

CHAPTER 424B

VOLUNTEER FIREFIGHTERS, CONSOLIDATION, DISSOLUTION, CONVERSION

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424B.001 APPLICATION OF CHAPTER 424A.

This chapter must be read in conjunction with chapter 424A. For the purposes of this chapter, the definitions and other provisions of chapter 424A apply where not inconsistent with this chapter.

History: 2021 c 22 art 10 s 6

424B.01 DEFINITIONS.

Subdivision 1. **Generally.** Unless the context of the provision indicates that a different meaning is intended, each of the terms in the following subdivisions has the meaning indicated.

Subd. 2. **Applicable municipality.** "Applicable municipality" means the municipality or municipalities in which a consolidating relief association is located and to which a consolidating relief association is associated by virtue of the presence of at least one municipal official on the relief association board of trustees under section 424A.04.

Subd. 2a. **Board of trustees.** "Board of trustees" means the governing board of a relief association.

Subd. 3. **Consolidating relief association.** "Consolidating relief association" means a volunteer firefighters relief association organized under chapter 317A and governed by chapter 424A that has initiated or has completed the process of consolidating with one or more other relief associations under this chapter.

Subd. 3a. **Conversion effective date.** "Conversion effective date" means the date designated by the board of trustees under section 424B.13, subdivision 2, on which the assets of the defined benefit plan have been allocated to accounts under the defined contribution plan.

Subd. 3b. **Defined benefit plan.** "Defined benefit plan" means a retirement plan that provides a retirement benefit under section 424A.02.

Subd. 3c. **Defined benefit relief association.** "Defined benefit relief association" means a relief association that has established and administers a retirement plan that is a defined benefit plan.

Subd. 3d. **Defined contribution plan.** "Defined contribution plan" means a retirement plan that provides a retirement benefit under section 424A.016.

Subd. 3e. **Defined contribution relief association.** "Defined contribution relief association" means a relief association that has established and administers a retirement plan that is a defined contribution plan.

Subd. 3f. **Firefighting corporation.** "Firefighting corporation" means an independent nonprofit firefighting corporation that is organized under chapter 317A and that operates primarily for firefighting purposes.

Subd. 3g. **Member.** (a) "Member" means a person:

(1) who is or was employed by or who provides or provided services to a fire department or independent nonprofit firefighting corporation;

(2) who has been credited with at least one year of service toward a retirement benefit under the retirement plan of a relief association that is affiliated with the fire department or independent nonprofit firefighting corporation; and

(3) whose retirement benefit under the retirement plan has not yet been distributed in a lump sum or has not yet begun to be distributed in periodic installments or as a monthly pension.

(b) A member may be an active firefighter, an inactive firefighter, or a former firefighter who has a benefit under the retirement plan but has not become eligible to receive the benefit.

Subd. 3h. **Municipality.** "Municipality" has the meaning given in section 424A.001, subdivision 3. A reference in chapter 424B to municipality in connection with a power that may be exercised by or a requirement that is imposed on the municipality means each city or township that is party to a joint powers agreement, unless the joint powers agreement identifies one city or township with the authority to act on behalf of the other parties to the agreement or with the responsibility for fulfilling requirements imposed on the other parties to the agreement.

Subd. 3i. **Other benefit recipient.** "Other benefit recipient" means:

(1) a person who is entitled to receive all or a portion of the benefit of a participant under a retirement plan due to the person having one of the following relationships to the participant:

(i) the participant's surviving spouse;

(ii) the participant's former spouse who is the alternate payee under a state domestic relations order that meets the requirements of section 414(p) of the Internal Revenue Code or who is a recipient of a court-ordered distribution of marital property, as provided in section 518.58; or

(iii) a nonspousal beneficiary of the participant; or

(2) the participant's estate.

Subd. 3j. **Participant.** (a) Under a defined contribution plan, "participant" means any individual who provides services to or is employed by a municipality or firefighting corporation and who satisfies the eligibility requirements to receive an allocation to the individual's account under the defined contribution plan. An individual who becomes a participant and has an account in the plan to which an allocation was credited shall be considered a participant until the earlier of the individual's death or the distribution or forfeiture of the individual's entire account in the plan.

(b) Under a defined benefit plan, "participant" means any individual who provides services to or is employed by a municipality or firefighting corporation and who satisfies the eligibility requirements to begin

to accrue a benefit under the defined benefit plan. An individual who becomes a participant and has accrued a benefit under the plan shall be considered a participant until the earlier of the individual's death or the distribution or forfeiture of the individual's entire accrued benefit under the plan.

(c) If an individual satisfies paragraph (a) or (b), the individual must be considered a participant, notwithstanding other terms used in applicable law or the relief association's articles or bylaws to describe the individual. A participant includes a member, active member, deferred member, inactive member, and retiree in pay status.

Subd. 4. Prior relief associations. "Prior relief associations" means the two or more volunteer firefighters relief associations that have initiated the consolidation process under this chapter by action of the board of trustees of the relief association.

Subd. 4a. Relief association. "Relief association" or "volunteer firefighter relief association" has the meaning given in section 424A.001, subdivision 4.

Subd. 5. Relief association membership. "Relief association membership" means all active members of the volunteer firefighters relief association, all deferred retirees and other vested inactive members of the volunteer firefighters relief association, and any persons regularly receiving a service pension or other retirement benefit from the volunteer firefighters relief association.

