



**H.F. 2514**  
(Rukavina)

**S.F. xxxx**

**Executive Summary of Commission Staff Materials**

*Affected Pension Plan(s):* Various Public Employees and Employers  
*Relevant Provisions of Law:* Minnesota Statutes, Section 356.24, Subdivision 1  
*General Nature of Proposal:* Permits deferred compensation programs other than the MSRS Deferred Compensation Plan to receive an employer match  
*Date of Summary:* April 7, 2008

**Specific Proposed Changes**

- The bill expands the deferred compensation plans eligible to receive an employer matching contribution from the Minnesota State Deferred Compensation Program to any deferred compensation plan available under the federal Internal Revenue Code Section 457.

**Policy Issues Raised by the Proposed Legislation**

1. Appropriateness given the unclear need for an expansion in the deferred compensation vendors permitted to receive employer matching contributions.
2. Appropriateness of vendor expansion if based on business relationships rather than employee demand.

This Document can be made available  
in alternative formats upon request

State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. **2514**

May 18, 2007

Authored by Rukavina and Anzelc

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 retirement; amending deferred compensation plan restrictions;  
1.3 amending Minnesota Statutes 2006, section 356.24, subdivision 1.

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

1.5 Section 1. Minnesota Statutes 2006, section 356.24, subdivision 1, is amended to read:

1.6 Subdivision 1. **Restriction; exceptions.** (a) It is unlawful for a school district  
1.7 or other governmental subdivision or state agency to levy taxes for, or to contribute  
1.8 public funds to a supplemental pension or deferred compensation plan that is established,  
1.9 maintained, and operated in addition to a primary pension program for the benefit of the  
1.10 governmental subdivision employees other than:

1.11 (1) to a supplemental pension plan that was established, maintained, and operated  
1.12 before May 6, 1971;

1.13 (2) to a plan that provides solely for group health, hospital, disability, or death  
1.14 benefits;

1.15 (3) to the individual retirement account plan established by chapter 354B;

1.16 (4) to a plan that provides solely for severance pay under section 465.72 to a retiring  
1.17 or terminating employee;

1.18 (5) for employees other than personnel employed by the Board of Trustees of the  
1.19 Minnesota State Colleges and Universities and covered under the Higher Education  
1.20 Supplemental Retirement Plan under chapter 354C, but including city managers covered  
1.21 by an alternative retirement arrangement under section 353.028, subdivision 3, paragraph  
1.22 (a), or by the defined contribution plan of the Public Employees Retirement Association  
1.23 under section 353.028, subdivision 3, paragraph (b), if the supplemental plan coverage is  
1.24 provided for in a personnel policy of the public employer or in the collective bargaining

2.1 agreement between the public employer and the exclusive representative of public  
2.2 employees in an appropriate unit or in the individual employment contract between a city  
2.3 and a city manager, in an amount matching employee contributions on a dollar for dollar  
2.4 basis, but not to exceed an employer contribution of \$2,000 a year per employee:

2.5 (i) to the state of Minnesota deferred compensation plan under section 352.96, or  
2.6 any other qualified deferred compensation plan; or

2.7 (ii) in payment of the applicable portion of the contribution made to any investment  
2.8 eligible under section 403(b) of the Internal Revenue Code, if the employing unit has  
2.9 complied with any applicable pension plan provisions of the Internal Revenue Code with  
2.10 respect to the tax-sheltered annuity program during the preceding calendar year;

2.11 (6) for personnel employed by the Board of Trustees of the Minnesota State Colleges  
2.12 and Universities and not covered by clause (5), to the supplemental retirement plan under  
2.13 chapter 354C, if the supplemental plan coverage is provided for in a personnel policy  
2.14 or in the collective bargaining agreement of the public employer with the exclusive  
2.15 representative of the covered employees in an appropriate unit, in an amount matching  
2.16 employee contributions on a dollar for dollar basis, but not to exceed an employer  
2.17 contribution of \$2,700 a year for each employee;

2.18 (7) to a supplemental plan or to a governmental trust to save for postretirement  
2.19 health care expenses qualified for tax-preferred treatment under the Internal Revenue  
2.20 Code, if the supplemental plan coverage is provided for in a personnel policy or in the  
2.21 collective bargaining agreement of a public employer with the exclusive representative of  
2.22 the covered employees in an appropriate unit;

2.23 (8) to the laborers national industrial pension fund or to a laborers local pension  
2.24 fund for the employees of a governmental subdivision who are covered by a collective  
2.25 bargaining agreement that provides for coverage by that fund and that sets forth a fund  
2.26 contribution rate, but not to exceed an employer contribution of \$5,000 per year per  
2.27 employee;

2.28 (9) to the plumbers and pipefitters national pension fund or to a plumbers and  
2.29 pipefitters local pension fund for the employees of a governmental subdivision who are  
2.30 covered by a collective bargaining agreement that provides for coverage by that fund and  
2.31 that sets forth a fund contribution rate, but not to exceed an employer contribution of  
2.32 \$5,000 per year per employee;

2.33 (10) to the international union of operating engineers pension fund for the employees  
2.34 of a governmental subdivision who are covered by a collective bargaining agreement that  
2.35 provides for coverage by that fund and that sets forth a fund contribution rate, but not to  
2.36 exceed an employer contribution of \$5,000 per year per employee;

3.1 (11) to a supplemental plan organized and operated under the federal Internal  
3.2 Revenue Code, as amended, that is wholly and solely funded by the employee's  
3.3 accumulated sick leave, accumulated vacation leave, and accumulated severance pay; or

3.4 (12) to the International Association of Machinists national pension fund for the  
3.5 employees of a governmental subdivision who are covered by a collective bargaining  
3.6 agreement that provides for coverage by that fund and that sets forth a fund contribution  
3.7 rate, but not to exceed an employer contribution of \$5,000 per year per employee.

3.8 (b) No governmental subdivision may make a contribution to a deferred  
3.9 compensation plan operating under section 457 of the Internal Revenue Code for volunteer  
3.10 or emergency on-call firefighters in lieu of providing retirement coverage under the federal  
3.11 old age, survivors, and disability insurance program.