

# HOUSE BILL No. 6518

November 27, 2018, Introduced by Rep. Albert and referred to the Committee on Financial Liability Reform.

A bill to amend 2017 PA 202, entitled "Protecting local government retirement and benefits act," by amending section 3 (MCL 38.2803) and by adding sections 11 and 11a.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 3. As used in this act:

2           (a) "Annual report" means the most recent audited financial  
3 statement reporting a local unit of government's liability for  
4 retirement pension benefits and retirement health benefits as  
5 determined under applicable government accounting standards of the  
6 Governmental Accounting Standards Board.

7           (b) "Annual required contribution" means the sum of the normal  
8 cost payment and the annual amortization payment for past service  
9 costs to fund the unfunded actuarial accrued liability.

1 (c) "Corrective action plan" means a plan that details the  
2 actions to be taken by a local unit of government to address and  
3 resolve the underfunded status of the local unit of government.

4 (d) "Employee" means an individual holding a position by  
5 election, appointment, or employment in a local unit of government.

6 (e) "Evaluation system" means the local government retirement  
7 and benefits fiscal impact evaluation system created under section  
8 5 to provide for the identification of, and a corrective action  
9 plan to resolve, the underfunded status of a local unit of  
10 government under this act.

11 (f) "Former employee" means an individual who was an employee  
12 who terminated employment with the applicable local unit of  
13 government.

14 (g) "General fund operating revenues" means the sum of all  
15 governmental activity fund revenues of a local unit of government  
16 as determined by the state treasurer based on applicable government  
17 accounting standards of the Governmental Accounting Standards  
18 Board. General fund operating revenues do not include any fund of  
19 the local unit of government that the state treasurer determines  
20 based on applicable government accounting standards of the  
21 Governmental Accounting Standards Board is a proprietary,  
22 fiduciary, enterprise, or other restricted fund that may not be  
23 expended to provide retirement health benefits or retirement  
24 pension benefits.

25 **(H) "HEALTH CARE STIPEND" MEANS A FIXED AMOUNT PAID TO A**  
26 **FORMER EMPLOYEE ON AN ONGOING BASIS TO BE APPLIED TOWARD A HEALTH**  
27 **CARE PREMIUM.**

1           **(I)** ~~(h)~~—"Local unit of government" means any of the following:

2           (i) A city.

3           (ii) A village.

4           (iii) A township.

5           (iv) A county.

6           (v) A county road commission.

7           (vi) An authority created under chapter VIA of the aeronautics  
8 code of the state of Michigan, 1945 PA 327, MCL 259.108 to  
9 259.125c.

10           (vii) A metropolitan government or authority established under  
11 section 27 of article VII of the state constitution of 1963.

12           (viii) A metropolitan district created under the metropolitan  
13 district act, 1929 PA 312, MCL 119.1 to 119.18.

14           (ix) An authority created under 1939 PA 147, MCL 119.51 to  
15 119.62.

16           (x) A municipal electric utility system as that term is  
17 defined in section 4 of the Michigan energy employment act of 1976,  
18 1976 PA 448, MCL 460.804.

19           (xi) A district, authority, commission, public body, or public  
20 body corporate created by 1 or more of the entities described in  
21 subparagraphs (i) to (x).

22           **(J)** ~~(i)~~—"Local unit of government" does not include this  
23 state, a principal department of state government, a state  
24 institution of higher education under section 4, 5, or 6 of article  
25 VIII of the state constitution of 1963, a state agency, a state  
26 authority, or a reporting unit under the public school employees  
27 retirement act of 1979, 1980 PA 300, MCL 38.1301 to 38.1437.

1           (K) ~~(j)~~—"Municipal stability board" or "board" means the  
2 municipal stability board created in section 7.

3           (L) ~~(k)~~—"Normal cost" means the annual service cost of  
4 retirement health benefits as they are earned during active  
5 employment of employees of the local unit of government in the  
6 applicable fiscal year, using an individual entry-age normal and  
7 level percent of pay actuarial cost method.

8           (M) ~~(l)~~—"Retirant" means an individual who has retired with a  
9 retirement benefit payable from a retirement system of a local unit  
10 of government.

11           (N) ~~(m)~~—"Retirement benefit" includes a retirement health  
12 benefit or retirement pension benefit, or both.

13           (O) ~~(n)~~—"Retirement health benefit" means, **SUBJECT TO**  
14 **SUBDIVISION (P)**, an annuity, allowance, payment, or contribution  
15 to, for, or on behalf of a former employee or a dependent of a  
16 former employee to pay for any of the following components:

17           (i) Expenses related to medical, drugs, dental, hearing, or  
18 vision care.

