

# Benefit Calculations

## Statewide Volunteer Firefighter Retirement Plan

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### Background

The SVFRP provides for the payment of lump sum retirement benefits that are based on a specific dollar value paid for each year of credited service accumulated by a volunteer firefighter who terminates service and meets the minimum requirements for receipt of the benefits. The dollar value payable per year of service is determined by the sponsoring municipality or entity at the time an election to participate in the Plan is made. Benefit levels range from \$500-15,000 in \$100 increments. An entity may elect to increase the benefit level after joining the Plan if the Entity Account is adequately funded or if the entity authorizes the additional annual contributions necessary to fund increased benefit levels.

To be eligible for a benefit, a firefighter must:

- be at least 50 years old;
- be vested, which means having acquired a minimum of 5 years of “good-time” service credit in the Plan; and,
- have severed his or her employment relationship with the fire department for a minimum of 30 days.

A full retirement benefit is payable to a firefighter with 20 years of service. Firefighters retiring with fewer than 20 but more than 5 years of service are eligible for a percentage of a full benefit. Former members of the fire department who were vested at the time they left the department are also entitled to benefits when they attain age 50.

An “Alternative” benefit is available to members who join the SVFRP but leave service before becoming vested in the Plan. In order to receive an Alternative benefit, a member must have at least 5 years of service credits when service with the SVFRP and service with the former relief association are combined, and the member must have worked for the fire department for at least 5 years. Benefits are based on relief association provisions.

One of the goals of the Plan is to provide portability of benefits for volunteer firefighters. The Plan is designed to pay benefits to a firefighter who may not vest in any one account, but when all volunteer service earned in accounts participating in the Plan is combined, the individual has earned more than five years of credited service in the SVFRP. If that is the case, a prorated share of benefits payable based on credits earned in each account would be payable to the individual who meets all other requirements for payment of a lump sum benefit under the Plan.

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Benefits are paid to the surviving spouse of an active or deferred member who dies. If there is no surviving spouse, benefits are paid to the firefighters minor children, and if no children, to the deceased firefighter's estate. The survivor benefit is equivalent to the lump sum benefit that would have been payable to the firefighter at age 50 using the service credit earned as of the date of death.

In addition to primary benefits, the Plan provides supplemental benefits equivalent to those outlined in Minnesota Statutes Chapter 424A.10. With supplemental benefits, the retiring firefighter receives a one-time cash payment equal to 10% of the lump sum benefit up to a maximum of \$1,000. For a survivor, a supplemental benefit is 20% of the lump sum, up to a maximum of \$2,000.

The following scenarios provide examples of how benefits are calculated.

### **Vested in the SVFRP**

#### **Scenario 1: Regular Retirement – Vested w/ 20 Years of Service**

A member joined the BigTown fire department after it joined the SVFRP. The benefit level was \$1,000 the entire time. The member worked for 20 years, then retired at age 50.

Benefit = 20 years x \$1,000 = \$20,000 lump sum

Supplemental Benefit = 10% x \$20,000 = \$2,000, but capped at \$1,000.

Total Benefit = \$20,000 + \$1,000 = \$21,000

#### **Scenario 2: Regular Retirement – Vested – Different Benefit Levels**

A member joined the BigTown fire department after it joined the SVFRP. The benefit level was \$1,000 for the first 10 years, then \$1,500 after that. The member worked for 20 years then retired at age 50.

Benefit = 20 years x \$1,500 = \$30,000 lump sum

Supplemental Benefit = 10% x \$30,000 = \$3,000, but capped at \$1,000

Total Benefit = \$30,000 + \$1,000 = \$31,000

*Note: The benefit level used to calculate the benefit is the level that was in place when the member retired. Any earlier benefit levels are ignored because the member is vested in the SVFRP.*

**Scenario 3: Retirement With Less Than 20 Years of Service**

A member joined the BigTown fire department after it joined the SVFRP. The benefit level was \$1,000 the entire time. The member worked for 15 years then retired at age 50.

Benefit = 15 years x \$1,000 x 80% (from vesting schedule) = \$12,000  
Supplemental Benefit = 10% x \$12,000 = \$1,200, but capped at \$1,000  
Total Benefit = \$12,000 + \$1,000 = \$13,000

**Scenario 4: Retirement With Less Than 20 Years of Service – Deferred**

A member joined the BigTown fire department after it joined the SVFRP. The benefit level was \$1,000 the entire time. The member worked for 15 years then retired at age 40. After the member retired but before he turned 50, the employer increased the benefit level to \$1,250.