Subd. 5a. Required contribution. "Required contribution" means a contribution made by the municipality to the special fund of a relief association in satisfaction of a minimum municipal obligation required under section 424A.092 or 424A.093.

Subd. 5b. Retiree in pay status. "Retiree in pay status" means a participant who is receiving a monthly pension or periodic installment payments from a retirement plan.

Subd. 5c. Retirement benefit. "Retirement benefit" means the benefit to which a participant is entitled under a retirement plan.

Subd. 5d. Retirement plan. "Retirement plan" means the defined benefit plan or defined contribution plan established and administered by a relief association.

Subd. 6. Subsequent relief association. "Subsequent relief association" means the volunteer firefighters relief association that is designated to be the successor relief association in the consolidation initiative resolutions of the board of trustees of the prior relief associations or the volunteer firefighters relief association organized under chapters 317A and 424A for the purpose of operating as the successor relief association after consolidation under this chapter.

Subd. 7. Surplus. "Surplus" means the amount by which the assets in a defined benefit plan exceed accrued liabilities.

History: 2000 c 461 art 16 s 1; 2020 c 108 art 7 s 9; art 12 s 1-14; art 15 s 1-12; 2021 c 22 art 10 s 7-16

424B.02 CONSOLIDATION AUTHORIZED.

Subdivision 1. **Initiation.** (a) With the approval of the governing body of each applicable municipality, two or more relief associations associated with fire departments serving contiguous fire districts may initiate the consolidation of the relief associations into a subsequent relief association.

(b) Initiation of a consolidation action must occur through the proposal of a consolidation resolution to the board of trustees of each volunteer firefighters relief association notification of the relief association membership of the potential consolidation and after conducting a public meeting on the consolidation question.

Subd. 2. Initiative processing; filing. (a) After a consolidation initiative resolution has been filed with the relief association board of trustees by one or more members of the board, the relief association secretary shall provide written notification of the initiative to the relief association membership. After notification of the relief association membership, the board of trustees must hold a public hearing on the initiative. After the hearing, the board of trustees shall act on the consolidation resolution.

(b) If the consolidation resolution is adopted by majority vote of the board of trustees, the secretary shall file a copy of the resolution with the other relief association or associations also considering consolidation.

(c) If two or more volunteer firefighters relief associations adopt a consolidation resolution, those relief associations are consolidated effective the next following January 1.

(d) Within 30 days of the adoption of the consolidation resolution by all prior relief associations, the secretaries of the applicable prior relief associations shall jointly notify in writing the state auditor, the commissioner of revenue, and the secretary of state of the consolidation.

History: 2000 c 461 art 16 s 2

424B.03 SUBSEQUENT RELIEF ASSOCIATION.

Subdivision 1. **New relief association.** If the subsequent relief association is a new volunteer firefighters relief association, the consolidated volunteer firefighters relief association must be incorporated under chapter 317A. The incorporators of the consolidated relief association must include at least one board member of each of the former volunteer firefighters relief associations.

Subd. 2. **Successor relief association.** If the subsequent relief association is one of the prior relief associations, the articles of incorporation and bylaws must be appropriately revised, effective on the consolidation effective date, and a revised board of trustees must be elected before the consolidation effective date.

History: 2000 c 461 art 16 s 3

424B.04 GOVERNANCE OF CONSOLIDATED VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION.

Subdivision 1. **Board of trustees.** The consolidated volunteer firefighters relief association is governed by a board of trustees as provided in section 424A.04, subdivision 1.

Subd. 2. **Composition of board.** The board must have three officers, including a president, a secretary, and a treasurer. The membership of the consolidated volunteer firefighters relief association must elect the three officers from the board members. A board of trustees member may not hold more than one officer position at the same time.

Subd. 3. **Board administration.** The board of trustees must administer the affairs of the relief association consistent with this chapter and the applicable provisions of chapters 356A, 424A, and 477B.

History: 2000 c 461 art 16 s 4; 2021 c 22 art 10 s 17

424B.05 SPECIAL AND GENERAL FUNDS.

The consolidated volunteer firefighters relief association must establish and maintain a special fund and a general fund. The special fund must be established and maintained as provided in section 424A.05. The general fund must be established and maintained as provided in section 424A.06.

History: 2000 c 461 art 16 s 5

424B.06 TRANSFERS.

Subdivision 1. **Generally.** On the effective date of consolidation, the records, assets, and liabilities of the prior volunteer firefighters relief associations are transferred to the consolidated volunteer firefighters relief association. On the effective date of consolidation, the prior volunteer firefighters relief associations cease to exist as legal entities, except for the purposes of winding up association affairs as provided by this chapter.

Subd. 2. **Transfer of administration.** On the effective date of consolidation, the administration of the prior relief associations is transferred to the board of trustees of the subsequent volunteer firefighters relief association.

Subd. 3. **Transfer of records.** On the effective date of consolidation, the secretary and the treasurer of the prior volunteer firefighters relief associations shall transfer all records and documents relating to the prior relief associations to the secretary and treasurer of the subsequent volunteer firefighters relief association.

