

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1160

DATE: March 13, 2007

Version: First engrossment

Authors: Hilstrom and others

Subject: Trust for postemployment benefits

Analyst: Deborah A. Dyson

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

Permits public entities to establish revocable or irrevocable trusts to pay postemployment benefits.

Section

1 Trust for postemployment benefits.

Subdivision 1. Authorization; establishment. Allows a public entity with actuarial liability for postemployment benefits to establish a trust to pay those benefits. Defines "postemployment benefits" to mean benefits that give rise to a liability under the Governmental Accounting Standards Board Statement 45 ("GASB 45"). Defines "trust" by reference to federal tax code.

Subd. 2. Purpose of trust. Permits the trust to be revocable or irrevocable.

Subd. 3. Trust administrator. Permits the trust administrator to be the public employees retirement association (PERA), a bank, or an insurance company.

Subd. 4. Account maintenance. Requires the trust administrator to set up a separate account for each political subdivision or public entity. Permits the trust administrator to charge maintenance fees. Requires reports.

Subd. 5. Investment. Specifies allowable investments by each of the authorized trust administrators.

Subd. 6. Limit on deposit. Limits deposits in the trust to the actuarially determined

Section

liabilities.

Subd. 7. Withdrawal of funds and termination of account. Specifies terms for withdrawal of funds and termination of an account for (a) revocable trusts, and (b) irrevocable trusts. Permits the public entity to withdraw funds from a revocable trust only to pay benefits unless changes in law or actuarially determined liability occur that result in more money in the trust than is needed. Permits the public entity to withdraw funds from an irrevocable trust only to pay postemployment benefits or when the political subdivision's actuarial liability for the benefits is satisfied or defeased.

Subd. 8. Status of irrevocable trust. Provides that the trust fund money is not subject to the public entity's creditor claims.

- 2 **Validation.** Validates trust funds created before June 6, 2006, under a provision of the federal tax code. Requires funds in a validated trust or account to be invested as provided in this bill and for the trust or account to be brought into compliance with this bill by January 1, 2008.
- 3 **Effective** the day after enactment.