Benefit = 15 years x \$1,000 x 80% = \$12,000  
Supplemental Benefit = 10% x \$12,000 = \$1,200, but capped at \$1,000  
Total Benefit = \$12,000 + \$1,000 = \$13,000

*Note: Interest is not paid on a deferred retirement. Note also that the member's benefit level is the level that was in place when the member stopped working, not the level that was in place when the member took the lump sum benefit. The member can not receive the benefit until reaching the age of 50.*

**Scenario 5: Regular Retirement w/ Time in Relief Association and SVFRP**

A member worked for the BigTown relief association for 5 years at the \$650 benefit level, then the relief association joined the SVFRP at the \$700 benefit level. The member worked an additional 15 years, then retired at age 50.

Benefit = 20 years x \$700 = \$14,000  
Supplemental Benefit = 10% x \$14,000 = \$1,400, but capped at \$1,000.  
Total Benefit = \$14,000 + \$1,000 = \$15,000

**Scenario 6: Survivor Benefit**

A member was a member of the SVFRP for 10 years then died at age 35. The benefit level was \$1,000 at the time of death.

Spouse Benefit = 10 years x \$1,000 x 60% (from vesting schedule) = \$6,000.

Supplemental Benefit = \$6,000 x 20% = \$1,200. (Cap on a survivor supplemental benefit = \$2,000)

Total Benefit = \$6,000 + \$1,200 = \$7,200

**Scenario 7: Member Worked for More Than 1 Relief Association**

A member was a member of the AnyTown relief association for 3 years at the \$400 benefit level, then became a member of the BigTown relief association for 11 years at the \$750 benefit level. The City of BigTown joined the SVFRP and the member worked for an additional 6 years at the \$1,000 benefit level before retiring at the age of 50.

Benefit = 17 years x \$1,000 x 88% = \$14,960

Supplemental Benefit = 10% x \$14,960 = \$1,496, but capped at \$1,000

Total Benefit = \$14,960 + \$1,000 = \$15,960

*Note: The time worked at AnyTown is not included in the benefit because AnyTown is not a member of the SVFRP. The benefit is based on BigTown service only. The member never vested in AnyTown, and will not receive a benefit for service in AnyTown. Had the member worked enough years in AnyTown to become vested and deferred until age 50, the benefit for AnyTown would be paid by AnyTown, not by PERA.*

**Scenario 8: Member Worked for More Than 1 Fire Department, Both in SVFRP**

AnyTown joined the SVFRP, as did BigTown. After they both joined the plan, a member worked for AnyTown for 3 years at the \$500 benefit level, then worked for BigTown for 4 years at the \$1,000 level. The member retired at age 50.

Benefit = ((3 years x \$500) + (4 years x \$1,000)) x 48% = \$2,640

Supplemental Benefit = 10% x \$2,640 = \$264

Total Benefit = \$2,904

\$720 will be charged to AnyTown's account (\$1,500 x 48%), and \$1,920 will be charged to BigTown's account (\$4,000 x 48%). The supplemental benefit will also be charged to the two accounts using the same ratio, but will be reimbursed by the Dept. of Revenue.

*Note: The member did not work at least 5 years for a specific fire department, but does have 5 years of total service in the SVFRP so can draw a benefit under the Plan's portability provisions.*

## Not Vested in the SVFRP—“Alternative” Benefits

### Scenario 9: Member Retires During Transition Period w/ 20+ Years of Service

A member was a member of the BigTown relief association for 13 years at the \$600 benefit level and then another 4 years at the \$650 benefit level. The relief association joined the SVFRP and the member continued to work for another 4 years at the \$700 benefit level, finally retiring at age 50, the minimum retirement age specified in the bylaws of the relief association.

