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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. **552**

February 1, 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

February 8, 2007

Returned to Author

1.1 A bill for an act  
1.2 relating to local government; authorizing political subdivisions to establish  
1.3 accounts to pay for postemployment benefits owed to officers and employees;  
1.4 proposing coding for new law in Minnesota Statutes, chapter 353.

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

1.6 Section 1. **[353.95] ACCOUNTS FOR POSTEMPLOYMENT BENEFITS.**

1.7 Subdivision 1. **Establishment.** The Public Employees Retirement Association  
1.8 must establish two funds that political subdivisions may use to hold money to pay for  
1.9 postemployment benefits owed to officers and employees after termination of service. One  
1.10 of the funds must provide that each account within the fund is irrevocable, and that money  
1.11 may be withdrawn only as permitted in this section. The other fund must provide that a  
1.12 political subdivision may revoke its account within the fund and withdraw some or all of  
1.13 the money in its account for any reason. All money in the two funds is appropriated to the  
1.14 Public Employees Retirement Association for purposes of this section.

1.15 Subd. 2. **Definitions.** For purposes of this section:

1.16 (1) "political subdivision" means any entity authorized by section 471.61 to provide  
1.17 benefits to its retired officers and employees;

1.18 (2) "postemployment benefit" means a benefit giving rise to a liability under  
1.19 Statement 45 of the Government Accounting Standards Board, thereby excluding benefits  
1.20 to be paid by a Minnesota public pension plan listed in section 356.20, subdivision 2,  
1.21 or 356.30, subdivision 3, and benefits provided on a defined contribution, individual  
1.22 account basis; and

2.1 (3) "plan administrator" means the third party agent or administrator handling the  
 2.2 payment of benefits on behalf of the political subdivision consistent with the requirements  
 2.3 of the Government Accounting Standards Board.

2.4 Subd. 3. **Account maintenance and investment.** A political subdivision may  
 2.5 establish an account in one or both of the funds created in this section. The Public  
 2.6 Employees Retirement Association shall maintain a separate account within each fund for  
 2.7 each participating political subdivision. The Public Employees Retirement Association  
 2.8 may charge participating political subdivisions fees for reasonable administrative costs,  
 2.9 and the amount of those fees is appropriated to the association from the accounts. The  
 2.10 Public Employees Retirement Association may establish other terms and conditions for  
 2.11 participation in the funds.

2.12 The Public Employees Retirement Association must certify all money in each  
 2.13 account to the investment manager selected by each political subdivision.

2.14 Subd. 4. **Limit on deposit in revocable account.** A political subdivision may  
 2.15 not deposit money in a revocable account if the deposit would cause the total amount  
 2.16 in the political subdivision's revocable and irrevocable accounts to exceed the political  
 2.17 subdivision's actuarially determined liabilities for postretirement benefits due to officers  
 2.18 and employees, as determined under standards of the Government Accounting Standards  
 2.19 Board.

2.20 Subd. 5. **Withdrawal of funds and termination of account.** (a) For a revocable  
 2.21 account, a political subdivision may withdraw some or all of its money or terminate the  
 2.22 account for any reason. Money withdrawn from a revocable account must be deposited  
 2.23 in a fund separate and distinct from any other funds of the political subdivision, and this  
 2.24 money, with accrued investment earnings, must be used only to pay postemployment  
 2.25 benefits to former officers and employees.

2.26 (b) For an irrevocable account:

2.27 (1) the plan administrator may withdraw money only as needed to pay  
 2.28 postemployment benefits owed to former officers and employees of the political  
 2.29 subdivision; or

2.30 (2) the political subdivision may withdraw money only to the extent the political  
 2.31 subdivision's actuarial liability is satisfied or otherwise defeased.

2.32 (c) A plan administrator or political subdivision requesting withdrawal of money  
 2.33 from an account created under this section must do so at a time and in the manner required  
 2.34 by the executive director of the Public Employees Retirement Association. The executive  
 2.35 director must ensure that withdrawals comply with the requirements of this section.

3.1            Subd. 6. **Status of irrevocable fund.** (a) All money in the irrevocable fund created  
3.2 in this section is held in trust for the exclusive benefit of former officers and employees  
3.3 of the participating political subdivisions, and are not subject to claims by creditors of  
3.4 the state, the participating political subdivisions, or the current and former officers and  
3.5 employees of those political subdivisions.

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