

This Document can be made available in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **163**

January 16, 2007

Authored by Huntley; Murphy, M.; Jaros; Sertich; Rukavina and others

The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and Elections

1.1 A bill for an act
1.2 relating to local government; authorizing the city of Duluth to establish accounts
1.3 to pay for postemployment benefits owed to retired employees and to generate
1.4 revenue dedicated to meet certain city obligations; proposing coding for new
1.5 law in Minnesota Statutes, chapter 353.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. **[353.95] ACCOUNTS FOR DULUTH POSTEMPLOYMENT**
1.8 **BENEFITS AND OTHER OBLIGATIONS.**

1.9 Subdivision 1. **Establishment.** The Public Employees Retirement Association
1.10 must establish two funds for the city of Duluth. One fund must be irrevocable and is to
1.11 be used only to fund or pay for the postemployment benefits owed to retired employees
1.12 in accordance with language contained in labor agreements between the city and its
1.13 employee bargaining units, or between participating subgroups in the city's health plan
1.14 and their retirees. The other fund must be revocable and is to be used to accumulate the
1.15 money received by the city for proceeds from Fond du Luth Casino or other sources; use is
1.16 restricted to debt service payments for the city's street improvement program, or any other
1.17 use approved in accordance with Section 54(E) of the Home Rule Charter of the city of
1.18 Duluth. All money in the two funds is appropriated to the Public Employees Retirement
1.19 Association for purposes of this section.

1.20 Subd. 2. **Definition.** For purposes of this section "postemployment benefit" means
1.21 a benefit giving rise to a liability under Statement 45 of the Governmental Accounting
1.22 Standards Board, and therefore does not include benefits to be paid by a Minnesota public
1.23 pension plan listed in section 356.20, subdivision 2, or 356.30, subdivision 3, and benefits
1.24 provided on a defined contribution, individual account basis.

2.1 Subd. 3. **Account maintenance and investment.** (a) The city may establish
2.2 an account in one or both of the funds created in this section. The Public Employees
2.3 Retirement Association shall maintain a separate account within each fund for the city.
2.4 The Public Employees Retirement Association may charge the city fees for reasonable
2.5 administrative costs, and the amount of those fees is appropriated to the association from
2.6 the accounts. The Public Employees Retirement Association may establish other terms
2.7 and conditions for participation in the funds.

2.8 (b) The Public Employees Retirement Association must certify all money in the
2.9 funds to the State Board of Investment for investment in the combined investment funds
2.10 established in section 11A.14. Investment earnings must be credited to the account of the
2.11 city.

2.12 Subd. 4. **Limit on deposits.** After the initial deposit into each account, the city may
2.13 make additional deposits on a quarterly basis.

2.14 Subd. 5. **Withdrawal of funds and termination of account.** (a) For the revocable
2.15 account, the city may withdraw funds to make payments on debt service obligations, or for
2.16 other purposes as approved by the Duluth City Council in accordance with Section 54(E)
2.17 of the Home Rule Charter of the city of Duluth. Withdrawals may be made on a quarterly
2.18 basis. The account may be terminated by the city at any time. Once terminated, the city
2.19 may not reestablish the revocable account.

2.20 (b) For the irrevocable account, the city may withdraw money as needed to pay only
2.21 for postemployment benefits owed on behalf of retired employees of the city. Withdrawals
2.22 may be made on a monthly basis and are to be deposited into the city fund which pays
2.23 such postemployment benefits. The account may be terminated only to the extent the city's
2.24 postemployment benefit actuarial liability is satisfied or otherwise defeased.

2.25 (c) In requesting withdrawal of money from an account created under this section,
2.26 the city must do so at a time and in a manner required by the executive director of the
2.27 Public Employees Retirement Association. The executive director must ensure that
2.28 withdrawals comply with the requirements of this section.

2.29 Subd. 6. **Status of irrevocable fund.** (a) All money in the irrevocable fund created
2.30 in this section is held in trust for the exclusive benefit of retired employees of the city or
2.31 subgroups participating in the city's health plan, and are not subject to claims by creditors
2.32 of the state, the city, the city's subgroups, or the current and former employees of the
2.33 city or its subgroups.

2.34 (b) The irrevocable fund created in this section shall be deemed an arrangement
2.35 equivalent to a trust for all legal purposes.

2.36 **EFFECTIVE DATE.** This section is effective the day following final enactment.