19           (ii) Premiums for insurance covering medical, drugs, dental,  
20 hearing, or vision care.

21           (iii) Expenses or premiums for life, disability, long-term  
22 care, or similar welfare benefits for a former employee.

23           (P) **RETIREMENT HEALTH BENEFIT DOES NOT INCLUDE A HEALTH CARE**  
24 **STIPEND.**

25           (Q) ~~(o)~~—"Retirement pension benefit" means an allowance,  
26 right, accrued right, or other pension benefit payable under a  
27 defined benefit pension plan to a participant in the plan or a

1 beneficiary of the participant.

2       **(R)** ~~(p)~~—"Retirement system" means a retirement system, trust,  
3 plan, or reserve fund that a local unit of government establishes,  
4 maintains, or participates in and that, by its express terms or as  
5 a result of surrounding circumstances, provides retirement pension  
6 benefits or retirement health benefits, or both. Retirement system  
7 does not include a state unit as that term is defined in section 2  
8 of the public employee retirement benefit protection act, 2002 PA  
9 100, MCL 38.1682.

10       **(S)** ~~(q)~~—"Underfunded local unit of government" means a local  
11 unit of government that is in underfunded status.

12       **(T)** ~~(r)~~—"Underfunded status" means that the state treasurer  
13 has determined that the local unit of government is underfunded  
14 under the review provided in section 5 and the local unit of  
15 government does not have a waiver under section 6.

16       **SEC. 11. (1) THE LOCAL UNIT RECOVERY STATUS FUND IS CREATED**  
17 **WITHIN THE STATE TREASURY.**

18       **(2) THE STATE TREASURER MAY RECEIVE MONEY OR OTHER ASSETS FROM**  
19 **ANY SOURCE FOR DEPOSIT INTO THE FUND. THE STATE TREASURER SHALL**  
20 **DIRECT THE INVESTMENT OF THE FUND. THE STATE TREASURER SHALL CREDIT**  
21 **TO THE FUND INTEREST AND EARNINGS FROM FUND INVESTMENTS.**

22       **(3) MONEY IN THE FUND AT THE CLOSE OF THE FISCAL YEAR MUST**  
23 **REMAIN IN THE FUND AND MUST NOT LAPSE TO THE GENERAL FUND.**

24       **(4) THE STATE TREASURER IS THE ADMINISTRATOR OF THE FUND FOR**  
25 **AUDITING PURPOSES.**

26       **(5) TO BE ELIGIBLE FOR RECEIVING A GRANT UNDER THIS SECTION,**  
27 **WITHIN 3 YEARS AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT**

1 ADDED THIS SECTION, A LOCAL UNIT OF GOVERNMENT THAT IS A COUNTY  
2 ROAD COMMISSION AND WHOSE ACTUARIAL LIABILITY OF ITS RETIREMENT  
3 HEALTH SYSTEM IS LESS THAN 40% FUNDED OR WHOSE ACTUARIAL LIABILITY  
4 OF ITS RETIREMENT PENSION SYSTEM IS LESS THAN 60% FUNDED ACCORDING  
5 TO THE MOST RECENT ANNUAL REPORT UNDER SECTION 5 MAY ELECT TO  
6 PARTICIPATE IN THE LOCAL UNIT RECOVERY STATUS FUND UNDER THIS  
7 SECTION IF THE BOARD APPROVES THE LOCAL UNIT OF GOVERNMENT'S  
8 CORRECTIVE ACTION PLAN UNDER SECTION 10 AND THE CORRECTIVE ACTION  
9 PLAN ADDRESSES ALL OF THE FOLLOWING CONDITIONS:

10 (A) THE LOCAL UNIT OF GOVERNMENT WILL NOT OFFER OR PROVIDE A  
11 RETIREMENT BENEFIT OTHER THAN A HEALTH CARE STIPEND TO AN EMPLOYEE  
12 FIRST EMPLOYED BY THE LOCAL UNIT OF GOVERNMENT AFTER THE LOCAL UNIT  
13 OF GOVERNMENT APPROVES THE CORRECTIVE ACTION PLAN.

14 (B) THE LOCAL UNIT OF GOVERNMENT WILL NOT REOPEN A DEFINED  
15 BENEFIT RETIREMENT SYSTEM OR REOFFER ANY OTHER DEFINED BENEFIT PLAN  
16 AFTER THE EFFECTIVE DATE THAT DEFINED BENEFIT RETIREMENT SYSTEM OR  
17 OTHER DEFINED BENEFIT PLAN HAS BEEN CLOSED TO NEW HIRES.

