

**SF 5062 (Rasmusson):  
Public Employees Retirement Association (PERA)  
Statewide Volunteer Firefighter Plan (SVF);  
Adding a Defined Contribution Plan  
and Making Other Changes**

*Prepared by: Susan Lenczewski, Executive Director*

*Date: March 16, 2024*

**Introduction**

<b>Affected Plan:</b>	PERA Statewide Volunteer Firefighter Plan (SVF Plan)
<b>Laws Amended:</b>	Minnesota Statutes, Sections 353G.01, .02, .03, .05, .07, .08, .09, .10, .11, .115, .12, and .14; Section 352.1155, subdivision 3
<b>Laws Added:</b>	Sections 353G.075, .082, .085, .114, and .19
<b>Laws Repealed:</b>	Various subdivisions in Section 353G.01, .02, .08, and .11; Sections 353G.112 and 353G.121
<b>Brief Description:</b>	<p>The bill amends Chapter 353G as follows:</p> <ul style="list-style-type: none"><li>• A defined contribution plan is added as an option for fire departments joining the SVF Plan and fire departments in the defined benefit plan who wish to convert to the defined contribution plan;</li><li>• Many changes are made to current law to integrate defined contribution provisions into Chapter 353G;</li><li>• The frequency with which PERA must determine the funding requirements for the fire department accounts in the lump sum division of the defined benefit plan is reduced from annually to biennially; and</li><li>• The obligation to request and provide documents to verify past service as a volunteer firefighter in other fire departments is changed from the firefighter's current fire chief to the firefighter, if the firefighter wants to have past service with other fire departments count toward vesting in the firefighter's retirement benefit in the SVF Plan.</li></ul>
<b>Attachment:</b>	<a href="#">PowerPoint presentation</a> by PERA dated January 11, 2024, on the SVF Plan incentive program

## Background

During the 2023 legislative session, the Commission approved a new incentive program for the SVF Plan to encourage more volunteer firefighter relief associations to join the SVF Plan. (See the 2023 Omnibus Pension Budget bill, Chapter 45, Article 6, section 2.) The Commission funded that program with \$5 million. The Executive Director of PERA delivered an [Outline](#) of the incentive program to the Commission on January 11, 2024, and gave a presentation to the Commission at its meeting on February 26, 2024.

In connection with establishing the incentive program, the 2023 session law required the following:

The executive director of [Public Employees Retirement Association] must work with the staff of the commission to prepare legislation to add a defined contribution component to the statewide plan and make other statutory changes as appropriate to encourage fire departments and their affiliated relief associations to join the statewide plan.

SF 5062 is intended to satisfy this requirement.

## SVF Plan Structure as Amended

Under Chapter 353G, the SVF Plan consists of two divisions: the lump sum division and the monthly benefit division. Both divisions are part of a defined benefit plan. The addition of the defined contribution plan means that the SVF Plan, as amended by the bill, will consist of two plans, the defined benefit plan, consisting of the lump sum division and the monthly division, and the defined contribution plan.

## Section- by- Section Summary

**Effective dates.** Except as noted, all sections are effective January 1, 2025.

**Section 1** amends section 352.1155, subdivision 3, to allow certain faculty members who participate in the Minnesota State Retirement System (MSRS) General Employees Retirement Plan to also earn service credit as a volunteer firefighter in a volunteer firefighter relief association under chapter 424A or in the statewide volunteer firefighter plan under section 353G.

### Section 353G.01: “Definitions”

**Sections 2 to 21** add or amend definitions in section 353G.01, for the following terms:

Bill Section	Defined Term	Subdivision	Comments
2	“Association”	new 2a	Replaces the longer term “Public Employees Retirement Association”
3	“Defined contribution fund”	new 4a	
4	“Defined contribution plan”	new 4b	
5	“Defined benefit fund”	new 4c	
6	“Defined benefit plan”	new 4d	

Bill Section	Defined Term	Subdivision	Comments
7	"Fire department account"	new 5a	
8	"Firefighting corporation"	new 5b	Replaces the longer term "independent nonprofit firefighting corporation"
9	"Forfeiture"	new 5c	Needed because forfeitures are allocated to individual accounts in the defined contribution plan
10	"Individual account"	New 6b	Needed for the defined contribution plan
11	"Lump-sum division"	7b	
12	"Monthly division"	8b	
13	"Municipality"	9	Revised to remove the reference to Section 477B.01, subdivision 10
14	"Relief association"	9a	Revised to refer to Section 424A.001, subdivision 4, in the chapter governing relief associations
15	"Normal retirement age"	new 9b	Still age 50
16	"Participating employer"	new 9c	
17	"Retirement fund"	11	
18	"Retirement plan"	12	
19	"Service credit"	12a	Erroneous sentence removed, effective July 1, 2024
20	"Vesting service credit"	14a	Sentences deleted to conform with new Section 353G.075, effective July 1, 2024
21	"Volunteer firefighter"	15	Revised to incorporate language from the definition in Chapter 424A, to match that definition