Subd. 4. **Transfer of special fund assets and liabilities.** (a) On the effective date of consolidation, the secretary and the treasurer of a prior volunteer firefighters relief association shall transfer the assets of the special fund of the applicable relief association to the special fund of the subsequent relief association. Unless the appropriate secretary and treasurer decide otherwise, the assets may be transferred as investment securities rather than cash. The transfer must include any accounts receivable. The appropriate secretary must settle any accounts payable from the special fund of the relief association before the effective date of consolidation.

(b) Upon the transfer of the assets of the special fund of a prior relief association, the pension liabilities of that special fund become the obligation of the special fund of the subsequent volunteer firefighters relief association.

(c) Upon the transfer of the prior relief association special fund assets, the board of trustees of the subsequent volunteer firefighters relief association has legal title to and management responsibility for the transferred assets as trustees for persons having a beneficial interest in those assets arising out of the benefit coverage provided by the prior relief association.

(d) The subsequent volunteer firefighters relief association is the successor in interest in all claims for and against the special funds of the prior volunteer firefighters relief associations or the applicable municipalities with respect to the special funds of the prior relief associations. The status of successor in interest does not apply to any claim against a prior relief association, the municipality in which that relief association is located, or any person connected with the prior relief association or the municipality, based on any act or acts that were not done in good faith and that constituted a breach of fiduciary responsibility under common law or chapter 356A.

History: 2000 c 461 art 16 s 6

424B.07 DISSOLUTION OF PRIOR GENERAL FUND BALANCES.

Before the effective date of consolidation, the secretaries of the volunteer firefighters relief associations shall settle any accounts payable from the respective general fund or any other relief association fund in addition to the relief association special fund. Investments held by a fund of the prior relief associations in addition to the special fund must be liquidated before the effective date of consolidation as the bylaws of the relief association provide. Before the effective date of consolidation, the respective relief associations must pay all applicable general fund expenses from their respective general funds. Any balance remaining in the general fund or in a fund other than the relief association special fund as of the effective date of consolidation must be paid to the new general fund of the subsequent volunteer firefighters relief association.

History: 2000 c 461 art 16 s 7

424B.08 TERMINATION OF PRIOR RELIEF ASSOCIATIONS.

Following the transfer of administration, records, special fund assets, and special fund liabilities from the prior relief associations to the subsequent volunteer firefighters relief association, the prior volunteer firefighters relief associations cease to exist as legal entities for any purpose. The subsequent relief association secretary shall notify the following governmental officials of the termination of the respective volunteer firefighters relief associations and of the establishment of the subsequent volunteer firefighters relief association:

- (1) Minnesota secretary of state;
- (2) Minnesota state auditor;
- (3) Minnesota commissioner of revenue; and
- (4) commissioner of the federal Internal Revenue Service.

History: 2000 c 461 art 16 s 8

424B.09 ADMINISTRATIVE EXPENSES.

The payment of authorized administrative expenses of the subsequent volunteer firefighters relief association must be from the special fund of the subsequent volunteer firefighters relief association in accordance with section 424A.05, subdivision 3b, and as provided for in the bylaws of the subsequent volunteer firefighters relief association and approved by the board of trustees of the subsequent volunteer firefighters relief association. The payment of any other expenses of the subsequent volunteer firefighters relief association must be from the general fund of the subsequent volunteer firefighters relief association in accordance with section 424A.05, subdivision 3b, and as provided for in the bylaws of the subsequent volunteer firefighters relief association and approved by the board of trustees of the subsequent volunteer firefighters relief association.

History: 2000 c 461 art 16 s 9; 1Sp2019 c 6 art 22 s 28

424B.10 CONSOLIDATION; BENEFITS; FUNDING.

Subdivision 1. [Repealed, 2009 c 169 art 10 s 58]

Subd. 1a. **Applicability.** This section applies when all of the volunteer firefighters' relief associations involved in the consolidation are defined benefit relief associations as defined in section 424A.001, subdivision 1b.

Subd. 1b. **Benefits.** (a) The successor relief association following the consolidation of two or more defined benefit relief associations must be a defined benefit relief association.

(b) Notwithstanding any provision of section 424A.02, subdivision 3, to the contrary, the initial service pension amount of the subsequent defined benefit relief association as of the effective date of consolidation is either the service pension amount specified in clause (1) or the service pension amounts specified in clause (2), as provided for in the consolidated relief association's articles of incorporation or bylaws:

(1) the highest dollar amount service pension amount of any prior volunteer firefighters relief association in effect immediately before the consolidation initiation if the pension amount was implemented consistent with section 424A.02; or

(2) for service rendered by each individual volunteer firefighter before consolidation, the service pension amount under the consolidating volunteer firefighters relief association that the firefighter belonged to immediately before the consolidation if the pension amount was implemented consistent with section 424A.02 and for service rendered after the effective date of the consolidation, the highest dollar amount service pension of any of the consolidating volunteer firefighters relief associations in effect immediately before the consolidation if the pension amount was implemented consistent with section 424A.02.

(c) Any increase in the service pension amount beyond the amount implemented under paragraph (a) must conform with the requirements and limitations of section 424A.02 and sections 424A.091 to 424A.095.

Subd. 2. **Funding.** (a) Unless the applicable municipalities agree in writing to allocate the minimum municipal obligation in a different manner, the minimum municipal obligation under section 424A.092 or 424A.093, whichever applies, must be allocated between the applicable municipalities in proportion to their fire state aid.