18 (C) THE LOCAL UNIT OF GOVERNMENT WILL MAKE ITS ANNUAL REQUIRED  
19 CONTRIBUTIONS TO THE RETIREMENT HEALTH BENEFIT COMPONENT OF A  
20 RETIREMENT SYSTEM USING MEASURES THAT ENSURE SUSTAINABILITY, AS  
21 DETERMINED BY THE STATE TREASURER.

22 (D) THE LOCAL UNIT OF GOVERNMENT'S RETIREMENT SYSTEM WILL USE  
23 THE UNIFORM ACTUARIAL ASSUMPTIONS ESTABLISHED UNDER SECTION 5.

24 (E) THE BOARD DETERMINES THAT THE CORRECTIVE ACTION PLAN HAS A  
25 REASONABLE LIKELIHOOD THAT EITHER OF THE FOLLOWING APPLY, AS  
26 APPLICABLE:

27 (i) THE RETIREMENT PENSION SYSTEM WILL BE 60% FUNDED WITHIN 20

1 YEARS AFTER THE BOARD APPROVES THE CORRECTIVE ACTION PLAN UNDER  
2 SECTION 10.

3 (ii) THE RETIREMENT HEALTH SYSTEM WILL BE 40% FUNDED WITHIN 30  
4 YEARS AFTER THE BOARD APPROVES THE CORRECTIVE ACTION PLAN UNDER  
5 SECTION 10.

6 (6) A LOCAL UNIT OF GOVERNMENT THAT IS A COUNTY ROAD  
7 COMMISSION MAY APPLY TO THE DEPARTMENT OF TREASURY FOR A GRANT FROM  
8 THE FUND, AND IS ELIGIBLE TO RECEIVE A GRANT FROM THE FUND, IF BOTH  
9 OF THE FOLLOWING OCCUR:

10 (A) THE BOARD APPROVES THE LOCAL UNIT OF GOVERNMENT'S  
11 CORRECTIVE ACTION PLAN UNDER SECTION 10 AND THE CORRECTIVE ACTION  
12 PLAN ADDRESSES ALL OF THE CONDITIONS IN SUBSECTION (5).

13 (B) THE COUNTY ROAD COMMISSION BOARD APPROVES THE CHANGES TO  
14 BE MADE IN THE CORRECTIVE ACTION PLAN.

15 (7) SUBJECT TO SUBSECTIONS (8) AND (9), THE STATE TREASURER  
16 SHALL MAKE GRANTS FROM THE FUND, ON APPROPRIATION, TO THE  
17 IRREVOCABLE TRUST CREATED UNDER SECTION 11A OF A LOCAL UNIT OF  
18 GOVERNMENT THAT IS A COUNTY ROAD COMMISSION IF THE BOARD APPROVED  
19 THE LOCAL UNIT OF GOVERNMENT'S CORRECTIVE ACTION PLAN UNDER SECTION  
20 10 AND THE CORRECTIVE ACTION PLAN ADDRESSES ALL OF THE CONDITIONS  
21 LISTED IN SUBSECTION (5). ANY MONEY RECEIVED FROM A GRANT FROM THE  
22 FUND MUST WITHIN 30 DAYS AFTER RECEIPT OF THE MONEY BE PLACED INTO  
23 THE IRREVOCABLE TRUST CREATED FOR THE RETIREMENT SYSTEM TO PAY  
24 RETIREMENT HEALTH BENEFITS OR THE IRREVOCABLE TRUST CREATED FOR THE  
25 RETIREMENT SYSTEM TO PAY RETIREMENT PENSION BENEFITS OF THE LOCAL  
26 UNIT OF GOVERNMENT.

27 (8) THE STATE TREASURER SHALL ESTABLISH A METHOD OF

1 PRIORITIZING THE FUND FOR DISTRIBUTION. THE STATE TREASURER SHALL  
2 INCLUDE, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING FACTORS IN  
3 ESTABLISHING A METHOD UNDER THIS SUBSECTION:

4 (A) LOW FUNDING RATIOS.

5 (B) HIGH RATIO OF ANNUAL REQUIRED CONTRIBUTIONS TO THE LOCAL  
6 UNIT OF GOVERNMENT'S REVENUE.