### Section 353G.02: "Plan and Fund Creation"

**Section 22** amends Section 353G.02, subdivision 1, which establishes the SVF Plan, to insert a reference to the defined contribution plan and make other conforming changes.

**Section 23** amends Section 353G.02, subdivision 3, which establishes the fund for the SVF Plan, to insert a reference to the defined contribution plan and make other conforming changes.

**Section 24** amends Section 353G.02, subdivision 4, to separate paragraph (b) into two paragraphs. Revised paragraph (b) requires biennial *actuarial valuations* of each fire department in the monthly division of the defined benefit plan. New paragraph (c) requires biennial *funding assessments* of each fire department in the lump sum division of the defined benefit plan, which aligns with changes made to section 353G.08, subdivision 1. Operationally, PERA does funding assessments on the lump sum plans, not actuarial valuations, so the new paragraph (c) brings the statute into conformity with actual operation.

### Section 353G.03: "Statewide Volunteer Firefighter Plan Advisory Board"

**Section 25** amends Section 353G.03, subdivision 3, to require that, of the three representatives of Minnesota volunteer firefighters who serve on the advisory board, at least one must be covered by the lump sum division and at least one must be covered by the defined contribution plan. Current law requires that all three representatives be covered by the lump sum division. This section is effective January 1, 2027.

**Section 353G.05: “Plan Coverage Election”**

**Section 26** amends six of the seven subdivisions of Section 353G.05 and adds 3 new subdivisions. This section, as revised, now gathers into one subdivision all the provisions that relate to making an election to be covered by the SVF Plan, which in most cases, will be an election made by a relief association or municipality.

The subdivisions in current law and, as indicated, the new subdivisions added have the title and content, new or as amended, for each as follows:

- Subdivision 1, “Entities eligible to request coverage,” is amended to delete the provisions that identify which component of the plan (monthly division, lump sum division, or defined contribution plan) can be elected for new coverage by which type of entity (lump sum defined benefit relief association, monthly defined benefit relief association, or a municipality or firefighting corporation not affiliated with a relief association). These provisions are moved to new subdivision 1b. Subdivision 1 simply states that a relief association, a municipality, or a firefighting corporation may elect to have its volunteer firefighters covered by the Plan.
- Subdivision 1a, “Requesting coverage,” is in current law and is amended to add two new paragraphs that were paragraphs (f) and (g) of this section 353G.05. This subdivision provides direction regarding who may make a request for coverage and the form of that request.
- Subdivision 1b, “Selection of plan and division,” is new, but the content is from paragraphs (d) and (e) of this section in current law. This subdivision requires the entity requesting coverage to select coverage by either the defined benefit plan or defined contribution plan. If the former, paragraph (b) permits the entity to select coverage by the monthly division only if the relief association provides a monthly pension. If the latter and the entity making the request is affiliated with a defined benefit relief association, paragraph (c) requires the relief association to complete a conversion under section 353G.19 as part of the process of joining the plan.
- Subdivision 1c, “Selection of vesting schedule,” is new, but the content is from paragraph (c) of this section in current law. This subdivision requires the entity requesting coverage to select one of the following vesting schedules:
  - 40% at 5 years increasing by 4% each year until 100% at 20 years
  - 40% at 5 years increasing by 12% each year until 100% at 10 years
  - 40% at 10 years increasing by 6% each year until 100% at 20 years

Paragraphs (d) through (g) in this section in current law are deleted, because they have been moved to other subdivisions.

- Subdivision 1d, “Selection of benefit level,” is new, but the content is from section 353G.11, subdivision 1. An entity requesting coverage must identify a desired benefit level, but this is necessary only if the request is for coverage by the lump sum or monthly division of the defined

benefit plan. The requested benefit level is taken into account by PERA in performing the cost analysis required in subdivisions 2 and 3. "Benefit level" is the annual amount or, in the case of a monthly plan, the monthly amount that is multiplied by a firefighter's years of service to arrive at the annual or monthly amount of the retirement benefit.