(b) If any applicable municipality fails to meet its portion of the minimum municipal obligation to the subsequent relief association, all other applicable municipalities are jointly obligated to provide the required funding upon certification by the relief association secretary. An applicable municipality that pays the minimum municipal obligation amount for another applicable municipality, the municipality may collect that payment amount, plus a 25 percent surcharge, from the responsible applicable municipality by any available means, including a deduction from any state aid or payment amount payable to the responsible municipality upon certification of the necessary information to the commissioner of management and budget.

History: 2000 c 461 art 16 s 10; 1Sp2005 c 8 art 9 s 15; 2009 c 101 art 2 s 109; 2009 c 169 art 10 s 51-53; 2013 c 111 art 5 s 80; 2021 c 22 art 10 s 35; 2022 c 65 art 4 s 22

424B.11 CONSOLIDATING DEFINED CONTRIBUTION RELIEF ASSOCIATIONS; INDIVIDUAL ACCOUNTS; FUNDING.

Subdivision 1. **Applicability.** This section applies when all of the volunteer firefighters relief associations involved in the consolidation are defined contribution relief associations as defined in section 424A.001, subdivision 1c.

Subd. 2. **Individual accounts.** The successor relief association following the consolidation of two or more defined contribution relief associations must be a defined contribution relief association and the successor relief association board shall establish individual accounts for every active member, inactive member, deferred member, or retired member receiving installment payments with that status as of the consolidation date. To each individual account the successor relief association must credit the amount to the credit of each person by a predecessor relief association as of the date of consolidation plus a proportional share, based on account value, of any subsequent net revenue during the consolidation process.

Subd. 3. **Funding.** Unless the articles of incorporation or bylaws of the successor relief association specify that municipal contributions are wholly voluntary or unless the municipalities associated with the consolidating defined contribution relief associations agree in writing to a different municipal support arrangement, each municipality must continue to provide the same amount of municipal support to the successor relief association as the municipality provided to the applicable predecessor relief association in the calendar year immediately prior to the calendar year in which the consolidation occurs.

History: 2009 c 169 art 10 s 54

424B.12 MIXED CONSOLIDATING RELIEF ASSOCIATIONS; BENEFIT PLAN; FUNDING.

Subdivision 1. **Applicability.** This section applies where one or more of the volunteer firefighters relief associations involved in the consolidation are defined benefit relief associations as defined in section 424A.001, subdivision 1b, and one or more of the volunteer firefighters relief associations involved in the consolidation are defined contribution relief associations as defined in section 424A.001, subdivision 1c.

Subd. 2. **Benefit plan.** The articles of incorporation or bylaws of the successor relief association must specify whether the relief association is a defined benefit relief association or whether the relief association is a defined contribution relief association. If the successor relief association is a defined benefit relief association, the relief association benefits must comply with sections 424A.02 and 424B.10. If the successor relief association is a defined contribution relief association, the relief association must comply with sections 424A.016 and 424B.11, subdivision 2.

Subd. 3. **Funding.** If the successor relief association is a defined benefit relief association, the relief association funding is governed by section 424B.10, subdivision 2. If the successor relief association is a defined contribution relief association, the relief association funding is governed by section 424B.11, subdivision 3.

History: 2009 c 169 art 10 s 55; 2014 c 275 art 2 s 19; 2014 c 296 art 12 s 18

424B.13 CONVERSION OF RELIEF ASSOCIATION DEFINED BENEFIT PLAN TO DEFINED CONTRIBUTION PLAN.

Subdivision 1. **Authority to initiate conversion.** (a) The board of trustees of a defined benefit relief association may convert the defined benefit plan to a defined contribution plan in accordance with this section.

(b) A conversion consists of:

(1) termination of the defined benefit plan;

(2) establishment of a defined contribution plan; and

(3) transfer and allocation of the assets of the defined benefit plan to accounts under the defined contribution plan.

(c) The termination of the defined benefit plan does not dissolve the relief association, which is an ongoing nonprofit corporation under chapter 317A, unless dissolved under chapter 317A and section 424B.22.

Subd. 2. **Board of trustees.** To initiate and complete a conversion, the board of trustees must:

(1) approve resolutions that:

(i) state that the defined benefit plan is being converted to a defined contribution plan;

(ii) designate a conversion effective date;

(iii) direct that each participant, except any retiree in pay status who is receiving a monthly service pension from a relief association described in section 424A.093, becomes fully (100 percent) vested as of the conversion effective date in the participant's retirement benefit;

(iv) if the relief association has a surplus as of the end of the relief association's most recent fiscal year before the conversion effective date, at the option of the board of trustees, conditionally increase the lump-sum benefit or monthly pension amount under the defined benefit plan, as provided under subdivision 4;

(v) determine the method for allocating a surplus;

(vi) adopt a defined contribution plan and approve a plan document that complies with section 424A.016 and states the terms and conditions for eligibility, vesting, allocation of contributions, distribution of retirement benefits, and any ancillary benefits; and

(vii) authorize any bylaws amendments needed to incorporate items (i) to (vi) into the bylaws;

(2) obtain the consent of the municipality or firefighting corporation if required by subdivision 3;

(3) determine the present value of each participant's accrued benefit as of the conversion effective date as required by subdivision 5;

(4) if there is a surplus, allocate the surplus under a method that complies with subdivision 6;

(5) if there is not a surplus, take the actions required under subdivision 7;

(6) provide the notices required under subdivisions 8 and 9; and

(7) implement the conversion, including the requirements under subdivision 10.