7 (C) THE AMOUNT OF ANY ADDITIONAL CONTRIBUTIONS NECESSARY TO BE  
8 ELIGIBLE UNDER SUBSECTION (5).

9 (D) A LOCAL UNIT OF GOVERNMENT'S PAST HISTORY OF MAKING THE  
10 FULL ANNUAL REQUIRED CONTRIBUTION OR PAYMENTS EXCEEDING THE ANNUAL  
11 REQUIRED CONTRIBUTION.

12 (9) THE STATE TREASURER SHALL MAKE GRANTS FROM THE FUND  
13 SUBJECT TO THE FOLLOWING:

14 (A) FOR A GRANT TO A RETIREMENT PENSION BENEFIT PLAN, UP TO A  
15 50% MATCHING GRANT FROM THE FUND IS AVAILABLE BASED ON ANY OF THE  
16 FOLLOWING SOURCES OF FUNDS:

17 (i) ANY MONEY CONTRIBUTED ABOVE THE ANNUAL REQUIRED  
18 CONTRIBUTION.

19 (ii) ANY CONTRIBUTIONS FROM THE COUNTY GENERAL FUND.

20 (iii) ANY CONTRIBUTIONS FROM COUNTY ROAD MILLAGES.

21 (B) FOR A GRANT TO A RETIREMENT HEALTH BENEFIT PLAN, UP TO A  
22 50% MATCHING GRANT FROM THE FUND IS AVAILABLE BASED ON ANY MONEY  
23 CONTRIBUTED TOWARD A FULL ANNUAL REQUIRED CONTRIBUTION.

24 (10) IF THE BOARD DETERMINES THAT THE CONDITIONS OF A LOCAL  
25 UNIT OF GOVERNMENT'S CORRECTIVE ACTION PLAN, OR A SUBSEQUENT  
26 REVISED CORRECTIVE ACTION PLAN APPROVED BY THE MUNICIPAL STABILITY  
27 BOARD AND THE COUNTY ROAD COMMISSION BOARD, DESCRIBED IN SUBSECTION



1 (5) ARE NOT BEING MET, BY A CERTAIN DATE ESTABLISHED BY THE STATE  
2 TREASURER, THE LOCAL UNIT OF GOVERNMENT SHALL PAY TO THE STATE  
3 TREASURER ALL MONEY THE IRREVOCABLE TRUST OF THE LOCAL UNIT OF  
4 GOVERNMENT CREATED UNDER SECTION 11A RECEIVED FROM THE FUND UNDER  
5 THIS SECTION, AND SHALL ALSO PAY INTEREST, AT A RATE AS DETERMINED  
6 BY THE DEPARTMENT OF TREASURY, ON ALL MONEY RECEIVED FROM THE FUND  
7 UNDER THIS SECTION. IN ADDITION, THE BOARD SHALL CONTINUE TO  
8 MONITOR THAT LOCAL UNIT OF GOVERNMENT UNTIL IT IS NO LONGER AN  
9 UNDERFUNDED LOCAL UNIT OF GOVERNMENT.

10 (11) AS USED IN THIS SECTION, "LOCAL UNIT RECOVERY STATUS  
11 FUND" OR "FUND" MEANS THE FUND CREATED IN SUBSECTION (1).

12 SEC. 11A. AN IRREVOCABLE TRUST IS AUTHORIZED AND CREATED BY  
13 THIS ACT FOR EACH RETIREMENT SYSTEM. AN IRREVOCABLE TRUST  
14 ESTABLISHED UNDER THIS SECTION MUST AT ALL TIMES BE ESTABLISHED AND  
15 ADMINISTERED IN ACCORDANCE WITH SECTION 115 OF THE INTERNAL REVENUE  
16 CODE OF 1986, 26 USC 115. ALL OF THE FOLLOWING APPLY TO AN  
17 IRREVOCABLE TRUST:

18 (A) THE GOVERNING BOARD OF EACH RETIREMENT SYSTEM IS THE  
19 GRANTOR AND SHALL ADMINISTER THE IRREVOCABLE TRUST CREATED FOR THAT  
20 RETIREMENT SYSTEM IN ORDER TO PAY RETIREMENT HEALTH BENEFITS. THE  
21 MEMBERS OF THE RETIREMENT SYSTEM BOARD, OR THE GOVERNING BODY OF  
22 THE LOCAL UNIT OF GOVERNMENT IF THERE IS NO RETIREMENT SYSTEM  
23 BOARD, SHALL ACT AS THE TRUSTEES OF THE IRREVOCABLE TRUST FOR THAT  
24 RETIREMENT SYSTEM.

