Information for Prospective SVF Plan Participants & Instructions on How to Join the SVF Plan

WHO CAN PARTICIPATE IN THE SVF PLAN?

Participation in the SVF Plan is voluntary and open to fire departments as a replacement of their existing volunteer firefighter pension plan. It is also open to departments that do not currently have a pension plan for their volunteer firefighters.

WHO DECIDES WHETHER A FIRE DEPARTMENT JOINS THE SVF PLAN?

The fire department's relief association (if one exists) and governing body jointly make the decision to join the SVF Plan. The fire department may join the SVF Plan if both its relief association (if one exists) and governing body approve pension coverage under the SVF Plan.

COMMON CONSIDERATIONS FOR PROSPECTIVE SVF PLAN PARTICIPANTS

The following is information to consider when deciding whether to join the SVF Plan:

1. The SVF Plan's assumed investment earnings rate of 6% is higher than the 5% rate set in statute for local relief associations This means the SVF Plan assumes investment earnings will cover more of the fire department's annual pension cost than a relief association would assume. The SVF Plan's higher investment earnings assumption reduces the governing body's required contribution by more than a relief association's investment earnings assumption.

2. The year a fire department joins the SVF Plan, the relief association (if one exists) must file one last set of financial reports (as required by law) with the Office of the Minnesota State Auditor and pay for one last audit/attestation. Going forward, however, the relief association is no longer obligated to perform the following duties:

   - Assemble/file financial reports with the Office of the Minnesota State Auditor.
   - Pay for an outside audit or attestation of the special fund.
   - Invest the assets of the special fund. Professional portfolio managers with the State Board of Investment (SBI) take over this responsibility.
   - Pay retirement benefits and file the paperwork necessary to receive the Minnesota Department of Revenue's supplemental benefit reimbursement.

3. In most cases, fire departments join the SVF Plan at a benefit level per year of service that is equal to or higher than the relief association's current benefit level for their volunteers. With the SVF Plan's assumed investment earnings rate of 6% (rather than the 5% assumed by relief associations), governing bodies are often able to offer volunteer firefighters a higher benefit level without increasing required contributions to fund the pension.

4. Investment of the fire department's pension assets and the design of the pension plan are controlled at the state level.

5. Future benefit level increases are at the discretion of the fire department's governing body. Once a benefit level is established, a governing body cannot unilaterally decrease it.

6. The SVF Plan provides a defined benefit, lump-sum retirement benefit and therefore is not designed to pay annuities on a monthly basis. However, PERA can administer the pension plan for fire departments that currently pay monthly benefits to their volunteers.

CHOOSING A VESTING SCHEDULE

Fire departments joining the SVF Plan must choose one of three vesting schedules. The following are the vesting schedules provided for under the SVF Plan:

VESTING SCHEDULE 1

Years of Service	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Vested %	40%	44%	48%	52%	56%	60%	64%	68%	72%	76%	80%	84%	88%	92%	96%	100%

VESTING SCHEDULE 2

Years of Service	5	6	7	8	9	10
Vested %	40%	52%	64%	76%	88%	100%

VESTING SCHEDULE 3

Years of Service	10	11	12	13	14	15	16	17	18	19	20
Vested %	40%	46%	52%	58%	64%	70%	76%	82%	88%	94%	100%

The fire department may not select a vesting schedule that requires more years of service for firefighters to become partially or fully vested compared to the relief association's vesting schedule. For example, if vesting under the relief association begins at 60% after 10 years of service, the fire department cannot join the SVF Plan under Vesting Schedule 3, where vesting begins at 40% after 10 years of service. These vesting schedule restrictions ensure that firefighters do not move "backwards" in their vested status when the department transitions from the relief association to the SVF Plan.

INSTRUCTIONS FOR HOW TO JOIN THE SVF PLAN

1. **Beginning April 1 and no later than July 15**, the Secretary of the fire department's relief association (if one exists) and the Chief Administrative Officer of the fire department's governing body jointly complete and submit to PERA a *Request for a Cost Analysis to Join the SVF Plan* requesting that PERA prepare an analysis estimating the cost of joining the SVF Plan. The board of the relief association (if one exists) and the board/council of the governing body must grant approval to the Secretary and Chief Administrative Officer, respectively, to complete the *Request for a Cost Analysis to Join the SVF Plan* form. If the fire department is associated with more than one municipality or nonprofit firefighting corporation, the Chief Administrative Officer of each governing body of the fire department must jointly execute the request.

2. Once PERA receives the completed *Request for a Cost Analysis to Join the SVF Plan* form, PERA staff contacts the fire department and/or the Office of the Minnesota State Auditor to obtain a copy of the relief association's bylaws (if applicable) and the information needed to prepare the requested cost analysis. PERA collects information on individual volunteer firefighters, including birth dates, years of service, pension vesting status, and the dates on which volunteer firefighters joined and (if applicable) left the fire department.

3. PERA prepares the requested cost analysis free of charge. PERA provides the cost analysis, which includes estimates of future required contributions (if any), to the fire department's relief association (if one exists) and governing body.

4. PERA notifies the State Board of Investment (SBI) that the fire department is considering joining the SVF Plan. The SBI provides the fire department with information about the SVF Plan investments and about how the fire department may set up an account with the SBI.

5. After receiving PERA's cost analysis, the fire department's relief association (if one exists) and governing body have 120 days to approve pension coverage in the SVF Plan. If the relief association (if one exists) and governing body approve pension coverage under the SVF Plan, they provide PERA with written board/council resolutions documenting that approval by **November 15**. PERA has developed model resolutions that the relief association and governing body may use if they choose to move forward with approving pension coverage in the SVF Plan. The relief association (if one exists) and governing body may email their resolutions to join to PERASVF@mnpera.org. If the relief association (if one exists) and governing body take no action within 120 days, the existing pension coverage continues as before.

6. If participation in the SVF Plan is approved, PERA notifies the SBI. The SBI works directly with the owner of the pension assets to transfer the assets within the year in which the participation in the SVF Plan is approved. Once the pension assets are transferred to the SBI, the relief association's special fund (if one exists) ceases to exist as a pension fund. Legal title to the assets transfers to the SBI, but the assets will be used exclusively to fund the retirement benefits of the fire department's volunteer firefighters.

THE FIRE DEPARTMENT'S RELIEF ASSOCIATION AFTER JOINING THE SVF PLAN

The fire department's relief association may choose to dissolve after the fire department joins the SVF Plan. Alternatively, the relief association may choose to continue as an organization. If the relief association chooses to continue as an organization, the relief association:

- Is not authorized to receive any state aid or municipal funds. The Minnesota Department of Revenue sends future fire state aid and the fire department's governing body sends any contributions directly to PERA to be deposited in the fire department's SVF Plan account; and
- May not pay pensions or benefits that were not authorized as general fund disbursements under the relief association's articles of incorporation or bylaws in effect immediately prior to the relief association approving pension coverage in the SVF Plan

PERA does not set, administer, or provide consultation on the regulations applicable to relief associations that choose to continue as organizations after joining the SVF Plan.