- Subdivision 2, "Cost analysis for coverage by the lump-sum division of the defined benefit plan," is amended to use new defined terms and correct cross references.
- Subdivision 3, "Cost analysis for coverage by the monthly division of the defined benefit plan," is amended to use new defined terms and correct cross references.
- Subdivision 4, "Invested assets review," is amended to use new defined terms.
- Subdivision 5, "Finalization; coverage transfer," is amended to have paragraph (a) of this subdivision apply only to the defined contribution plan and paragraph (b) of this subdivision apply only to the defined benefit plan. Both impose similar requirements regarding if and when the transfer of coverage to the SVF Plan will take effect. If the transfer is to the defined contribution plan, it will take effect 120 days after the filing of the request for coverage, but only if the board of trustees of the relief association, if there is one, or the governing body of the municipality or firefighting corporation take action to approve the transfer. If the transfer is to the defined benefit plan, the requirement is the same except that the 120 days begins with the receipt by the relief association, if there is one, and the governing body of the cost analysis prepared by PERA under subdivision 2 or 3.
- Subdivision 6, "Joint powers entities," is not being amended.

#### **Section 353G.07: "Service Credit for Pension Benefit Accrual or Contribution Allocation"**

**Section 27** amends Section 353G.07 is amended to use new defined terms.

#### **Section 353G.075: "Service Credit for Vesting"**

**Section 28** adds new Section 353G.075, which is effective July 1, 2024. This new section incorporates a portion of the definition of "vesting service credit" in current law. Paragraph (a) requires PERA to credit each volunteer firefighter with a year of service credit for vesting for each year of service credited under Section 353G.07 for benefit accrual or contribution allocation.

Paragraph (b) amends the requirement in current law that the fire chief certify to PERA a volunteer firefighter's earlier period of service in another fire department at a time when the fire department was not covered by the SVF Plan. The obligation to request and provide documents to verify past service as a volunteer firefighter in another fire department is changed from the fire chief to the firefighter, if the firefighter wants to have past service with another fire department count toward vesting in the firefighter's retirement benefit in the SVF Plan.

Paragraph (c) states that all of a firefighter's years of service as a member of the SVF Plan for any participating employer count toward service for vesting purposes.

**Section 353G.08: "Plan Funding; Disbursements"**

**Section 29** amends Section 353G.08, subdivision 1, to require that PERA determine the funding requirements of each fire department in the lump sum division by August 1 of every other year, not every year, as required under current law. New language is added at lines 16.4 and 16.5 to require PERA to begin phasing in, starting in 2026, use of the "actuarial" value of assets in determining the funding requirements, rather than "market" value, as under current law. A new paragraph (e) at lines 17.15 to 17.19 limits PERA's ability to change the funding requirement for a fire department in the second year of the biennial valuation period to take into account the actual market value of assets. Other terms and phrases in this subdivision are amended to use new defined terms.

**Section 30** amends section 353G.08, subdivision 2, to use new defined terms.

**Section 353G.082: "Funding of Fire Department Accounts and Annual Allocation to Individual Accounts in the Defined Contribution Plan"**

**Section 31** adds new Section 353G.082, which provides requirements for the defined contribution plan, as follows:

- Subdivision 1, "Fire department accounts and individual accounts established," requires PERA to establish a fire department account for each participating employer, which will consist of the individual accounts for the volunteer firefighters employed or providing services to the participating employer. PERA must credit allocations of state aid, contributions, forfeitures, and investment earnings to the individual accounts and deduct investment losses and administrative expenses from the individuals accounts.
- Subdivision 2, "State aid and contributions by the participating employer," requires PERA to deposit in the fire department account for each fire department the associated participating employer's fire state aid, supplemental state aid, and contributions from the participating employer.
- Subdivision 3, "Annual allocation and deduction in equal shares," requires PERA to do the following, as of the end of each calendar year, for each fire department account in the defined contribution plan:
  - allocate state aid and contributions received by the fire department account and any forfeitures among the individual accounts in that fire department account in equal share, but a volunteer firefighter's individual account will share in the allocation only if the firefighter did not leave service during the year; and
  - deduct from each individual account an equal share of administrative expenses.
- Subdivision 4, "Investment earnings and losses," requires PERA to credit investment earnings to, and deduct investment losses from, each individual account in the same proportion that the value of the individual accounts bears to the total value of all assets in the fire department account.