Benefit = 21 years x \$650 = \$13,650

Supplemental Benefit = 10% x \$13,650 = \$1,365, but capped at \$1,000

Total Benefit = \$13,650 + \$1,000 = \$14,650

*Note: The benefit is based on the benefit level in existence at the time the relief association joined the SVFRP because the member had less than 5 years of service in the SVFRP.*

### Scenario 10: Retires During Transition Period w/ < 20 Years of Service

A member was a member of the BigTown relief association for 5 years at the \$600 benefit level and then another 4 years at the \$650 benefit level. The relief association joined the SVFRP and the member continued to work for another 4 years at the \$700 benefit level, finally retiring at age 50, the minimum retirement age specified in the bylaws of the relief association.

Benefit = 13 years x \$650 x 72% = \$6,084

Supplemental Benefit = 10% x \$6,084 = \$608

Total Benefit = \$6,692

*Note: The benefit is based on the benefit level in existence at the time the relief association joined the SVFRP because the member had less than 5 years of service in the SVFRP.*

### Scenario 11: Minimum Age for Relief Association is 55

A member worked for BigTown relief association for 16 years at the \$1,000 benefit level. BigTown joined the SVFRP at the \$1,500 benefit level. The member worked for an additional 4 years then retired at age 50. The minimum retirement age in the BigTown relief association is 55.

Benefit = 20 years x \$1,000 = \$20,000

Supplemental Benefit = 10% x \$20,000 = \$2,000, but capped at \$1,000

Total Benefit = \$20,000 + \$1,000 = \$21,000

*Note: The benefit can not be paid until the member turns 55 under the rules of an alternative pension because the member did not have 5 years in as a member of the*

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*SVFRP. If the member had worked an additional 5 years (instead of 4) in the above scenario, the benefit would have been payable at age 50 and would have been based on 21 years at the \$1,500 benefit level because it would have been a "regular" SVFRP benefit rather than an "alternative" pension payable under 353G.09, subd. 3.*

**Scenario 12: Deferred During the Transition Period**

A member worked 4 years with the BigTown relief association at the \$500 benefit level. The minimum vesting period for the relief association was 10 years. The relief association joined the SVFRP and moved to the \$700 benefit level. The member worked for 2 more years, then quit. At age 50, the member took the benefit.

Benefit = 6 years x \$500 x 44% (from vesting schedule) = \$1,320

Supplemental Benefit = 10% x \$1,320 = \$132

Total Benefit = \$1,452

*Note: The member was not vested with the relief association and was not vested in the SVFRP, but had 6 years of service when the two were combined. The law says an alternative lump-sum pension can be given if the member has at least 5 years of active service with the fire department and has 5 years of combined service between the relief association and the SVFRP. Since the member was not vested in the SVFRP, the relief association benefit level is used to compute the benefit.*

**Scenario 13: Deferred in Relief Association (Never Active in the SVFRP)**

A member worked for 15 years while a member of the BigTown relief association and was vested in accordance with relief association provisions. When he quit working, the benefit level was \$500. The relief association increased the benefit level to \$550, then joined the SVFRP. Their benefit level was increased to \$600 at that time. The member drew a deferred benefit 2 years later when he turned 50, the minimum retirement age for the relief association.

Benefit = 15 years x \$500 x 80% = \$6,000

Supplemental Benefit = 10% x \$6,000 = \$600.

Total Benefit = \$6,000 + \$600 = \$6,600

*Note: The benefit is based on the benefit level and provisions in effect when the member deferred, not the benefit level in place when the member finally takes the benefit. If the relief association provisions included a 20-year vesting provision, no benefit would be paid in the above scenario since the member only worked 15 years. Alternative benefits are only paid to those who become active members of the SVFRP. All relief association provisions apply to those who quit before becoming a member of the SVFRP.*

**Scenario 14: Member Never Vests**

A member worked 3 years for AnyTown, another 3 years for BigTown, and 2 years for BigCity. BigCity joined the SVFRP and the member worked another 2 years then quit.

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No benefit would be paid, even though the member worked for 10 years at various places. In order to receive an alternative benefit before vesting with the SVFRP, the member must have worked at least 5 years for one fire department and been a member of the relief association or SVFRP for a total of 5 years.

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**Table 1**

Prorated benefits for participants with at least five, but less than 20 years of service credit

<b>Completed full years of good-time service credit</b>	<b>percentage of the full service pension</b>
5	40%
6	44%
7	48%
8	52%
9	56%
10	60%
11	64%
12	68%
13	72%
14	76%
15	80%
16	84%
17	88%
18	92%
19	96%
20 or more	100%