353G.05 PLAN COVERAGE ELECTION.

Subdivision 1. **Entities eligible to request coverage.** A relief association, municipality, or firefighting corporation may elect to have its volunteer firefighters covered by the retirement plan.

Subd. 1a. **Requesting coverage.** (a) An entity that is eligible under subdivision 1 to make a request for coverage may initiate the process of obtaining coverage by filing a request with the executive director, as described in this subdivision.

(b) The request for coverage must be in writing and on a form prescribed by the executive director.

(c) If the request for coverage is for volunteer firefighters covered by a relief association retirement plan, the secretary of the relief association, following approval of the request by the board of trustees of the relief association, and the chief administrative officer of the entity affiliated with the relief association, following approval of the request by the governing body of the entity, must jointly make the request. If the relief association is affiliated with more than one entity, the chief administrative officer of each affiliated entity must execute the request.

(d) If the request for coverage is for volunteer firefighters who are not covered by a relief association retirement plan, the chief administrative officer of the entity operating the fire department must make the request.

Subd. 1b. **Selection of plan and division.** (a) In the request for coverage, the entity must select coverage by either the defined benefit plan or the defined contribution plan.

(b) If the entity selects coverage by the defined benefit plan, the entity must select coverage by either the lump-sum division or the monthly division, except that the entity may select coverage by the monthly division only if the relief association with which the entity is affiliated is a defined benefit relief association, as defined under section 424A.001, subdivision 1b, that provides a monthly pension.

(c) If the entity selects coverage by the defined contribution plan and the relief association with which the entity is affiliated is a defined benefit relief association, as defined under section 424A.001, subdivision 1b, the defined benefit relief association must complete a conversion under section 353G.19 as part of the process of joining the retirement plan.

Subd. 1c. **Selection of vesting schedule.** In the request for coverage, the entity must select a vesting schedule from the following options:

(1) incremental vesting beginning with 40 percent vested after completing five years of service and increasing by four percent upon completion of each additional year of service, until 100 percent vested upon completion of 20 years of service;

(2) incremental vesting beginning with 40 percent vested after completing five years of service and increasing by 12 percent upon completion of each additional year of service, until 100 percent vested upon completion of ten years of service; or

(3) incremental vesting beginning with 40 percent vested after completing ten years of service and increasing by six percent upon completion of each additional year of service, until 100 percent vested upon completion of 20 years of service.

The entity must not select a vesting schedule that requires more years of service to become partially or fully vested than the vesting schedule in effect under the former affiliated relief association, if any.

Subd. 1d. **Selection of benefit level.** (a) If the request for coverage is for coverage by the defined benefit plan, the entity making the request must identify the desired benefit level.

(b) If the request for coverage is for the lump-sum division of the defined benefit plan, the benefit level identified must be no less than $500 per full year of service credit and no more than the maximum amount permitted under section 424A.02, subdivision 3, per full year of service credit. Benefit levels between the minimum and maximum must be in $100 increments.

(c) If the request for coverage is for the monthly division of the defined benefit plan, the benefit level is the amount specified in the retirement benefit plan document applicable to the fire department.

Subd. 2. **Cost analysis for coverage by lump-sum division of defined benefit plan.** (a) Upon receipt of a request for coverage by the defined benefit plan, the executive director must prepare a cost analysis as described in this subdivision and deliver the cost analysis to the board of trustees of the relief association, if one exists, and the governing body.

(b) The cost analysis under this subdivision must be based on:

(1) the benefit level under section 353G.11 closest to the benefit level provided by the relief association if the relief association is a lump-sum defined benefit plan, an amount that is equal to 95 percent of the most current average account balance per relief association member if the relief association is a defined contribution plan, or the lowest benefit level under section 353G.11 if there is no relief association, rounded up; and

(2) if different than the amount under clause (1), the benefit level identified in the request under subdivision 1d.

(c) The cost analysis must take into account the vesting option selected in the request under subdivision 1c.

(d) The cost analysis must be prepared using a mathematical procedure certified as accurate by an approved actuary retained by the association.

