

FACT SHEET

PERA Defined Contribution Plan

The Defined Contribution Plan (DCP) is a tax-qualified retirement savings program in which the member chooses how the employee and employer contributions are to be invested. This is done by designating a percentage of total contributions to be placed in one or more of seven accounts of the Minnesota Supplemental Investment Fund administered by the Minnesota State Board of Investment. Total contributions plus investment performance determine the ultimate benefit, which is paid as a lump sum upon withdrawal.

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.

There are no minimum salary requirements for DCP membership (with one exception) and participation is optional on the part of the individual. However, the DCP is exclusively for elected local officials, physicians, city managers, and volunteer ambulance or rescue squad personnel as follows:

- **Elected Officials** – With the exception of a sheriff,* any person elected to a local governmental position by the public or appointed to fill a vacant elected position may join the DCP. It was established in 1990 and currently has over 4400 members. Elected officials may start and stop participation at any time during their tenure in office. If an official is re-elected to the same office without a break in service, DCP membership is continuous. If an elected position changes to a non-elected position, the DCP membership of the incumbent must be discontinued.

Officials who chose DCP coverage have the Social Security tax withheld from their salary if either of these applies:

NOTE: Medicare is withheld if elected after March 31, 1986.

- a. The elected official has met the membership requirements of the Coordinated Plan, even though he or she did not choose such coverage.

b. A modification to Minnesota’s Social Security Section 218 Agreement has been executed by PERA on behalf of your governmental subdivision and its elected officials. Effective June 2, 2006, any local subdivision may request a modification to Minnesota’s federal-state agreement to provide Social Security coverage to its DCP-covered elected official positions.

- **Physicians** – Physicians may join the DCP if they are employees of a government subdivision, not independent contractors. If the physician chooses not to join the DCP within the first 90 days of employment, the employer must then enroll the physician in the Coordinated Plan when annual earnings are expected to exceed \$5,100. Once a physician chooses to join the DCP, the decision is irrevocable. This plan now covers about 30 physicians.

DCP-covered physicians pay Social Security unless their annual wage never exceed \$5,100. Medicare is withheld if employment began after March 31, 1986.

- **City Managers/Administrators** – Laws effective in 2006 allow city managers to join PERA’s DCP as an alternative to the Coordinated Plan or the plan administered by the International City Managers Association. The person may enroll in the DCP at any time during employment provided he/she is not paying into the Coordinated Plan for this position. A city manager may revoke the choice of DCP coverage at any time.

DCP-covered city managers pay Social Security taxes unless their annual wage is not expected to exceed \$5,100. Medicare withholding applies if employment began after March 31, 1986.

- **Volunteer Ambulance Service** – Governmental subdivisions that have a volunteer ambulance service may make a revocable election to participate in the DCP. Once the ambulance service joins the DCP, its basic or advanced life support personnel may optionally enroll. Both ambulance personnel paid for their service with wages and personnel who are volunteer or largely uncompensated may participate, as long as the individuals do not contribute to another public or private pension plan for this service. Currently, we have just over 650 members of this DCP.

These DCP members do not pay Social Security if the combined PERA employer and employee contributions are 7.5% or more of the person’s compensation. Medicare withholding must occur if employment began after March 31, 1986.

- **Volunteer or On-Call Firefighters** – State laws passed in 2006 provide that certain volunteer or emergency on-call firefighters who serve as members of a municipal fire department or an independent nonprofit firefighting corporation may elect to participate in the DCP administered by PERA.

Any independent nonprofit firefighting corporation wishing to extend DCP coverage for its eligible firefighters must contact PERA to obtain a questionnaire to determine its eligibility to participate in the DCP.

- **Individuals appointed to a board or commission of a governmental subdivision** A statutory change in 2010 enables the DCP option to individuals who are appointed after June 30, 2010 to a board or commission (such as a Joint Powers Board, Planning Commission or Parks Board) and earnings exceed \$425 in any one calendar month.

* Legislation passed in 2010 allows elected County Sheriffs receiving a retirement benefit from PERA Police and Fire Plan to participate in the DCP.