Subd. 3. Consent of municipality or firefighting corporation. The consent of the affiliated municipality, all municipalities if more than one municipality operates the fire department pursuant to a joint powers agreement, or firefighting corporation to a relief association's conversion of its defined benefit plan to a defined contribution plan is required as provided under subdivision 7 only if the relief association does not have a surplus as of the end of the relief association's most recent fiscal year before the conversion effective date.

Subd. 4. Benefit increase. (a) If the relief association has a surplus as of the end of the relief association's most recent fiscal year before the conversion effective date, the board of trustees may approve a resolution that increases the lump-sum benefit or monthly pension amount or both the lump-sum and monthly pension amount, if the relief association offers both, and amends the relief association bylaws without the consent of the affiliated municipality or firefighting corporation, notwithstanding section 424A.02, subdivision 10. The resulting lump-sum benefit or monthly pension amount is not limited to the maximum lump-sum service pension amount or maximum monthly service pension amount under section 424A.02, subdivision 3.

(b) The benefit increase must not cause the liabilities of the retirement plan to exceed the value of the assets, after taking into account full vesting as required under subdivision 2 and any administrative expenses arising from the conversion.

(c) The board of trustees shall specify whether the benefit increase will apply only to participants who are members active as of the conversion effective date or whether the benefit increase will apply to all

participants, including members who are not active as of the conversion effective date, notwithstanding section 424A.015, subdivision 6.

(d) The board of trustees' resolution approving an increase in the benefit level must be considered conditional on there being sufficient assets to fund the increase and must state that if, as of the date benefits are transferred to the defined contribution plan, there are not sufficient assets to cover all benefit liabilities at the new higher benefit level, the benefit level will be reduced until assets equal or are greater than liabilities. The resolution must state that the new lower benefit level will be considered approved by the board of trustees without further action by the board.

Subd. 5. Determination of value of pension benefits and distribution to retirees in pay status. (a) The board of trustees shall determine the present value of each participant's accrued benefit, taking into account the full vesting requirement under subdivision 2 and any increase in the lump-sum benefit or monthly pension amount approved under subdivision 4:

(1) using the method set forth in section 424A.092, subdivision 2, for determining a plan's funded status by calculating the value of each participant's accrued benefit; or

(2) as determined by an actuary retained by the relief association, who meets the definition of approved actuary under section 356.215, subdivision 1, paragraph (c).

(b) If the retirement plan pays a monthly pension, the board of trustees must determine the present value of the remaining payments to any retiree in pay status or beneficiary who is receiving an annuity. Present value must be determined by an actuary who meets the definition of approved actuary under section 356.215, subdivision 1, paragraph (c), retained by the relief association. At the discretion of the relief association, the relief association must provide the retiree in pay status or beneficiary receiving the annuity either:

(1) an immediate lump-sum distribution of an amount equal to the present value of the remaining payments as determined by the actuary and permit the retiree in pay status or beneficiary to elect a lump-sum payment or a direct rollover of the amount to an eligible retirement plan as permitted under section 356.635, subdivisions 3 to 7, if the distribution is an eligible rollover distribution as defined in section 356.635, subdivisions 4 and 5; or

(2) continued payments in the same monthly amount under an annuity to be purchased by the board of trustees from a reputable insurance company licensed to do business in the state.

Subd. 6. Allocation of surplus. (a) If, as of the conversion effective date, the defined benefit plan has a surplus, the board of trustees shall allocate the surplus as follows:

(1) per capita method: each participant's account will receive the same dollar amount;

(2) service-based method: each participant's account will receive a share of the surplus based on the ratio of the participant's years of service to the total years of service for all participants; or

(3) participant and municipality sharing method under paragraph (b).

(b) The board of trustees may allocate the surplus using the participant and municipality sharing method in accordance with this paragraph.

(1) For this purpose, "municipality" means "municipality" or "firefighting corporation," as applicable.

(2) If the fire department is operated by more than one municipality under a joint powers agreement:

(i) any consent by the municipality under this paragraph requires consent by each municipality that is party to the joint powers agreement;

(ii) any payment of surplus to the municipality under this paragraph requires a payment of a pro rata share of surplus to each municipality that is party to the joint powers agreement; and

(iii) any restrictions on the use of surplus applies to each municipality that is party to the joint powers agreement.

(3) Under the participant and municipality sharing method:

(i) first, the municipality will receive a share of the surplus based on the ratio of the municipal contributions made to the defined benefit relief association over a specified period of years to the total of fire state aid paid and municipal contributions made to the defined benefit relief association over the same period; and

(ii) second, any remaining surplus will be allocated to accounts of participants using the per capita or service-based method.

(4) The board of trustees may impose conditions on the use of the surplus by the municipality, as follows:

(i) all or a specified portion of the surplus must be contributed back to the defined contribution relief association over a specified number of future years for allocation to the accounts of participants eligible for an allocation;

(ii) all or a specified portion of the surplus must be used by the municipality for the purposes described in section 424A.08, paragraph (a) or (b); or

(iii) all or a specified portion of the surplus must be used by the municipality to provide health insurance or other welfare benefits for the participants.

