

352.965 MINNESOTA STATE DEFERRED COMPENSATION PLAN.

Subdivision 1. **Establishment.** (a) The Minnesota state deferred compensation plan is established. For purposes of this section, "plan" means the Minnesota state deferred compensation plan, unless the context clearly indicates otherwise. The Minnesota State Retirement System shall administer the plan.

(b) The purpose of the plan is to provide a means for a public employee to contribute a portion of the employee's compensation to a tax-deferred investment account. The plan is an eligible tax-deferred compensation plan under section 457(b) of the Internal Revenue Code, United States Code, title 26, section 457(b), and the applicable regulations under Code of Federal Regulations, title 26, parts 1.457-3 to 1.457-10.

(c) The board of directors of the Minnesota State Retirement System is the plan trustee and the board's executive director is the plan administrator. Fiduciary activities of the plan must be undertaken in a manner consistent with chapter 356A.

(d) The executive director, with the approval of the board of directors, shall adopt and amend, as required to maintain tax-qualified status, a written plan document specifying the material terms and conditions for eligibility, benefits, applicable limitations, and the time and form under which benefit distributions can be made. With the approval of the board of directors, the executive director may also establish policies and procedures necessary for the administration of the deferred compensation plan.

(e) The plan document shall include provisions that are necessary to cause the plan to be an eligible deferred compensation plan within the meaning of section 457(b) of the Internal Revenue Code. The plan document may provide additional administrative and substantive provisions consistent with state law, provided those provisions will not cause the plan to fail to be an eligible deferred compensation plan within the meaning of section 457(b) of the Internal Revenue Code and may include provisions for certain optional features and services.

(f) The board of directors may authorize the executive director to establish and administer a Roth 457 plan if authorized by the Internal Revenue Code or a Roth individual retirement account as defined under section 408A of the Internal Revenue Code.

(g) All amounts contributed to the deferred compensation plan and all earnings on those amounts must be held in trust, in custodial accounts, or in qualifying annuity contracts for the exclusive benefit of the plan participants and beneficiaries, as required by section 457(g) of the Internal Revenue Code and in accordance with sections 356.001 and 356A.06, subdivision 1.

(h) The information and data maintained in the accounts of the participants and beneficiaries are private data and shall not be disclosed to anyone other than the participant or beneficiary pursuant to a court order or pursuant to section 356.49.

(i) The plan document is not subject to the rule adoption process under the Administrative Procedures Act, including section 14.386, but must conform with applicable federal and state laws.

Subd. 2. Right to participate in deferred compensation plan. At the request of an officer or employee of the state, an officer or employee of a political subdivision, or an employee covered by a retirement fund in section 356.20, subdivision 2, the appointing authority shall defer the payment of part of the compensation of the public officer or employee through payroll deduction. The amount to be deferred must be as provided in a written agreement between the officer or employee and the public employer. The agreement must be in a form specified by the executive director of the Minnesota State Retirement System and must be consistent with the requirements for an eligible plan under federal and state tax laws, regulations, and rulings.

Subd. 3. Failure to implement plan. The public employer must complete implementation of the deferred compensation plan within 45 days of the request as provided in subdivision 2. If the public employer fails to implement the deferred compensation plan, the public employer may not defer compensation under any existing or new deferred compensation plan from the date of the request until the date on which the deferred compensation plan provided for in this section is implemented. Upon the petition of a public officer or employee, the executive director of the Minnesota State Retirement System may order the public officer's or employee's public employer to implement the deferred compensation plan provided for in this section and may enforce that order in appropriate legal proceedings.

Subd. 4. Plan investments. (a) Investments under the plan may include:

(1) shares in the Minnesota supplemental investment fund established in section 11A.17 that are selected to be offered under the plan by the State Board of Investment;

(2) saving accounts in federally insured financial institutions;

(3) life insurance contracts, fixed annuity, and variable annuity contracts from companies that are subject to regulation by the commissioner of commerce;

(4) investment options from open-end investment companies registered under the federal Investment Company Act of 1940, United States Code, title 15, sections 80a-1 to 80a-64;

(5) investment options from a firm that is a registered investment advisor under the Investment Advisers Act of 1940, United States Code, title 15, sections 80b-1 to 80b-21;

(6) investment options of a bank as defined in United States Code, title 15, section 80b-2, subsection (a), paragraph (2), or a bank holding company as defined in the Bank Holding Company Act of 1956, United States Code, title 12, section 1841, subsection (a), paragraph (1); or

(7) a combination of clause (1), (2), (3), (4), (5), or (6), as provided by the plan as specified by the participant.

