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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE NO. 163

January 16, 2007

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

January 29, 2007

Committee Recommendation and Adoption of Report:
To Pass as Amended and re-referred to the Committee on Local Government and Metropolitan Affairs

February 8, 2007

Committee Recommendation and Adoption of Report:
To Pass as Amended and re-referred to the Committee on Finance

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; appropriating money;
1.5 proposing coding for new law in Minnesota Statutes, chapters 11A; 353.

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

1.7 Section 1. **[11A.235] ACCOUNT FOR INVESTMENT OF CERTAIN DULUTH**
1.8 **FUNDS OR ASSETS.**

1.9 Subdivision 1. **Establishment.** The State Board of Investment, when requested by
1.10 the city, may invest the funds or assets of the city's community investment trust fund in
1.11 the combined investment funds established in section 11A.14, subject to the policies and
1.12 procedures established by the State Board of Investment. Use of such funds is restricted
1.13 to debt service payments for the city's street improvement program, or any other use
1.14 approved in accordance with Section 54(E) of the home rule charter of the city of Duluth.

1.15 Subd. 2. **Account maintenance and investment.** The city may deposit and
1.16 withdraw money for purposes approved by the Duluth City Council in accordance with
1.17 Section 54(E) of the home rule charter of the city of Duluth. Such transactions must be in
1.18 a time and manner required by the executive director of the State Board of Investments.
1.19 Investment earnings must be credited to the account of the city. The account may be
1.20 terminated by the city at any time.

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

1.22 Sec. 2. **[353.95] ACCOUNT FOR DULUTH POSTEMPLOYMENT BENEFITS.**

2.1 Subdivision 1. **Establishment.** The Public Employees Retirement Association may
2.2 administer an irrevocable trust fund established by the city of Duluth to be used only to
2.3 fund and pay for the postemployment benefits owed to retired employees in accordance
2.4 with language contained in labor agreements between the city and its employee bargaining
2.5 units, or between participating subgroups in the city's health plan and their retirees. The
2.6 city of Duluth investment committee shall serve as trustee of the irrevocable trust.

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

2.12 Subd. 3. **Account maintenance and investment.** (a) The Public Employees
2.13 Retirement Association may charge the city fees for reasonable administrative costs,
2.14 and the amount of those fees is appropriated to the association from the account. The
2.15 Public Employees Retirement Association may establish other terms and conditions for
2.16 participation in the fund.

2.17 (b) The Public Employees Retirement Association must certify all money in the
2.18 fund to the State Board of Investment for investment in the combined investment funds
2.19 established in section 11A.14, subject to the policies and procedures established by the
2.20 State Board of Investment. Investment earnings must be credited to the account of the city.

2.21 Subd. 4. **Management and termination of account.** The city may deposit and
2.22 withdraw money as needed for postemployment benefits owed on behalf of retired
2.23 employees of the city or its subgroups. Such transactions must be at a time and in a manner
2.24 required by the executive director of the Public Employees Retirement Association. The
2.25 city of Duluth must ensure that the investment and management of the assets complies
2.26 with the prudent investor rule in section 501B.151 and that withdrawals comply with the
2.27 requirements of this section. The account may be terminated only to the extent the city's
2.28 postemployment benefit actuarial liability is satisfied or otherwise defeased.

2.29 Subd. 5. **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 is 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.