(c) The board of trustees shall specify whether the surplus will be allocated only to participants who are members active as of the conversion effective date or whether the surplus will be allocated to all participants, including members who are not active as of the conversion effective date.

Subd. 7. Conversion without surplus. If the relief association does not have a surplus as of the end of the relief association's most recent fiscal year before the conversion effective date, the board of trustees shall:

(1) obtain the consent of the municipality, of each municipality, if more than one municipality operates the fire department pursuant to a joint powers agreement, or of the firefighting corporation to the conversion and bylaws amendments under subdivision 2; and

(2) either:

(i) include with the resolutions of the board of trustees under subdivision 2 a resolution amending the relief association bylaws to decrease the lump-sum or monthly pension benefit level as necessary to reduce benefit liabilities until plan assets are sufficient to fund all benefit liabilities, taking into account full vesting under subdivision 2 and the payment of administrative expenses arising from the conversion; or

(ii) enter into an agreement with the municipality, each municipality if more than one municipality operates the fire department pursuant to a joint powers agreement, or the firefighting corporation, as applicable, that requires the municipality, municipalities, or firefighting corporation, as applicable, to make a contribution

in an amount sufficient to cover all benefit liabilities at the current benefit level, taking into account full vesting under subdivision 2 and the payment of administrative expenses arising from the conversion.

Subd. 8. **Notice to participants.** The board of trustees shall provide notice to all participants at least 90 days before the conversion effective date. The notice shall include:

(1) an explanation that the plan is converting from a defined benefit plan to a defined contribution plan and provide definitions for those terms, the reasons for the conversion, the conversion effective date, and the procedure to be followed, including fully vesting all participants;

(2) a summary of the terms of the newly adopted defined contribution plan;

(3) information about any increase in the benefit level and whether the increase applies to all participants or only active members;

(4) a section tailored to each participant that provides an estimate of the present value of the participant's fully vested accrued benefit and the calculation that resulted in that value;

(5) an estimate of any anticipated surplus and an explanation of the disposition of the surplus, including, as applicable, a description of the method for allocating the surplus among participants' accounts and whether the municipality, each municipality, if more than one municipality operates the fire department pursuant to a joint powers agreement, or firefighting corporation will receive any of the surplus and any conditions on its use; and

(6) contact information for one or more members of the board of trustees who will answer questions and provide a copy of the new defined contribution plan document or a summary, if requested, or directions to a website for viewing and printing the plan document or summary.

Subd. 9. **Notice to municipality and state auditor.** The relief association shall provide notice to the municipality, each municipality, if more than one municipality operates the fire department pursuant to a joint powers agreement, or firefighting corporation affiliated with the relief association and the state auditor at the same time as the notice required under subdivision 8. The notice must include the information required under subdivision 8, except that the individualized information will be provided as a spreadsheet listing the name of each participant and the corresponding accrued benefit amount.

Subd. 10. **Implementation.** (a) A record-keeping account shall be established for each participant under the defined contribution plan to which is recorded the value of the participant's fully vested accrued benefit as determined as of the conversion effective date and the amount of any surplus allocated to the participant's account.

(b) In no event may the value of a participant's account in the defined contribution plan be less as of the day following the conversion effective date than the present value of the participant's accrued benefit as of the day before the conversion effective date.

History: 2020 c 108 art 15 s 13; 2021 c 22 art 10 s 18-24,35; 2022 c 65 art 4 s 23; art 9 s 20,21

424B.20 MS 2018 [Repealed, 2020 c 108 art 12 s 16]

424B.21 MS 2018 [Repealed, 2020 c 108 art 12 s 16]

424B.22 RELIEF ASSOCIATION DISSOLUTION AND RETIREMENT PLAN TERMINATION.

Subdivision 1. **Application.** (a) Notwithstanding any laws to the contrary, this section applies to:

(1) the termination of a retirement plan established and administered by a relief association, whether or not the relief association is also dissolved or eliminated; and

(2) the dissolution of a relief association that is not consolidating with another relief association under sections 424B.01 to 424B.10.

This section does not apply to the dissolution of a relief association or the termination of a retirement plan that occurs due to the change in retirement coverage from a retirement plan administered by a relief association to the Public Employees Retirement Association statewide volunteer firefighter plan under section 353G.06.

(b) To terminate a retirement plan, the board of trustees must comply with subdivisions 3, 5 to 11, and, if desired, subdivision 4.

(c) To dissolve a relief association, the board of trustees of the relief association must:

(1) terminate the retirement plan in accordance with paragraph (b);

(2) determine all legal obligations of the special and general funds of the relief association, as required by subdivision 5;

(3) take the actions required by subdivision 12; and

(4) comply with the requirements governing dissolution of nonprofit corporations under chapter 317A.

(d) A relief association that terminates its retirement plan must liquidate its special fund as provided in subdivision 8, but need not liquidate its general fund if the relief association is not being dissolved.

Subd. 2. Involuntary dissolution and termination. (a) A relief association is dissolved and the retirement plan administered by the relief association is terminated automatically if:

(1) the fire department affiliated with a relief association is dissolved by action of the governing body of the municipality in which the fire department is located or by the governing body of the independent nonprofit firefighting corporation, whichever applies; or

(2) the fire department affiliated with a relief association has terminated the employment or services of all active members of the relief association.

