Work Group on Vesting and Emergency Medical Providers in Relief Associations and the SVF Plan Mandated Topics for Consideration and Determination

The 2026 session law establishing the Work Group requires the Work Group to recommend legislation that would:

(1) shorten the vesting schedule for firefighter relief associations to a maximum of ten years;

(2) require that firefighter relief associations include volunteer or paid on-call emergency medical providers as members on the same basis as volunteer or paid on-call firefighters; and

(3) make the same changes to the PERA Statewide Volunteer Firefighter Plan (SVF Plan) as are recommended for firefighter relief associations.

The session law also directs the Work Group to address a series of considerations and make determinations. The table on the following pages includes the mandated topics to be considered (in a question format), information provided to or discussed by the Work Group on each topic, and space for the Work Group's determinations or recommendations to be noted.

A topic is mandated if the column labeled "Topic to Consider" has a citation noted for the topic. After the table is a list of information presented or otherwise provided to the Work Group to educate and assist members with responding to the mandates.

This table is a work in progress and will need to be revised and supplemented as the Work Group develops its understanding of the topics and concerns to be addressed. Contact LCPR staff to make changes, corrections, or additions.

Items in **bold green font** or **bold blue underlined font** are new and have been added since the last version circulated to the Work Group.

Work Group Determinations		
Topic to Consider	**Information Provided to or Discussed by the Work Group**	**Determination/Recommendation**
Vesting Questions for Defined Benefit Plans		
Does shortening vesting schedules have any impact on a relief association or SVF fire department's liabilities or funded status? (subd. 3, clause 1)	Spreadsheet of the impact on liabilities, required contributions, and funded ratio of shortening the vesting schedule to 10 years for a subset of relief associations (using 2024 data) Spreadsheet of the impact on liabilities, surplus or deficit, and required municipal contributions of shortening the vesting schedule to 10 years for relief associations that submitted 2025 data as of 9.2026 **Updated spreadsheet of the impact of shortening the vesting schedule to 10 years for relief associations** **Spreadsheet of the cost impact of changing to 10-year full vesting for all entities in the SVF Plan**	As seen in the spreadsheets, shortening the vesting schedule to 10 years has an impact on relief associations' liabilities and funding surplus or deficit. Liabilities increased for most relief associations by less than 5%. LCPR staff comment: most of the reliefs that had an increase in liabilities due to the vesting change have ample overfunding to cover the additional liability. This would be a one-time reduction, not annual.
Are there studies or data supporting or critical of the premise that longer vesting schedules aid retention or recruitment? (subd. 3, clause 2)	LCPR staff provided the following research on vesting schedules and retention: • Aaron Goodman, Guillermo Carranza, Fiona Greig, Kelly Hahn, *Does 401(k) vesting help retain workers?*, VANGUARD (Feb. 2025) • Paul Mulholland, *Do Vesting Schedules Enhance Retention*, AMERICAN SOCIETY OF PENSION PROFESSIONALS & ACTUARIES (Mar. 3, 2025)	The research provided to the Work Group demonstrates that vesting schedules do not have a significant effect on retention. No research was found to support the premise that longer vesting schedules aid in retention or recruitment.

