



Date: March 12, 2026
To: PERA Board of Trustees
From: Doug Anderson, Executive Director
Amy Streng, Policy Coordinator
Subject: 2026 PERA Stakeholder Agenda

Initiative: Maple Plain Statewide Volunteer Firefighter Plan

Stakeholder(s): Maple Plain

Background: The City of Maple Plain Volunteer Fire Department Plan (Maple Plain) is a lump sum defined benefit plan participating in the PERA Statewide Volunteer Firefighter (SVF) Plan. Maple Plain joined the SVF Plan on January 1, 2025. PERA administers the plan in accordance with Minnesota Statutes Section 353G.

The Plan has 24 members and provides a lump sum benefit at age 50 or actual retirement age if later. The lump sum benefit amount is equal to \$4,300 per year of service. The plan is similar in nature to PERA's cost sharing plans (General, P&F, and Correctional) with the only significant differences in benefits being that members have an earlier retirement age (age 50) and that the benefit is a fixed amount per year of service (\$4,300) instead of being a multiplier times final average service per year of service. Maple Plain is terminating their SVF Plan since the Maple Plain fire department merged with the West Suburban Fire District effective January 1, 2026.

Because local fire departments may disband or merge with other local departments, the Section 353G statutes applicable to the SVF have explicit instructions for terminating a plan. The statutes are clear on how to allocate excess assets to plan members and distribute benefits. The plan termination section of the statutes was modeled on how private plan terminations are regulated.

Under statute, excess assets are allocated upon termination in proportion to each member's present value of their accrued benefit. This approach has the same effect as the governing body raising the benefit level to what the plan could afford to provide if all assets are attributed to members, leaving the plan 100% funded. This statute has been in place since 2018 in anticipation of future terminations.

Upon termination, each member receives the present value of their expected future benefit. The present value is their future benefit reduced by 6% per year from the plan termination date until the member's assumed retirement age 50, or actual age if later. Each member then may roll over their benefit distribution to an Individual Retirement Account, or otherwise invest their money, for their future retirement use. If the member's investments exceed 6%, they will end up having a higher retirement benefit at their retirement age than what they had accrued in the plan. Alternatively, earning less than 6% will provide less than their accrued benefit payable at retirement from the plan.

Initiative: SF 3828/HF 3512 modifies the allocation method for surplus assets in Maple Plain's termination. The Legislative Commission on Pensions and Retirement provided the attached bill summary which details the legislative proposal and the reasons behind proposal.

The summary references that upon beginning the termination process, the Maple Plain firefighters were surprised to learn that they are entitled to the present value of their accrued benefit instead of their accrued benefit without reduction.

SF3828/HF3512 proposes a different method of allocation of the surplus.

The new approach would revise the allocation of the surplus to require a two-stage allocation:

- The first stage would allocate surplus to all firefighters under age 50 so that each firefighter would receive an allocation that would “top up” the benefit as needed to arrive at a benefit for each of these firefighters equal to years of service times \$4,300.
- The second stage would determine the surplus remaining after stage one and allocate the remainder in the same proportion that each firefighter’s years of service bears to the total years of service for all firefighters.
- This surplus allocation would be added to the present value of each firefighter’s accrued benefit, a calculation that is done first, before allocation of the surplus.

The LCPR summary provides additional information on the revised method.

Staff Review: As noted in the LCPR Bill summary, PERA staff noted several concerns relating to modification of the current termination statute for the SVF Plans. This memo focuses on the impact of the new methodology.

PERA staff believe that the current regulations are appropriate and consistent with the long-standing concepts of defined benefit plans, including the concept of present value. In the context of this discussion, present value means the value in today’s dollars of something to be paid in the future. Under statute, present value for the SVF is determined using 6% interest. The effect of the new methodology is essentially to eliminate the conversion of the benefit payable at retirement to a present value amount.

The bill has a very direct impact to what members get paid upon distribution. PERA staff estimates that 11 members will receive about \$220,000 less and 13 members will receive about \$220,000 more.

