

Statewide Volunteer Firefighter Retirement Plan

INTRODUCTION

Created in 2009, the Statewide Volunteer Firefighter Retirement Plan (SVFRP) is specifically designed for volunteer firefighters who provide service to a municipal fire department or an independent nonprofit firefighting corporation. It is voluntary and open to fire departments as a replacement of their existing volunteer firefighter retirement plan. It is also open to municipalities that do not currently have a retirement plan for their firefighters. The tax-qualified status of the plan was approved by the IRS in August 2012.

Benefits

The Plan provides for lump-sum benefits payable to retiring volunteer firefighters. This benefit is based on years of credited service earned by the firefighter and the benefit level chosen by the volunteer fire department's sponsor. Benefit levels range from \$500 to \$7,500 in \$100 increments for each full year of "good-time" service credit for firefighters who have 20 or more years of service. Prorated benefits are paid to retiring firefighters with between five and 20 years of service.

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.

Funding

Each participating department in the plan will have a separate account in which the assets necessary to fund the benefits are maintained. The State Board of Investment is responsible for the investment of these assets. Funding for the plan is through the current Fire State Aid that is issued to municipalities. If state funding is not sufficient to cover the cost of the benefits chosen by the municipality, additional municipal contributions will be required.

Getting Started

The decision to participate in the SVFRP is made jointly by the entity operating a fire department and the volunteer firefighter relief association (if one exists). Individual firefighters can not join the plan on their own.

Municipalities who wish to participate in the SVFRP can contact PERA for a cost analysis for the benefit level(s) requested. The governing body of the municipality must then approve coverage and PERA will begin administering the plan the following January.

Here is a brief outline of the process:

1. The volunteer firefighters and department sponsor(s) jointly submit a request for a cost analysis from PERA.
2. PERA prepares estimated costs for the benefit level(s) requested.
3. The State Board of Investment (SBI) reviews the investment portfolio of the existing relief association (if one exists) and determines which assets could be transferred to SBI and which must be sold before December 31st should the entity elect to join the plan.
4. Upon receipt of the cost analysis, the governing body of the municipality(ies) associat-

ed with the fire department has 120 days to approve coverage in the SVFRP and notify PERA of acceptance. If the retirement coverage change is not acted upon within 120 days, it is deemed to be disapproved. If coverage is approved, PERA begins administering the plan for the entity the following January 1 and issues all future benefit payments.

5. On the day immediately prior to the effective date of the coverage change (December 31), the special fund of the applicable volunteer firefighters' relief association ceases to exist as a pension fund of the relief association and legal title to the assets of the special fund transfers to the State Board of Investment. With some modifications, the relief association may continue as a non-profit organization and maintain its general fund.

More on benefits

As noted earlier, the fire department sponsor chooses a benefits level ranging from \$500 to \$7,500 per year of "good-time" service. This is for a firefighter with a minimum of 20 years of service (fully vested).

A benefit is payable after only five years of service, but this payment is a prorated amount of the full benefit. (Survivor benefits are identical should the firefighter not collect his or her benefit.)

In addition to the benefit payable from the SVFRP, retiring firefighters also receive a supplemental benefit of 10 percent of the lump-sum benefit, up to a maximum of \$1,000 (20 percent, up to \$2,000, for survivors).

Benefits may be rolled over to an IRA or 401(k) with no tax withholding. If the benefit

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payment is not rolled over, it is subject to 20 percent federal withholding at the time of distribution.

The table below lists prorated benefits based on a full, unreduced pension after 20 years:

Completed full years of good-time service credit	Nonforfeitable Percentage of the full service pension
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%

Transition Period

Because the Statewide Volunteer Firefighter Retirement Plan requires participants to have a minimum of five years of good-time service to be vested in the plan, special rules apply to firefighters who have at least five years of service with their department but are not yet vested in the statewide plan. Until an individual has five years under the SVFRP, any benefit due is based on the qualification rules and benefit level of the relief association at the time it joined the statewide plan. The same is true for firefighters who have already retired but have not yet collected a pension. Once a firefighter has earned five years of good-time service under the SVFRP, all future benefits are based on the level chosen by the participating department.

Advantages for Volunteer Departments

- Your department is relieved of its annual reporting and auditing requirements
- You transfer your plans administration headaches to PERA
- You use the investment expertise of the State Board of Investment (6 percent assumed earnings vs. your current 5 percent)
- The SVFRP offers comparable or higher benefits to your firefighters at the same cost to your municipality
- Benefits are portable between all plans covered by the SVFRP
- Your department can concentrate on its first duty, protecting lives and property in your community

Questions:

Visit our website at www.mnpera.org or call 1-800-652-9026.

PERA

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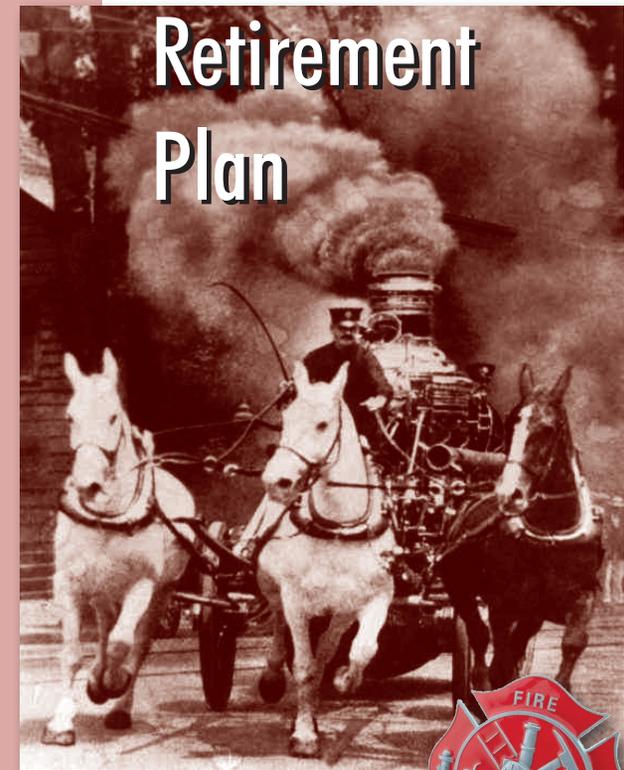
This document is available in alternative formats to individuals with disabilities by calling 1 800 652-9026 or through the Minnesota Relay Service at 1-800-627-3529.

This pamphlet is meant to explain the Public Employees Retirement Association law as simply and accurately as possible. If there is any discrepancy between this publication and the actual law, the provisions of the law will govern.

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Public Employees Retirement Association of Minnesota