	• Samantha J. Prince, Timothy G. Azizkhan, Cassidy R. Prince & Luke Gorman, *The Effects of 401(k) Vesting Schedules—in Numbers,* THE YALE LAW JOURNAL FORUM (Sept. 27, 2024) • Samantha J. Prince, Timothy G. Azizkhan, & Rebecca Hatton, *Response to IRS Seeking Comments for Priority Guidance 2025-2026* (May 27, 2025) Doug Anderson provided the following report prepared by the National Institute on Retirement Security: • *Workforce Turnover and Retention in the Public Sector: Insights from Public Pension Plans*, NATIONAL INSTITUTE ON RETIREMENT SECURITY (Oct. 1, 2026) The Work Group discussed that they were only aware of anecdotal evidence that longer vesting schedules help with recruitment and retention.	
What options are available to lessen the impact, if any, on a relief association or SVF fire department's liabilities or funded status due to shortening the vesting schedule? (subd. 3, clause 1) Can the overfunding in relief associations and fire department accounts in the SVF cover any liabilities arising from shortening the vesting schedule? (subd. 3, clause 6) If shortening the vesting schedule results in an increase in liabilities, what options are available for relief associations or fire	The Work Group discussed the following options for lessening the impact: • A delayed effective date to January 1, 2030. • A "funding waiver" to postpone municipal contributions for a year or two. • Have the OSA and PERA give notice to the fire department about the projected funding status due to shortening the vesting schedule.	Response proposed by LCPR staff: If a relief association or fire department account in the SVF has an increase in liabilities due to shortening the vesting schedule and the relief or SVF account has a surplus (assets in excess of liabilities), the impact of the increase in liabilities will be a reduction in the surplus. Whether that reduction in surplus will mean nearing 100% funded or falling below 100% funded will vary depending on the specifics of each relief association and fire department account.

department accounts in the SVF that are not overfunded? (subd. 3, clause 6)	For relief associations or fire department accounts in the SVF that are not overfunded, the Work Group discussed a one-time appropriation that would provide state aid to fire departments under a specified level of funding due to shortening the vesting schedule. **Rose Hennessy-Allen shared that the Office of the State Auditor Fire Relief Association Working Group will be suggesting the Commission revise the discount rate assumption to 4.5% and that a 4.5% discount rate should decrease a relief association's projected liability.** **The Work Group discussed cliff vesting versus a graded schedule. Specifically, the Work Group discussed 10-year cliff vesting and two graded schedules. The two graded schedules were (1) starting at 40% vested at 5 years of service and increasing 12% per year until 100% vested, and (2) starting at 50% vested at 5 years of service and increasing 10% per year until 100% vested.**	**Work Group recommendation: The legislation should include a graded vesting schedule so that at 5 years of service the member is 50% vested, and the percentage would increase by 10% each year until the member is 100% vested at 10 years of service.**
What options are available for phasing in a shorter vesting schedule? (subd. 3, clause 7)	The Work Group discussed phasing in the ten-year vesting requirement over five or ten years but noted that this comes with a significant administrative burden.	**Work Group recommendation: The legislation should not phase in a shorter vesting schedule.**

Emergency Medical Provider Questions for Defined Benefit Plans		
How many fire departments, whether affiliated with a relief association or participating in the SVF, have emergency	Workbook of Survey Data Summary of Survey Results	Of the fire departments that completed the survey, 36 fire departments have

medical providers who solely perform that function? (subd. 3, clause 3)	Workbook of Questionnaire Data	emergency medical providers who only provide emergency medical services. Of those 36 fire departments, 24 fire departments provide retirement benefits to the emergency medical providers, and 12 fire departments do not provide retirement benefits to the emergency medical providers. Of those 12 fire departments, 1 fire department is not affiliated with a relief association or participating in the SVF. Instead, that fire department provides benefits to firefighters through the PERA Defined Contribution Plan. **Of the fire departments that completed the questionnaire, there are 4 additional fire departments who do not provide retirement benefits to emergency medical providers who only provide emergency medical services.**
How many emergency medical providers who solely perform that function are in each fire department? (subd. 3, clause 3)	Workbook of Survey Data Summary of Survey Results Workbook of Questionnaire Data	Based on the survey data, across the 11 fire departments that have an affiliated relief association or participate in the SVF Plan and do not provide retirement benefits to the emergency medical providers, there are 29 emergency medical providers who only provide emergency medical services. Of the 29 emergency medical providers, there are some who are in a full-time position that is eligible for retirement benefits from the PERA General Plan.