The LCPR heard testimony relating to SF 3828/ HF 3512 at its March 3 hearing. Staff recommends the Board watch the testimony and subsequent discussion by the legislators. Testifying in my role as plan administrator, I noted that though PERA’s Board does not currently have a position on the bill, there are numerous concerns relating to the proposal. My testimony focused on the transfer of benefits from one group of members to another group.

Staff Recommendation:

Staff recommend that the PERA Board of Trustees take a position to oppose SF3828.HF3512 and directs staff to continue to support that the existing statute capably addresses how benefits should be attributed to members upon plan termination.



SF 3828 (Limmer); HF 3512 (Robbins): Maple Plain Fire Department; Modifying the procedures for the Fire Department to terminate participation in the PERA Statewide Volunteer Firefighter Plan

Prepared by: Susan Lenczewski, Executive Director

Date: March 2, 2026

Introduction

- Affected Plan:** PERA Statewide Volunteer Firefighter Plan (SVF Plan)
- Laws Amended:** Special legislation for the Maple Plain Fire Department, now merged into the West Suburban Fire Department
- Brief Description:** Modifies procedures for terminating participation in the SVF Plan to provide for a different method for allocating surplus assets, which will apply only to the termination of the Maple Plain Fire Department from the SVF Plan

Background

PERA Statewide Volunteer Firefighter Plan. The state has two systems for providing retirement benefits to volunteer or paid on-call firefighters:

- Through approximately 500 locally controlled fire relief associations, each of which is affiliated with a fire department; and
- Through the SVF Plan, a multiple employer plan administered by PERA. In the SVF Plan, each participating fire department has an account that funds retirement benefits for the department's firefighters. These fire departments previously had relief associations that administered a retirement plan, but after the municipality and the relief association decided to join the SVF Plan, the relief association transferred all assets and liabilities to the SVF Plan and wound down the retirement plan.

Relief associations and the SVF Plan are largely funded by state aid derived from fire insurance premiums paid by property owners in the state. Affiliated municipalities may make contributions and, if the retirement plan or fire department account is underfunded, may be required to make contributions, but municipality contributions are a small percentage of the funding for retirement benefits for volunteer or paid on-call firefighters.

Maple Plain. The Maple Plain Fire Department joined the SVF Plan on January 1, 2025, after nearly a century of providing retirement benefits to its volunteer firefighters through the Maple Plain Fire Relief Association. The Fire Department merged into the West Suburban Fire District effective January 1, 2026, and many of the Maple Plain firefighters transferred to the West Suburban Fire District.

During 2025, Maple Plain began the process of terminating its participation in the SVF Plan. The former Maple Plain firefighters were surprised to learn that state law requires that firefighters younger than age 50 to receive the “present value” of their accrued benefit, rather than an accrued benefit equal to years of service multiplied by the benefit level. (A similar concern arose in the termination of the Centennial Fire Relief Association; see SF 3897/HF 3703 and the staff summary of the bill.)

Terminating participation in the SVF Plan. Termination from the SVF Plan is governed by Minnesota Statutes, section 353G.18. Section 353G.18, subdivision 4, paragraph (c), requires the executive director of PERA to do the following:

- (1) fully vest all departing firefighters as of the termination date and consider each departing firefighter 100 percent vested in the pension benefit accrued by the departing firefighter under the entity's account as of the termination date;
- (2) determine **the present value** of each departing firefighter's accrued benefit as of the termination date, taking into account the benefit level under section 353G.11 or otherwise in effect for the departing firefighter as determined by the executive director;
- (3) determine, as of the termination date, the value of accrued liabilities, including administrative expenses incurred or reasonably anticipated to be incurred through the distribution date, and the value of assets attributable to the entity's account; and
- (4) to the extent necessary to minimize the risk of investment losses between the termination date and the distribution date, reinvest the assets credited to the entity's account in low-risk investments.

Upon receipt of the notice of termination and resolution from the Maple Plain City Council months ago, PERA began the termination process as directed. PERA determined the accrued benefit of each firefighter by first multiplying the firefighter's years of service by the Fire Department's benefit level of \$4,300. If the firefighter was younger than age 50, which is the retirement age under the SVF Plan, the foregoing product of years of service times benefit level was reduced to its present value. This present value calculation is required by clause (2), quoted above. The theory behind this present value calculation is that a benefit payable at age 50 is worth less in today's dollars, taking into account inflation and investment earnings. Present value answers the question: "How much money is needed today to have the determined benefit amount at age 50?"

