



Defined Contribution Plan

The **Defined Contribution Plan** (DCP) administered by PERA is a tax-deferred retirement savings program established to serve a diverse group of public employees in Minnesota. This brochure is designed to describe the plan's provisions for personnel of public ambulance services, as well as rescue squads in the City of Litchfield and Kandiyohi County, as specified in Chapter 353D of State Statutes. It also covers participation by eligible volunteer firefighters.

Eligibility

Any public ambulance service may elect to participate in the DCP. Once a service chooses to join the program, individual participation in the plan is completely voluntary and there is no minimum salary requirement. A person's decision to participate must be made within 30 days of the organization joining the program, or 30 days from the date the individual becomes employed or begins providing service to the agency, whichever is later. Ambulance services and personnel may revoke their election at any time.

The same rules generally apply to eligible rescue squad employers and their personnel, except the decision to participate, once made, is irrevocable for both employers and participants.

The DCP is also available to any volunteer firefighters not eligible for coverage under PERA's Police and Fire Plan, The Statewide Volunteer Firefighter Retirement Plan or a municipal fire relief association. The decision to join is made on an individual basis by firefighters, but once made, it becomes irrevocable.

How it Works

Participating ambulance services and rescue squads generally fund the benefits of individuals who elect to participate in the plan and determine the contributions that will be made on their behalf.

The agency must establish a fixed percentage of compensation to contribute on behalf of salaried employees. Paid personnel may, in turn, choose to make member contributions up to the same amount. Services making contributions for volunteer or largely uncompensated personnel may assign a unit value for each call or each period of alert duty for the purpose of calculating contributions.

Participating firefighters (and their municipality or independent non-profit firefighting corporation, if ratifying the election of the plan) must contribute, in total, a minimum of 7.5 percent of any compensation received by the firefighter.

DCP members decide the percentage of total contributions to be placed in any of seven accounts of the Minnesota Supplemental Investment Fund. This investment fund is administered by the Minnesota State Board of Investment (SBI) and includes actively and passively managed U.S. stock funds, and international stock fund, a bond fund, a money market account, and a fixed interest fund. The investment goals of these accounts and the returns they achieved are described in *Investment Options, Minnesota Supplemental Investment Fund*, published by the SBI. This publication is posted on both PERA's and SBI's websites

Shares belong entirely to the individual participant. Except for the money market and fixed return accounts, whose shares are always one dollar each, shares are purchased at market prices.

Interest paid by the money market and fixed interest accounts is reinvested in additional shares of the respective accounts. Interest and dividends earned by the stocks and bonds held in the other five accounts are used to purchase additional shares in those accounts. These purchases and the gains and losses in market value of the stocks and bonds held in the accounts are reflected in the value of the accounts' shares, much like a mutual fund.

DCP Participants can change their investment selections any time and may also transfer all or portions of previously purchased shares from one account to another. Some special restrictions may apply, however, to transferring funds to other accounts from the Fixed Interest Account. (These restrictions are explained in the brochure *Changing Investment Selections*.)

PERA provides a statement of account to DCP participants once a year. Among other things, the annual statement reports the contributions deposited into the participant's account in the six-month reporting period and the total value of the shares the participant owns at the end of the reporting period. Members may also monitor their accounts on line through **MY PERA** at www.mnpera.org.

Benefits

When members terminate participation in the service or die, they or their named beneficiaries are entitled to a lump-sum payment of the value of shares in the account. The final value of the participant's shares is determined by economic and market conditions. Thus, PERA and the State of Minnesota cannot guarantee that share values will not decrease to a level below that originally paid.

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Participants who qualify for permanent disability under Minnesota Statutes governing PERA have the option of receiving monthly payments from their account instead of a lump-sum distribution. The amount of the monthly payments must be in \$100 increments and cannot exceed ten times the value of the employee and employer contributions for the month preceding the disability. The benefit ends when the disability status ends or when the account is depleted, whichever is sooner.

Proceeds of an account are payable 30 days or more after the date of a participant's termination of service, approval of disability, or death.* An application for withdrawal of the funds must be filed with PERA by the participant or by someone acting on the participant's behalf before payment can be made. Upon the participant's death, the value of all accounts is payable, upon application, to the participant's beneficiaries, or if none are designated, to the participant's estate.

The lump-sum benefit payment may be rolled over to another tax-qualified

plan or used to purchase an annuity from an insurance company. PERA will, at the direction of the participant, send the payment to an insurance company licensed to do business in Minnesota for the purpose of purchasing an annuity.

The Defined Contribution Plan and Taxes

A participant does not pay taxes on contributions to the DCP withheld from earnings, or those made on behalf of the participant by an employer. However, because the DCP is a qualified tax-deferred program, the full value of the account becomes taxable upon withdrawal, unless rolled over to another tax-qualified plan. If taken out before age 59½ and not rolled over, withdrawals are also, with a few exceptions, subject to an additional 10 percent tax surcharge.

Because the DCP is a tax-qualified program, enrollment in the plan may, depending on an individual's income level, reduce or eliminate the tax deductibility of contributions to a traditional individual retirement account (IRA).

Administrative Charges

Two percent of the contributions made to the DCP by an employer (2 cents for each \$1.00) is used by PERA for admin-

istrative costs of the plan. In addition, 0.25 percent of the value of the participants shares are also retained by PERA to help defray the costs of administering the plan. This asset-based charge amounts to \$2.50 for each \$1,000 of the participant's account balance.

Contacting PERA

If you have questions about your account or PERA's Defined Contribution Plan, you can contact PERA at the numbers listed below.

PERA also has a website with regular updates on share values and rates of return for the DCP investment accounts. The address is www.mnpera.org.

This publication is intended to provide general information; the rights and obligations of PERA members are governed by state and federal laws, rules and regulations. The Minnesota Legislature or the federal government may change the statutes, rules and regulations governing PERA at any time. If there is a discrepancy between the law governing PERA and the information contained in this publication, the statutes and regulations shall govern.

This document is available in alternative formats to individuals with disabilities by calling (651) 296-7460 or 1 800 652-9026, or through the Minnesota Relay Service at 1 800 627-3529.

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A retirement plan for public ambulance service, rescue squad, and volunteer fire department personnel

Public Employees Retirement Association of Minnesota

* The lump sum payable is based upon the share values at the time payment is issued.