		Based on the questionnaire data, across the 4 fire departments that have an affiliated relief association or participate in the SVF Plan and do not provide retirement benefits to the emergency medical providers, there are at least 11 additional emergency medical providers who only provide emergency medical services.
For each fire department that has emergency medical providers solely performing that function, what is the funded status of the affiliated relief association or the fire department's SVF account? (subd. 3, clause 3)	Workbook of Survey Data Summary of Survey Results Workbook of Questionnaire Data Spreadsheet of funding information for fire departments with EMPs who do not receive retirement benefits	The spreadsheet of funding information provided to the Work Group shows the surplus or deficit for the relief associations or SVF accounts associated with the fire departments that have emergency medical providers but do not provide retirement benefits to those emergency medical providers.
What is the cost of providing credit for past service for emergency medical providers when the providers become members of relief associations that are defined benefit plans or the SVF defined benefit plan? (subd. 3, clause 5)	Spreadsheet of funding information for fire departments with EMPs who do not receive retirement benefits	The spreadsheet of funding information provided to the Work Group shows the estimated cost of past service for emergency medical providers who are part of fire departments that do not provide retirement benefits to emergency medical providers. The estimated cost was determined by multiplying each EMP's years of past service by the benefit level. This "cost" is not the same calculation needed to determine "liabilities," which requires determining present value using assumptions noted in Appendix B to the Standards for Actuarial Work and assumptions used by the SVF Plan.

What basis is there, if any, for excluding emergency medical providers from firefighter relief associations and the SVF? (subd. 3, clause 4)		
What options are available for requiring coverage for emergency medical providers? (subd. 3, clause 7) Can the overfunding in relief associations and fire department accounts in the SVF cover the cost of providing coverage for emergency medical providers? (subd. 3, clause 6) What options are available for relief associations or fire department accounts in the SVF that are not overfunded? (subd. 3, clause 6)		Response proposed by LCPR staff: Requiring coverage of emergency medical providers by a relief association or fire department account in the SVF will have the same impact as adding a new firefighter.

What options are available for providing past service credit (that is, as far back as a provider has active service in the fire department or back to 2019) for emergency medical providers who become members of relief associations that are defined benefit plans or the SVF defined benefit plan? (subd. 3, clause 5)	Options suggested by staff:
	• Require the relief association or fire department account in the SVF to absorb the cost of providing past service credit.
	• Require the relief association or fire department account in the SVF to absorb the cost of providing past service credit with limits still to be determined:
	  ○ cap at X years of service
	  ○ cap depending on funded status and impact on surplus
	• Allowing EMPs to purchase past service credit imposes a substantial
		Response proposed by LCPR staff: If a relief association or fire department account in the SVF has an increase in liabilities due to providing credit for past service to emergency medical providers and the relief or SVF account has a surplus (assets in excess of liabilities), the impact of the increase in liabilities will be a reduction in the surplus. Whether that reduction in surplus will mean nearing 100% funded or falling below 100% funded will vary depending on the specifics of each relief association and fire department account.

	administrative burden on relief associations and the SVF Plan, and more research would be needed to determine if permitting discretionary employee contributions to a relief association or the SVF Plan for the purpose of purchasing past service credit violates federal Internal Revenue Code requirements.	

Vesting Questions for Defined Contribution Plans		
Does shortening vesting schedules have any impact on a relief association or SVF fire department's liabilities or funded status? (subd. 3, clause 1)	**LCPR Memo on Defined Contribution Plans**	Response proposed by LCPR staff: Defined contribution relief associations and defined contribution accounts in the SVF Plan have no "liabilities" or "funded status." They are always 100% funded. Therefore, shortening the vesting schedules will result in firefighters reaching 100% vested quicker, with a greater likelihood that they will receive their entire account, rather than just a portion of the account. Quicker vesting will result in fewer accounts or portions of accounts being forfeited. Forfeitures are allocated, along with state aid and any municipal contributions, in equal shares among remaining accounts so fewer dollars forfeited will mean fewer forfeited dollars allocated among remaining accounts.
Are there studies or data supporting or critical of the premise that longer vesting	LCPR staff provided the following research on vesting schedules and retention:	The research provided to the Work Group demonstrates that vesting schedules do not have a significant effect on retention. No research was found to support the premise