The impact of discounting a retirement benefit to its present value can be significant, especially for firefighters in their 20s and 30s. For example, a firefighter who is 43 years old with 16 years of service would have a benefit initially calculated as $16 \times \$4,300$ or \$68,800. Since the firefighter is not yet age 50, his benefit will be reduced to a present value of \$46,000, a reduction of \$22,800 (from \$68,800 to the present value of \$46,000).

As mentioned above, the need to calculate present value came as a surprise to the firefighters. What made this even more troubling is the corresponding allocation of the Fire Department's surplus. The Fire Department's account has more assets than are needed to fund retirement benefits, resulting in a surplus. That surplus is required to be allocated on the basis of the present value of each firefighter's benefit.

Section 353G.18, subdivision 4, paragraph (d), states:

(d) If the entity's account has assets in excess of accrued liabilities, the executive director shall allocate the excess among all departing firefighters in the same proportion that **the present value** of the accrued benefit for each departing firefighter bears to **the total present value** of the accrued benefits of all departing firefighters, and each departing firefighter's benefit, as determined under paragraph (c), clause (2), shall be increased by the departing firefighter's share of the excess.

Smaller benefits, already reduced by the present value calculation, would receive a proportionately smaller allocation of the surplus, while larger benefits, some of which are not reduced at all by the present value calculation, would receive a larger allocation.

Special legislation. The Maple Plain Relief Association, which has continued to exist without the need to administer a retirement plan, and Maple Plain city leadership worked with PERA to determine if there were alternatives to having to discount accrued benefits to present value and allocate surplus on the basis of the present values. They also began working with Representative Robbins on special legislation.

When Doug Anderson, PERA's Executive Director, was informed of the proposed special legislation, he objected to removing the requirement that present value be calculated in determining benefit amounts for eventual distribution. His grounds for objection included the following:

- Actuarial standards require this calculation and without the reduction for present value, younger firefighters would unfairly receive a benefit with a value that exceeded the benefit to be received by firefighters closer to age 50.
- Without the reduction to present value, the total of all accrued benefits might exceed the surplus.
- The special legislation would set an undesirable precedent for fire departments wanting to terminate participation in the SVF Plan in the future.

Because of Mr. Anderson's objections, the special legislation is drafted to retain the present value requirement but change the method for allocating the surplus.

The new approach would revise the allocation of the surplus to require a two-stage allocation:

- The first stage would allocate surplus to all firefighters under age 50 so that each firefighter would receive an allocation that would "top up" the benefit as needed to arrive at a benefit for each of these firefighters equal to years of service times \$4,300.

- The second stage would determine the surplus remaining after stage one and allocate the remainder in the same proportion that each firefighter's years of service bears to the total years of service for all firefighters.

This surplus allocation would be added to the present value of each firefighter's accrued benefit, a calculation that is done first, before allocation of the surplus.

Federal law requirements. Actuarial best practice and actuarial standards would require that a benefit payable at age 50 that is paid at an earlier age be discounted to present value if the goal is to pay a benefit that is actuarially equivalent to the age 50 benefit. Actuarial best practice and actuarial standards may similarly require allocation of surplus on the basis of present value of accrued benefits.

Actuarial standards, however, are not legal requirements. If federal law does not require that accrued benefits be discounted to present value or that surplus be allocated on the basis of present values, state law can be amended to eliminate either requirement.

The bill continues the requirement under current law that accrued benefits be discounted to present value. The bill revises only the method for allocating surplus to provide the benefit that the firefighters believed they had earned and were entitled to. Based on our research, we concluded that federal law does not dictate that governmental plans, which includes the SVF Plan, comply with actuarial standards. We are also not aware of any federal law or regulation that would interfere with the proposed method for allocating the surplus. Federal law does not dictate anything specific on allocation of surplus in the case of governmental plans.