(b) An involuntary termination of a relief association under this subdivision is effective on the December 31 that is at least eight months after the date on which the fire department is dissolved or the termination of employment or services of all active members of the relief association occurs.

(c) The retirement plan administered by a relief association is terminated automatically if the relief association is dissolved, effective on the date of the dissolution of the relief association.

Subd. 3. Retirement plan termination date, full vesting, and forfeitures. (a) Unless subdivision 2 applies, the effective date of the termination of a retirement plan is the date approved by the board of trustees of the relief association. If the board of trustees does not approve a termination date, the effective date of the termination of a retirement plan is the effective date of the dissolution of the relief association or, if the relief association is not being dissolved, the end of the calendar year in which the termination of employment or services of all active members of the relief association occurs.

(b) As of the earlier of the retirement plan termination date or the date on which the termination of employment or services of all active members of the relief association occurs, each participant becomes fully (100 percent) vested in the participant's retirement benefit under the retirement plan, notwithstanding

any bylaws or laws to the contrary, except for any retiree in pay status who is receiving a monthly service pension from a relief association described in section 424A.093.

(c) If the relief association is a defined contribution relief association, the account of each participant who becomes 100 percent vested under paragraph (b) shall include an allocation of any forfeiture that is required, under the bylaws of the relief association, to occur on or as of the end of the calendar year during which the termination of the retirement plan is effective, if the participant is entitled to an allocation of forfeitures under the bylaws. Any account so forfeited shall not be included in the retirement benefits that become 100 percent vested under paragraph (b).

Subd. 4. Benefit increase. (a) Notwithstanding section 424A.02, subdivision 10, the board of trustees of a relief association may increase the benefit amount under a defined benefit relief association without the consent of the affiliated municipality or independent nonprofit firefighting corporation, as provided in this subdivision.

(b) If the retirement plan being terminated is a defined benefit plan, the board of trustees may approve an amendment to the bylaws of the relief association to increase the lump-sum or monthly pension amount or both the lump-sum and monthly pension amount, if the relief association offers both, up to 125 percent of the maximum lump-sum service pension amount under section 424A.02, subdivision 3, paragraph (a), clause (2), or the maximum monthly service pension amount under section 424A.02, subdivision 3, paragraph (a), clause (1). The amount by which the lump-sum or monthly pension amount is increased must not cause the liabilities of the retirement plan to exceed the value of the assets, after taking into account full vesting as required under subdivision 3 and any administrative expenses.

(c) The board of trustees shall specify whether the benefit increase will apply to only participants who are members active as of the date of the termination of the retirement plan or whether the benefit increase will apply to all participants, including members who are not active as of the plan termination date.

Subd. 5. Determination of assets and liabilities. (a) The board of trustees shall determine the following as of the date of termination of the retirement plan:

(1) the fair market value of the assets of the special fund;

(2) the present value of each participant's accrued benefit, taking into account full vesting under subdivision 3 and any increased lump-sum or monthly benefit level approved under subdivision 4;

(3) the present value of any benefit remaining to be paid to each retiree in pay status, if any; and

(4) administrative expenses incurred or reasonably anticipated to be incurred through the date on which all retirement benefits have been distributed or transferred or, if later, the effective date of the dissolution of the relief association.

(b) The board of trustees shall compile a schedule that includes the following information:

(1) the name of each participant, including each retiree in pay status to whom a benefit or pension is or will be owed;

(2) the name of each other benefit recipient to whom a benefit or pension is or will be owed; and

(3) for each individual described in clauses (1) and (2), the amount of the benefit or pension to which the individual is entitled under the bylaws of the relief association, taking into account the changes required or permitted by this section, the corresponding number of years of service on which the benefit or pension

is based, and the earliest date on which the benefit or pension would have been payable under the bylaws of the relief association.

(c) If the relief association is dissolving, in addition to the determination under paragraph (a) for the retirement plan, the board of trustees shall determine, as of the effective date of the dissolution of the relief association, the legal obligations of the general fund of the relief association.

Subd. 6. Investment of assets while termination is pending. To minimize the risk of investment losses between the termination date and the date benefits will begin to be distributed, the board of trustees shall invest the assets in the special fund in low-risk investments, to the extent consistent with its fiduciary duty under chapter 356A.

Subd. 7. Allocation of surplus. (a) If the retirement plan is a defined benefit plan and if, after completing the determination of assets, liabilities, and administrative expenses under subdivision 5, there is a surplus, the board of trustees shall transfer to the affiliated municipality the lesser of (1) the amount of the surplus, or (2) the sum of all required contributions, without investment earnings or interest thereon, made by the municipality to the relief association during the year in which the termination of the retirement plan occurs or during the preceding nine years.

(b) If the affiliated municipality did not make any required contributions to the relief association during the current or preceding nine years or if, after the transfer described in paragraph (a), there is surplus remaining, the relief association and the municipality will mutually agree on an allocation between them of the remaining surplus.

(c) If, within 180 days of the date of termination of the retirement plan, the municipality and relief association have not reached an agreement on the allocation of the surplus under paragraph (b), then 50 percent of the surplus shall be retained by the relief association and 50 percent of the surplus shall be transferred to the affiliated municipality.