schedules aid retention or recruitment? (subd. 3, clause 2)	• Aaron Goodman, Guillermo Carranza, Fiona Greig, Kelly Hahn, *Does 401(k) vesting help retain workers?*, VANGUARD (Feb. 2025) • Paul Mulholland, *Do Vesting Schedules Enhance Retention*, AMERICAN SOCIETY OF PENSION PROFESSIONALS & ACTUARIES (Mar. 3, 2025) • Samantha J. Prince, Timothy G. Azizkhan, Cassidy R. Prince & Luke Gorman, *The Effects of 401(k) Vesting Schedules—in Numbers*, THE YALE LAW JOURNAL FORUM (Sept. 27, 2024) • Samantha J. Prince, Timothy G. Azizkhan, & Rebecca Hatton, *Response to IRS Seeking Comments for Priority Guidance 2025-2026* (May 27, 2025) Doug Anderson provided the following report prepared by the National Institute on Retirement Security: • *Workforce Turnover and Retention in the Public Sector: Insights from Public Pension Plans*, NATIONAL INSTITUTE ON RETIREMENT SECURITY (Oct. 1, 2026) The Work Group discussed that they were only aware of anecdotal evidence that longer vesting schedules help with recruitment and retention.	that longer vesting schedules aid in retention or recruitment.
What options are available to lessen the impact, if any, on a relief association or SVF fire department's liabilities or funded status due to shortening the vesting schedule? (subd. 3, clause 1)	**LCPR Memo on Defined Contribution Plans** The Work Group discussed the following options for lessening the impact:	Response proposed by LCPR staff: Defined contribution relief associations and defined contribution accounts in the SVF Plan have no “liabilities” or “funded status.” They are always 100% funded. Therefore, shortening

Can the overfunding in relief associations and fire department accounts in the SVF cover any liabilities arising from shortening the vesting schedule? (subd. 3, clause 6) If shortening the vesting schedule results in an increase in liabilities, what options are available for relief associations or fire department accounts in the SVF that are not overfunded? (subd. 3, clause 6)	• A delayed effective date to January 1, 2030. • A "funding waiver" to postpone municipal contributions for a year or two. • Have the OSA and PERA give notice to the fire department about the projected funding status due to shortening the vesting schedule. For relief associations or fire department accounts in the SVF that are not overfunded, the Work Group discussed a one-time appropriation that would provide state aid to fire departments under a specified level of funding due to shortening the vesting schedule.	the vesting schedules will result in firefighters reaching 100% vested quicker, with a greater likelihood that they will receive their entire account, rather than just a portion of the account.
What options are available for phasing in a shorter vesting schedule? (subd. 3, clause 7)	The Work Group discussed phasing in the ten-year vesting requirement over five or ten years but noted that this comes with a significant administrative burden.	

Emergency Medical Provider Questions for Defined Contribution Plans		
How many fire departments, whether affiliated with a relief association or participating in the SVF, have emergency medical providers who solely perform that function? (subd. 3, clause 3)	Workbook of Survey Data Summary of Survey Results Workbook of Questionnaire Data	Of the fire departments that completed the survey, 36 fire departments have emergency medical providers who only provide emergency medical services. Of those 36 fire departments, 24 fire departments provide retirement benefits to the emergency medical providers, and 12 fire departments do not provide retirement