**Section 353G.085: “Authorized Disbursements”**

**Section 32** adds new Section 353G.085, but the content is from Section 353G.08, subdivision 3, with one amendment, which is to delete the reference to “disability benefit coverage insurance premiums” from the list of permitted disbursements. PERA does not disburse plan assets to pay disability insurance premiums.

**Section 353G.09: “Retirement Benefit Eligibility”**

**Section 33** amends Section 353G.09, subdivision 1, to use new defined terms.

**Section 34** amends Section 353G.09, subdivision 1a, to add a new paragraph (d) that states that a member’s retirement benefit from the defined contribution plan is equal to the balance in the member’s individual account as of the end of the month after the month in which PERA receives the request for a distribution, multiplied by the member’s vested percentage. Other language is amended to use new defined terms.

**Section 353G.10: Leaving Firefighting Service Before Reaching Normal Retirement Age”**

**Section 35** amends Section 353G.10, to re-write this section in its entirety by splitting it into four new subdivisions and adding provisions for the defined contribution plan and forfeitures:

- Subdivision 1, “Entitlement to a retirement benefit, to the extent vested,” states that a volunteer firefighter is entitled to a distribution of the firefighter’s retirement benefit:
  - if in the defined contribution plan, as soon as practicable after the firefighter submits an application for distribution; or
  - if in the defined benefit plan, after the firefighter reaches age 50 and as soon as practicable after the firefighter submits an application for distribution.
- Subdivision 2, “Application,” requires the volunteer firefighter to submit an application to PERA in order to receive a distribution of a retirement benefit.
- Subdivision 3, “Retirement benefit during period of deferral,” states that a volunteer firefighter’s retirement benefit:
  - if in the defined contribution plan, must be invested with the rest of the individual accounts in the fire department account and continue to be credited with investment earnings and reduced by investment losses and administrative expenses, until distributed; or
  - if in the defined benefit plan, be held, without any increase for interest or otherwise, until distributed.

- Subdivision 4, “Forfeiture of accounts of volunteer firefighters who end service,” states that the portion of any individual account or pension benefit that is not vested is to be forfeited as of the earliest of the following:
  - five years after the volunteer firefighter leaves service;
  - immediately upon receiving a lump-sum distribution; or
  - immediately upon receiving the last payment if the retirement benefit is paid in monthly payments.

#### **Section 353G.11: “Lump-Sum Division Service Pension Levels”**

**Section 36** amends Section 353G.11, subdivision 2, to clarify current law and use new defined terms. This subdivision provides the procedure for changing the benefit level for fire departments in the lump sum division.

**Section 37** amends Section 353G.11, to add a new subdivision 2a, that is the content of Section 353G.121, revised to use new defined terms. This subdivision provides the procedure for changing the benefit level for fire departments in the monthly division.

This section should be renamed to “Procedure for Changing Benefit Level” to indicate that this section now provides the process for both divisions of the defined benefit plan. We can include this change when the omnibus bill is prepared, subject to the Chair’s direction.

#### **Section 353G.114: “Ancillary Benefits and Supplemental Benefits”**

**Section 38** adds new Section 353G.114, which is the content from Section 353G.10, subdivisions 3 and 4, revised to add references to the defined contribution plan and use new defined terms.

#### **Section 353G.115: “Disability Benefit Coverage; Authority for Disability Insurance”**

**Section 39** amends Section 353G.115, to delete paragraph (b) which permits the board of trustees of PERA to allow the SVF Plan to purchase group disability insurance. PERA has not and does not intend to authorize the purchase of disability insurance using SVF Plan assets.

#### **Section 353G.12: “Survivor Benefit”**

**Section 40** amends Section 353G.12, subdivision 2, to use new defined terms.

**Section 41** adds new subdivision 4 to Section 353G.12, to provide for survivor benefits in the defined contribution plan.



**Section 353G.14: “Distributions”**

**Section 42** amends Section 353G.14, which permits lump sum and annuity distributions from the lump sum division. Subdivisions 1 and 2 are amended as follows:

- Subdivision 1 states that the form of distribution from the lump sum division and the defined contribution plan is a single lump sum payment.
- Subdivision 2 states that the form of distribution from the monthly division is monthly payments. This subdivision had permitted PERA, in its discretion, to purchase an annuity using a lump sum distribution, if requested by a member, but PERA has not and does not intend to purchase annuities using lump sum retirement benefits.