(d) Any surplus retained by the relief association under paragraph (c) shall be allocated among all participants eligible to share in the surplus in the same proportion that the present value of the accrued benefit for each eligible participant bears to the total present value of the accrued benefits of all participants eligible to share in the surplus, and each eligible participant's benefit, as determined under subdivision 5, paragraph (a), clause (2), shall be increased by the participant's share of the surplus. The board of trustees shall determine eligibility to share in the surplus, which may include all participants and any former participants who, within the last three years or such other number of years as determined by the board of trustees, separated from active service and received their retirement benefit.

If the board of trustees decides to include former participants in the allocation of the surplus, the board of trustees shall modify the method for allocating the surplus to take into account the former participants.

(e) Any amount of surplus transferred to the affiliated municipality under this subdivision may only be used for the purposes described in section 424A.08, paragraph (a) or (b).

Subd. 8. Immediate distribution of retirement benefits and payment of all other obligations. (a) The board of trustees shall liquidate the assets of the special fund and pay retirement benefits and administrative expenses under the retirement plan within 210 days after the effective date of the termination of the retirement plan.

(b) If the retirement plan is a defined benefit plan that pays lump-sum benefits or a defined contribution plan, without regard to whether the participant has attained age 50, each participant and other benefit recipient shall be permitted to elect an immediate distribution or a direct rollover of the participant's benefit to an

eligible retirement plan as permitted under section 356.635, subdivisions 3 to 7, if the benefit is an eligible rollover distribution as defined in section 356.635, subdivisions 4 and 5.

(c) If the retirement plan is a defined benefit plan that pays monthly pension benefits, the board of trustees shall, at the election of the participant or other benefit recipient, purchase an annuity contract under section 424A.015, subdivision 3, naming the participant or other benefit recipient, as applicable, as the insured or distribute a lump-sum amount that is equal to the present value of the monthly pension benefits to which the participant or other benefit recipient is entitled. If an annuity is elected by the participant or other benefit recipient, the annuity shall provide for commencement at a date elected by the insured, to be paid as an annuity for the life of the insured. Legal title to the annuity contract shall be transferred to the insured. If a lump sum is elected, the option under paragraph (b) to take an immediate distribution or a direct rollover shall apply.

(d) The board of trustees shall complete the distribution of all assets of the special fund by making any remaining distributions or transfers as required under subdivision 9 on behalf of participants or other benefit recipients who cannot be located or are unresponsive and paying any remaining administrative expenses related to the termination of the plan.

Subd. 9. Missing participants. (a) For purposes of this subdivision, the terms defined in this subdivision have the meanings given them.

(b) "Retirement benefit" means:

- (1) the participant's account balance if the retirement plan is a defined contribution plan;
- (2) the participant's lump-sum benefit if the retirement plan is a defined benefit plan that pays a lump sum; or
- (3) an amount equal to the present value of the participant's benefit if the retirement plan is a defined benefit plan that pays a monthly annuity.

(c) "Individual retirement account" means an account that satisfies the requirements of section 408(a) of the Internal Revenue Code which is established by an officer of the relief association in the name of the participant or other benefit recipient at a federally insured financial institution.

(d) If the board of trustees cannot locate a participant or other benefit recipient, the board of trustees shall make a diligent effort to obtain a current address or other contact information as follows:

- (1) send a notice to the address on file for the participant or other benefit recipient using certified mail;
- (2) check with the Minnesota State Fire Department Association, the municipality, and any other employer of the participant;
- (3) check with the participant's designated beneficiary on file with the relief association; and
- (4) use one or more of the Internet search tools that are free of charge.

(e) The board of trustees shall transfer the retirement benefit to an individual retirement account or consider the retirement benefit abandoned and deposit funds in the amount of the retirement benefit with the commissioner of commerce under chapter 345, notwithstanding any laws to the contrary, including section 345.381, if the board of trustees is unable to locate the participant or other benefit recipient after taking the actions described in paragraph (d) or the participant or other benefit recipient does not elect to receive or rollover a retirement benefit to which the participant or other benefit recipient is entitled.

Subd. 10. **Supplemental benefits.** Within 60 days after the distribution of benefits under subdivision 8, the municipality or firefighting corporation with which the fire department is affiliated shall pay supplemental benefits under section 424A.10 to each participant and survivor who satisfies the requirements of section 424A.10, subdivision 2, if the participant is at least age 50. The commissioner of revenue shall reimburse the municipality or independent nonprofit firefighting corporation for all supplemental benefits paid as provided in section 424A.10, subdivision 3.

Subd. 11. **Notice of retirement plan termination.** The board of trustees shall notify the commissioner of revenue and the state auditor that the retirement plan is being terminated no later than 30 days before the effective date of the termination of the retirement plan and provide any information the commissioner or state auditor may require.

Subd. 12. **Wind-up of the relief association.** The relief association is dissolved effective on the date that the board of trustees completes the following actions:

(1) prepares and files with the state auditor final audited financial statements, pursuant to section 424A.014, subdivision 1, or, if applicable, the certified financial statement, pursuant to section 424A.014, subdivision 2;

(2) liquidates the general fund and settles all legal obligations of the general fund as determined under subdivision 5;

(3) transfers the records of the relief association to the chief administrative officer of the affiliated municipality; and

(4) notifies the commissioner of revenue, the state auditor, and the secretary of state of the dissolution no later than 30 days before the effective date of the dissolution.

History: 2020 c 108 art 12 s 15; 2021 c 22 art 10 s 25-33,35; 2022 c 65 art 4 s 24