		benefits to the emergency medical providers. Of those 12 fire departments, 1 fire department is not affiliated with a relief association or participating in the SVF. Instead, that fire department provides benefits to firefighters through the PERA Defined Contribution Plan. **Of the fire departments that completed the survey and questionnaire, it appears that there are 2 fire departments who provide retirement benefits to emergency medical providers through the PERA Defined Contribution Plan. One of those fire departments also provides retirement benefits to its firefighters through the PERA Defined Contribution Plan.**
How many emergency medical providers who solely perform that function are in each fire department? (subd. 3, clause 3)	Workbook of Survey Data Summary of Survey Results Workbook of Questionnaire Data	Based on the survey data, the 1 fire department that provides benefits to firefighters through the PERA Defined Contribution Plan but does not provide benefits to emergency medical providers, has 1 emergency medical provider who only provides emergency medical services. **Based on the survey and questionnaire data, it appears that the 2 fire departments that provide benefits to emergency medical providers through the PERA Defined Contribution Plan have a total of 3 or 4 emergency medical providers who only provide emergency medical services.**

For each fire department that has emergency medical providers solely performing that function, what is the funded status of the affiliated relief association or the fire department's SVF account? (subd. 3, clause 3)	**LCPR Memo on Defined Contribution Plans**	Response proposed by LCPR staff: Defined contribution relief associations and defined contribution accounts in the SVF Plan have no "liabilities" or "funded status." They are always 100% funded. Therefore, requiring coverage for emergency medical providers will not affect the funded status.
What is the cost of requiring past service credit be provided to emergency medical providers when the providers become members of relief associations that are defined benefit plans or the SVF defined benefit plan? (subd. 3, clause 5)	**LCPR Memo on Defined Contribution Plans**	Response proposed by LCPR staff: Because state aid and any municipal contributions are fully allocated among accounts each year, it is not feasible to open new accounts for emergency medical providers and provide them with allocations for prior years. To do so, would mean pulling allocated funds out of firefighter accounts and re-allocating them for prior years.
What basis is there, if any, for excluding emergency medical providers from firefighter relief associations and the SVF? (subd. 3, clause 4)		
What options are available for requiring coverage for emergency medical providers? (subd. 3, clause 7) Can the overfunding in relief associations and fire department accounts in the SVF cover the cost of providing coverage for emergency medical providers? (subd. 3, clause 6) What options are available for relief associations or fire department accounts in the SVF that are not overfunded? (subd. 3, clause 6)	**LCPR Memo on Defined Contribution Plans**	Response proposed by LCPR staff: Requiring coverage of emergency medical providers by a relief association or fire department account in the SVF will have the same impact as adding a new firefighter.

What options are available for providing past service credit (that is, as far back as a provider has active service in the fire department or back to 2019) for emergency medical providers who become members of relief associations that are defined benefit plans or the SVF defined benefit plan? (subd. 3, clause 5)	**LCPR Memo on Defined Contribution Plans**	Response proposed by LCPR staff: Because state aid and any municipal contributions are fully allocated among accounts each year, it is not feasible to open new accounts for emergency medical providers and provide them with allocations for prior years. To do so, would mean pulling allocated funds out of firefighter accounts and re-allocating them for prior years.

Other Vesting and Eligibility Issues		
Are there any other issues related to vesting and eligibility that merit discussion by the work group and inclusion in the recommendations? (subd. 3, clause 8)		

Additional Information Provided to the Work Group

- Fire Relief Association Funding and Vesting Data Presentation by Rose Hennessy Allen, Pension Division Director, Office of the State Auditor
- Email from Rose Hennessy Allen to LCPR staff on 8/20 with the vesting schedules for relief associations organized by the type of plan
- Graph of Relief Association Members' Length of Service at Termination
- Statewide Volunteer Fire Fighter Plan Funding and Vesting Data Presentation by Doug Anderson, Executive Director, PERA
- EMS Overview for Vesting Work Group Presentation by Dylen Ferguon, Director, Office of EMS
- Information on EMS funding programs provided by Dylan Ferguson, Director, Office of Emergency Medical Services
- **How Required Contributions are Determined and Related Funding Topics Presentation by Doug Anderson, Executive Director PERA**
- **Explanation of Actuarial Value of Assets Memo by Doug Anderson, Executive Director PERA**
- **Required Municipal Contribution Examples Handout provided by the Office of the State Auditor**