriptions of the eligibility requirements for each of the retirement plans administered by PERA.

Membership in the Defined Benefit Plan is mandatory for public employees filling non-elected positions, and for elected sheriffs whose salary from one employer is expected to exceed \$5,100

per year, unless otherwise prohibited by law. PERA offers the following Defined Benefit Plans:

**General Plan** – The largest of PERA's plans, with over 166,000 members, the General Plan consists of the Basic Plan (established in 1931, closed to new membership in 1968) and the Coordinated Plan (established in 1968). In essence, it may be viewed as the "default" plan for the Defined Benefit Plan participants - if an employee meets the requirements for mandatory DBP coverage, but does not qualify for the Police and Fire Plan or Correctional Plan, he or she must be enrolled in the Coordinated Plan.

For some positions, such as non-governing body elected officials, coverage under this plan is voluntary. Additionally, physicians and city managers may choose to be excluded from the Coordinated Plan if they do so in accordance with Minn. Stat. § 353.01 or §353.028. A Basic Plan member, who terminates service and returns to a PERA-covered position within 30 days, remains in the Basic Plan unless the new position is eligible for the Police and Fire or Correctional Plans. If the break in service exceeds 30 days, the

person is considered a new employee and must re-qualify for coverage in another plan.

**NOTE:** All members of the Coordinated Plan pay full FICA (Social Security and Medicare) tax. Basic Plan members, on the other hand, do not pay the Social Security portion of FICA taxes and only pay the Medicare tax if they voted to do so in the 1989 referendum.

**Police and Fire Plan –** The Police and Fire Plan, which has over 10,000 members, was created in 1959. Membership in this plan is required for all full-time police officers and full-time professional firefighters as defined by Minn. Stat. §353.64. Employers may choose to provide this coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the governing body of the entity declaring that the position meets the plan requirements.

Police and Fire members (except tribal police officers) do not pay the Social Security portion of FICA, but Medicare withholding must occur if employment began after March 31, 1986. Police officers employed by a Tribal Police Department that qualifies for coverage under the PERA Police and Fire Plan are not exempt from participating in Social Security under IRS regulations; therefore, their wages are subject to both PERA and FICA withholding.

**Correctional Plan –** The Correctional Plan, created in 1999, has over 3,500 members.

An employee participates in this plan if employed in a county or regional adult or juvenile correctional facility as a guard, joint jailer-dispatcher, or a supervisor of such positions, provided the employer certifies that the employee has the custody duties and training specified in Minn. Stat. §353E.02. Protection officers employed by the Hennepin County Medical Center are also covered by this plan if certified as eligible by the County.

Generally, members of the Correctional Plan pay full FICA (Social Security and Medicare) tax; however, there are a handful of counties that cannot extend Social Security participation to their PERA Correctional Plan members because the employers do not have Section 218 agreements with the federal government that allow for such coverage.

**Statewide Volunteer Firefighter Plan –** Although it falls within the definition of DBP, the Statewide Volunteer Firefighter Plan, established in 2010, under Minn. Stat. §353G, is non-traditional in that it does not provide a monthly retirement benefit to those who qualify, rather members receive the lump-sum value of their account. The Plan is voluntary, and open to fire departments as a replacement of an existing volunteer firefighter retirement plan and to municipal-

ities currently without a volunteer firefighter retirement plan.

Plan benefit levels are established by the entity and funding is through the current Fire State Aid. If the state funding isn't sufficient to cover the selected benefit levels, additional contributions are required from the employer. More information on this plan is available through PERA's web site, [Chapter 2](#) of the PERA Employer Manual, or by giving us a call.