One additional issue that had arisen in developing the approach set forth in the bill is whether the new method for allocating surplus is age discriminatory. Again, based on our research, we have the following comments:

- The reference to age 50 in the description of the allocation method is included in the bill because only members not yet age 50 will have had their benefit reduced by the "present value" calculation. The reference to age 50 is not necessary to the description of the allocation method but is included to help with understanding the allocation method. The outcome for members would be the same if the reference to age 50 were not included in the bill. This is because the present value of the retirement benefit of members who are age 50 or older is equal to the retirement benefit and is not reduced for early commencement because the benefit is an age 50 benefit. In the context of the allocation method, the surplus allocation to a member age 50 or older is the member's retirement benefit minus the present value of that benefit. That is, X minus X .
- As the Supreme Court noted in the most relevant precedent to this situation, a pension is a "benefit the ADEA treats somewhat more flexibly and leniently in respect to age." (*Kentucky Retirement Systems v. EEOC*, 128 S. Ct. 2361 (2008).) Like the pension in the Kentucky case, the allocation of surplus has a "clear non-age-related rationale," which is to give every member the benefit they thought they would receive under the terms of the plan and, before joining the SVF Plan in early 2025, under the relief association's bylaws. That benefit, which is defined as years of service times benefit level, has nothing to do with age.

- If there is any discrimination based on age in the proposed bill or current law, that discrimination arguably occurs because of the requirement that “present value” be calculated. Determining present value requires giving a member younger than age 50 a reduced benefit, which is compounded when the surplus allocation is based on present values. A 7th Circuit Court of Appeals case, *Cooper v. IBM Personal Pension Plan*, 457 F. 3d 636 (2006), looked at provisions in a type of defined benefit plan called a cash balance plan that attempted to true up benefits for employees younger than normal retirement age with additional interest. While this case is the law in the 7th Circuit, not the 8th, which is the circuit in which Minnesota resides, some of the analysis addresses provisions that are analogous to our circumstances and, therefore, provide helpful guidance. The court found the additional interest credited to younger employees was not age discriminatory.

.Section- by- Section Summary

Section 1 requires the executive director of PERA to invest assets in the account of the Maple Plain Fire Department in low-risk investments to minimize the risk of investment losses between the effective date of the bill and the date of distribution of benefits.

Section 2:

Paragraph (a) states that the paragraphs in Section 2 will apply in lieu of section 353G.18, subdivision 4.

Paragraphs (b) and (c) mirror current law and makes changes only to apply the requirements to the Maple Plain fire department and incorporate references to provisions in section 353G.18.

Paragraph (d) mirrors current law and makes changes only to incorporate references to provisions in section 353G.18. This paragraph includes the requirement to fully vest all firefighters and determine the present value of each firefighter’s accrued benefit.

Paragraph (e) sets forth a new method for allocating surplus (i.e., assets in excess of benefit liabilities) and replaces the allocation method in section 353G.18, subdivision 4, paragraph (d). The new allocation method is a two-stage process:

- (1) The first stage requires allocating a portion of the surplus to all firefighters under age 50 so that each firefighter receives an allocation equal to the firefighter’s years of service multiplied by the benefit level, minus the present value of the firefighter’s accrued benefit as determined in paragraph (d). This results in a “top up” of the present value of the accrued benefit as needed to arrive at a total benefit for each of these firefighters equal to years of service times \$4,300.
- (2) The second stage requires allocating any remaining surplus in the same proportion that each firefighter’s years of service bears to the total years of service of all firefighters.

Clause (3) applies only if there is not sufficient surplus to complete the first stage allocation. In that case, clause (3) directs the executive director to reduce the allocation of the surplus so each

firefighter receives an allocation that is equal to a lower benefit level multiplied by years of service. The executive director will need to determine a new lower benefit level to end up with \$0 surplus with the surplus fully allocated.

Paragraph (f) mirrors current law and makes changes only to incorporate a reference to section 353G.18. This paragraph requires the executive director to distribute benefits in a lump sum or direct rollover, as elected, as soon as practicable after the termination date.

Paragraph (g) mirrors current law. This paragraph requires the executive director to pay supplemental benefits as required under Minnesota Statutes, section 424A.10.

Section 3 states that the remaining subdivisions of section 353G.18 apply to the termination of participation in the SVF Plan by the Maple Plain Fire Department.

Effective Date: The bill is effective the day following final enactment.