(b) All amounts contributed to the deferred compensation plan and all earnings on those amounts must be held for the exclusive benefit of the plan participants and beneficiaries. These amounts must be held in trust, in custodial accounts, or in qualifying annuity contracts as required by federal law in accordance with section 356A.06, subdivision 1. This subdivision does not authorize an employer contribution, except as authorized in section 356.24, subdivision 1, paragraph (a), clause (5). The state, political subdivision, or other employing unit is not responsible for any loss that may result from investment of the deferred compensation.

Subd. 5. State Board of Investment to determine investments. (a) The State Board of Investment shall determine the investment products to be made available under the plan and may retain appropriate consulting services to assist in making the selections. At a minimum, the State Board of Investment shall consider the following:

(1) the experience and ability of the financial institution to provide benefits and products that are suited to meet the needs of plan participants;

(2) the relationship of those benefits and products provided by the financial institution to their cost;

(3) the financial strength and stability of the financial institution; and

(4) the fees and expenses associated with the investment products in comparison to other products of similar risk and rates of return.

(b) If the State Board of Investment so elects, it may solicit bids for options under subdivision 4, clauses (2), (3), (4), (5), and (6). The State Board of Investment may retain consulting services to assist in soliciting and evaluating bids and in the periodic review of companies offering options under subdivision 4, clauses (3), (4), (5), and (6). The periodic review must occur at least every two years. The State Board of Investment may annually establish a budget for its costs in soliciting, evaluation, and periodic review processes. All options in subdivision 4 must be presented in an unbiased manner and in a manner that conforms to rules adopted by the executive director, be reported on a periodic basis to all participants in the deferred compensation plan, and not be the subject of unreasonable solicitation of participants in the plan. The State Board of Investment may charge a proportional share of all costs related to the periodic review to each

company currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids to each company selected by the State Board of Investment.

(c) Under the procedures set forth in the plan document, participants may select the funds or combination of funds within which to invest and may reallocate those investments as provided in the plan document and procedures established by the executive director.

(d) This section does not authorize an employer contribution, except as authorized in section 356.24, subdivision 1, paragraph (a), clause (5).

(e) The state, the Minnesota State Retirement System, the executive director and board of directors of the system, the State Board of Investment, and participating public employers are not liable and not responsible for any loss that may result from investment of the deferred compensation or the investment choices made by the participants.

Subd. 6. Plan administrative expenses. (a) The reasonable and necessary administrative expenses of the deferred compensation plan may be charged to plan participants in the form of an annual fee, an asset-based fee, a percentage of the contributions to the plan, or a combination thereof, as set forth in the plan document. The executive director of the system at the direction of the board of directors shall establish procedures to carry out this section including allocation of administrative costs of the plan to participants. Processes and procedures shall be set forth in the plan document. Fees cannot be charged on contributions and investment returns attributable to contributions made to the Minnesota supplemental investment funds before July 1, 1992.

(b) The plan document must conform to federal and state tax laws, regulations, and rulings, and is not subject to the Administrative Procedure Act.

(c) The executive director may contract with a third party to perform administrative and record keeping functions. The executive director may solicit bids and negotiate such contracts.

(d) The board of directors may authorize a third-party investment consultant to provide investment information and advice, provided that the offering of such information and advice is consistent with the investment advice requirements applicable to private plans under Title VI, subtitle A, of the Pension Protection Act of 2006, Public Law 109-280, section 601.

Subd. 7. Other laws not applicable. Except as provided in this section, no provisions of this chapter or other law specifically referring to this chapter applies to this section unless the Minnesota deferred compensation plan is specifically referenced.

Subd. 8. Exemption from process. No amount of deferred compensation is assignable or subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518A.53.

Subd. 9. **Missing participants.** The plan document shall establish procedures to assist in locating participants. If a participant cannot be located the participant's benefits shall be deemed abandoned and the provisions of section 356.65 shall apply to their disposition.

History: 2008 c 349 art 11 s 3