



Date: February 24, 2025
To: Susan Lenczewski, LCPR Executive Director
From: Doug Anderson, Executive Director
Amy Streng, Policy Coordinator
Subject: Statewide Volunteer Firefighter (SVF) Plan Incentive Plan Annual Report

In May 2023, the Legislature passed legislation that included financial incentives for fire departments to join the PERA Statewide Volunteer Firefighter (SVF) Plan. The Legislature allocated \$5 million to be distributed to departments joining the SVF on or after July 1, 2023. The legislation did not prescribe the allocation and charged PERA with determining the methodology for distribution. The legislation requires PERA to present an annual report to the LCPR until the appropriation has been expended. This document serves as the incentive plan annual report.

Background

There are over 700 volunteer fire departments in the State. Since the inception of the PERA SVF Plan in 2010, through 2022, approximately 215 departments elected to join. When a plan joins SVF, PERA takes over the administrative duties and the State Board of Investment assumes investment responsibilities. The Plan has grown steadily despite PERA not taking an active role in seeking new plans. While the Plan has had steady growth, the legislation reflects the belief that growth of the Plan can be accelerated with an incentive to join.

Process

PERA staff convened multiple meetings of the SVF Advisory Board in 2023 to review the legislative mandate and to develop an incentive plan outline. The SVF Advisory Board consists of ten members with one member appointed by the Minnesota Association of Townships, two members appointed by the League of Minnesota Cities, one fire chief appointed by the Minnesota State Fire Chiefs Association, two volunteer firefighters appointed by the Minnesota State Fire Chiefs Association, three volunteer firefighters appointed by the Minnesota State Fire Departments Association, and one member representing the State Auditor's office.

The Advisory Board's purpose is to provide advice to the PERA Board of Trustees about the retirement coverage needs of volunteer firefighters who are members of the SVF Plan and about the legislative and administrative changes that would assist the SVF Plan in accommodating volunteer firefighters who are not members of the SVF Plan. The Advisory Board makes decisions by consensus and resulting recommendations are relayed to the PERA Board for formal positions.

The incentive program outline developed by the Advisory Board was presented to the PERA Board at the December 14, 2023 board meeting. The PERA Board unanimously supported the recommendation made by the Advisory Board.

Incentive Program Outline

The Advisory Board considered the few parameters provided by the Legislature and determined what it believed would be considered a successful outcome. After several iterations, the Advisory Board reached consensus on the following incentive program outline:

Step	Methodology
1	• The initial incentive amount is: ○ \$10,000 per plan, plus ○ \$1,000 per active member • The initial incentive amount applies to 2023, 2024, and 2025 entrants or until \$5M is exhausted • Order of eligibility is based on proper submission of participation documents
2	• If money remains in the incentive plan pool after allocation to 2023, 2024 and 2025 entrants, PERA will increase the incentive amount to: ○ \$10,000 per plan, plus ○ \$1,000 per active member, plus ○ \$X per active member (amount to be determined by PERA) • Each plan that entered prior to 2026 will receive the additional amount of \$X per active member • PERA has discretion to set the amount to maximize the addition of new plans
3	• If money remains in the incentive plan pool after allocation to 2026 entrants, Step 2 will be repeated until the fund is exhausted

One plan joined effective July 1, 2023 and 22 plans joined effective January 1, 2024. Those plans received their incentive amount in 2024. Effective January 1, 2025 another 53 plans have elected to join. The incentive amounts are pending final confirmation of active membership for each department. The estimated incentive payout for 2025 entrants is about \$1,750,000. A list of departments joining and estimated incentive payouts are shown on Exhibit A.

PERA does not currently have a reliable estimate of how many departments may join effective January 1, 2026. The Advisory Board met on January 29, 2024 and decided to maintain the initial incentive plan formula (See step #1 above). Based on the experience of the past two years, the remaining incentive balance should be sufficient to cover about 75 additional new entrants. If the rate of new entrants is consistent with the past two years, the \$5M incentive will be fully expended within two years.

Exhibit A – SVF Incentive Summary

Year of Entry	# of Plans	# of Active Members	Plan Entrants	Incentive Pool Balance
				\$5,000,000
2024	23	526	West Suburban (7/1/23), Albertville, Balaton, Cologne, Dodge Center, East Bethel, Fayal, Garfield, Hallock, Hermantown, Hoffman, Ideal, Jacobson Community, Lake Elmo, Milroy, Myrtle, Nevis, New Munich, Paynesville, South Haven, Starbuck, Taunton, Waterville	(756,000)
2025	<u>53</u>	<u>1,220</u>	Arlington, Audubon, Battle Lake, Belle Plaine, Big Lake, Bigelow, Brooten, Chisago City, Claremont, Clear Lake, Clearwater, Cloquet, Cold Springs, Crosslake, Darfur, Dassel, Eastern Hubbard County, Eveleth, Fridley, Grand Rapids, Kennedy, Lindstrom, Litchfield, Luverne, Mabel, Madelia, Madison, Mahnomen, Maple Plain, McGrath, Nerstrand, New Brighton, New Harford/Nodine, Odin, Okabena, Ormsby, Prinsburg, Rogers, Springfield, St. Hilaire, St. Joseph, Stillwater, Tintah, Trimont, Truman, Twin Lakes (Freeborn County), Viking, Villard, Walnut Grove, Warroad, Westbrook, Wilson, Winsted	<u>(1,750,000)</u>
	76	1,746		\$2,494,000