(e) If the request for coverage was made by a relief association that has filed the information required under section 424A.014 in a timely fashion, upon request by the executive director, the state auditor shall provide the most recent data available on the financial condition of the relief association, the most recent firefighter demographic data available, and a copy of the current relief association bylaws. If a cost analysis is requested, but no relief association exists, the chief administrative officer of the entity operating the fire department shall provide the demographic information on the volunteer firefighters serving as members of the fire department requested by the executive director.

Subd. 3. **Cost analysis for coverage by monthly division of defined benefit plan.** (a) Upon receipt of a request for coverage by the monthly division, the executive director must prepare a cost analysis as described in this subdivision and deliver the cost analysis to the board of trustees of the relief association, if one exists, and the governing body.

(b) The cost analysis under this subdivision must be prepared by the approved actuary retained by the association. The cost analysis must be based on:

(1) the monthly benefit level and other retirement benefit types and amounts in effect for the relief association as of the date of the request;

(2) if different than the amount under clause (1), the monthly pension amount identified in the request under subdivision 1d and evaluated in a special actuarial valuation prepared under sections 356.215 and 356.216; and

(3) the standards for actuarial work and the actuarial assumptions utilized in the most recent actuarial valuation, except that the applicable investment return actuarial assumption is six percent.

(c) The cost analysis must take into account the vesting option selected in the request under subdivision 1c.

(d) The secretary of the relief association making the request must supply the demographic and financial data necessary for the cost analysis to be prepared.

Subd. 4. **Invested assets review.** The executive director of the State Board of Investment shall review the investment portfolio of the relief association retirement plan, if one exists, for compliance with the applicable provisions of chapter 11A and for appropriateness for retention under the established investment objectives and investment policies of the State Board of Investment. If the prospective retirement coverage change is approved under subdivision 5, the State Board of Investment may require that the relief association liquidate any investment security or other asset which the executive director of the State Board of Investment has determined to be an ineligible or inappropriate investment for retention by the State Board of Investment. The security or asset liquidation must occur before the effective date of the transfer of plan coverage. If requested to do so by the chief administrative officer of the relief association, the executive director of the State Board of Investment shall provide advice about the best means to conduct the liquidation.

Subd. 5. **Finalization; coverage transfer.** (a) The transfer of coverage to the defined contribution plan is considered approved if, no later than 120 days after the filing of the request for coverage with the executive director, the transfer is approved by both (1) the board of trustees of the relief association, if one exists, and (2) the governing body. If either the governing body or the board of trustees of the relief association does not take action to approve the transfer within 120 days after the filing of the request for coverage, the transfer is not approved.

(b) The transfer of coverage to the defined benefit plan is considered approved if, no later than 120 days after receipt of the cost analysis, the transfer is approved by both (1) the board of trustees of the relief association, if one exists, and (2) the governing body. If either the governing body or the board of trustees of the relief association does not take action to approve the transfer within 120 days after receipt of the cost analysis, the transfer is not approved.

(c) If the transfer is approved, coverage by the plan is effective on the January 1 next following the date of approval by the last governing body or, if later, the date of approval by the board of trustees of the relief association.

Subd. 6. **Joint powers entities.** If transfer of coverage to the plan is being requested for volunteer firefighters that provide services to a fire department operated as or by a joint powers entity, whenever an election or approval by or delivery to the governing body of a municipality is required under this section, all municipalities that executed the joint powers agreement must execute the election or approval or receive delivery, unless the joint powers agreement specifies another process be followed in order for the action of a joint powers entity to be effective.

History: *2009 c 169 art 9 s 14; 2010 c 359 art 6 s 2; 2013 c 111 art 6 s 3; 2015 c 68 art 8 s 14; 1Sp2019 c 6 art 22 s 5; 1Sp2019 c 8 art 8 s 23; 2020 c 108 art 7 s 2-4; 2022 c 65 art 4 s 3-6; 2023 c 47 art 10 s 9; 2024 c 102 art 3 s 26,45*