**Section 353G.19 “Conversion to Defined Contribution Plan”**

**Section 43** adds new Section 353G.19, which is effective January 1, 2026. The 7 subdivisions of this new section provide the process and requirements that apply if a fire department in the defined benefit plan wishes to convert to coverage by the defined contribution plan. Conversion must happen immediately after joining the SVF Plan if a defined benefit relief association elects to be covered by the defined contribution plan when it joins the SVF Plan. Fire departments currently in the SVF Plan, which currently provides only a defined benefit plan, are permitted to convert to coverage by the defined contribution plan at any time after this section takes effect.

- Subdivision 1, “Authority to initiate conversion,” provides the authority to fire departments to convert and the outline of the steps that must be taken.
- Subdivision 2, “Resolutions by the governing body,” requires the governing body of the participating employer in which the fire department resides to pass a resolution approving conversion effective as of the “conversion effective date,” which is the following January 1. If the participating employer’s fire department account in the defined benefit plan is underfunded, a second resolution is required that approves payment of the underfunding within 30 days of filing the resolution with PERA or in installments over a three-year period.
- Subdivision 3, “Notice to participants,” requires the participating employer to provide notice of the conversion at least 30 days before the conversion effective date to all active and former volunteer firefighters. The notice must state that the firefighters will be fully vested in their accrued benefit, a summary of the terms of the defined contribution plan, an estimate of the amount of any surplus assets and how they will be allocated, contact information for more information, and, tailored to each firefighter, an estimate of the firefighter’s fully vested accrued benefit.
- Subdivision 4, “Full vesting and determination of accrued benefit,” requires that the accrued benefit of each active volunteer firefighter and of any former volunteer firefighter who has not yet taken distribution of the firefighter’s lump sum or begun distribution of the firefighter’s monthly benefit must become fully vested on the conversion effective date.

- Subdivision 5, “Surplus over full funding,” requires PERA to allocate any surplus to each volunteer firefighter’s new account in the defined contribution plan in the same proportion that the firefighter’s accrued benefit bears to all the accrued benefits of the firefighters in the fire department. Any former volunteer firefighter who is receiving a monthly benefit is excluded from this allocation.
- Subdivision 6, “Distribution to former volunteer firefighters in pay status,” requires PERA to offer an immediate lump sum distribution of the present value of remaining benefit payments to any former volunteer firefighter or beneficiary who is receiving monthly benefits.
- Subdivision 7, “Prohibition against reduction in accrued benefit,” protects the value of volunteer firefighter’s benefits through the conversion process by stating that the value of the firefighter’s individual account after the conversion cannot be less than the present value of the firefighter’s accrued benefit before the conversion.

**Section 44** is an instruction to the Revisor to change the following terms in chapter 353G:

- (1) from "Public Employees Retirement Association" to "association";
- (2) from "independent nonprofit firefighting corporation" to "firefighting corporation"; and
- (3) from "monthly benefit division" to "monthly division."

**Section 45** repeals the following sections of Minnesota Statutes:

353G.01, subdivisions 7a and 8: The definitions of “lump-sum account” and “monthly benefit account” are repealed because these “accounts” are now “divisions” of the defined benefit plan. “Account” is reserved for use in new defined terms, “fire department account” and “individual account.”

353G.01, subdivision 10: The definition of “plan” is repealed because it is now included in the definition of “retirement plan.”

353G.02, subdivision 6, is repealed because it is obsolete. It requires the first fire department to join the monthly division of the defined benefit plan to pay the administrative costs of establishing the new division, when it was added to the SVF Plan in 2015. We understand that these costs have been repaid or are no longer being recouped from the first monthly plan to join the SVF Plan.

353G.08, subdivision 3, is repealed because the contents of this subdivision have been moved to new Section 353G.085.

353G.11, subdivisions 1, is repealed because the contents of this subdivision have been moved to Section 353G.05, new subdivision 1d.

353G.11, subdivision 1a is repealed because it is obsolete. The two paragraphs in this section permitted fire departments that joined the SVF Plan before 2010 and 2015 to select a pension level of \$750 and retain that level until the fire department goes through the process to change the level. This appears to

have been necessary because a pension level in a \$50 increment is not permitted at the time of joining the SVF Plan so these fire departments needed the explicit permission to join and select a \$750 pension level.

353G.subdivisions 3 and 4, are repealed because the contents of these subdivisions have been moved to new Section 353G.114.

353G.112 is repealed because the contents of this section have been moved to Section 353G.05, new subdivision 1d.

353G.121 is repealed because the contents of this section have been moved to Section 353G.11, new subdivision 2a.