25 (B) THE TRUSTEES SHALL ADOPT A WRITTEN TRUST AGREEMENT THAT  
26 CONTAINS ALL OF THE FOLLOWING PROVISIONS CONSISTENT WITH THIS ACT:

27 (i) RECITALS DESCRIBING THE CREATION AND PURPOSE OF THE TRUST.

1 (ii) LANGUAGE REFLECTING THE REQUIREMENTS OF THIS SUBSECTION.

2 (iii) SECTIONS OUTLINING THE MANAGEMENT AND OPERATION OF THE  
3 TRUST.

4 (iv) A DESCRIPTION OF THE VARIOUS ACCOUNTS THAT CARRY OUT THE  
5 FUNCTIONS OF THE TRUST.

6 (v) PROVISIONS SETTING FORTH THE POWERS AND DUTIES OF THE  
7 TRUSTEES.

8 (vi) POLICIES AND PROCEDURES FOR ADMINISTERING THE IRREVOCABLE  
9 TRUST.

10 (C) EACH TRUST MUST BE MANAGED AND OPERATED SEPARATELY AND  
11 INDEPENDENT OF THE OTHER RETIREMENT SYSTEM TRUSTS. THE TRUSTEES MAY  
12 CONTRACT WITH PUBLIC AND PRIVATE ENTITIES FOR THE PROVISION OF  
13 BOOKKEEPING, BENEFIT PAYMENTS, AND OTHER PLAN FUNCTIONS.

14 (D) ASSETS CONTRIBUTED TO THE IRREVOCABLE TRUST ARE  
15 IRREVOCABLE AND MAY NOT BE REFUSED, REFUNDED, OR RETURNED TO THE  
16 EMPLOYER OR EMPLOYEE MAKING THE CONTRIBUTION.

17 (E) THE ASSETS OF THE IRREVOCABLE TRUST ARE TO BE USED SOLELY  
18 TO PERFORM THIS ESSENTIAL FUNCTION OF THE LOCAL UNIT OF GOVERNMENT.  
19 THE TRUST MUST ONLY PROVIDE RETIREMENT HEALTH BENEFITS AS PROVIDED  
20 UNDER APPLICABLE LAW AND PAY FEES AND EXPENSES FOR THE  
21 ADMINISTRATIVE COSTS IN CARRYING OUT THIS ESSENTIAL GOVERNMENTAL  
22 FUNCTION.

23 (F) THE ASSETS IN THE IRREVOCABLE TRUST MUST BE INVESTED IN  
24 ACCORD WITH THE PUBLIC EMPLOYEE RETIREMENT SYSTEM INVESTMENT ACT,  
25 1965 PA 314, MCL 38.1132 TO 38.1141.

26 (G) THE ASSETS OF THE IRREVOCABLE TRUST AND THE ABILITY OF A  
27 RETIRANT TO RECEIVE RETIREMENT HEALTH BENEFITS IS NOT SUBJECT TO

1 EXECUTION, GARNISHMENT, ATTACHMENT, THE OPERATION OF BANKRUPTCY OR  
2 INSOLVENCY LAWS, OR OTHER PROCESS OF LAW AND IS UNASSIGNABLE.

3 (H) THE ASSETS OF THE IRREVOCABLE TRUST MUST BE USED  
4 EXCLUSIVELY FOR RETIREMENT HEALTH BENEFITS AND MUST NOT BE DIVERTED  
5 FOR A PURPOSE OTHER THAN THE PAYMENT OF RETIREMENT HEALTH BENEFITS  
6 AND THE ADMINISTRATIVE COSTS OF PROVIDING RETIREMENT HEALTH  
7 BENEFITS.

8 (I) THE GOVERNING BOARD OF A RETIREMENT SYSTEM MAY FROM TIME  
9 TO TIME AUTHORIZE THE DEPOSIT INTO THE IRREVOCABLE TRUST OF ANY  
10 ELIGIBLE MONEY ON DEPOSIT WITHIN ITS RETIREMENT SYSTEM FOR THE  
11 PURPOSE OF PAYMENT OF ELIGIBLE RETIREMENT HEALTH BENEFITS.  
12 DISTRIBUTIONS FROM THE IRREVOCABLE TRUST MAY BE MADE TO SATISFY THE  
13 REQUIREMENTS OF THE RETIREMENT SYSTEM FOR RETIREMENT HEALTH  
14 BENEFITS PROVIDED BY THE RETIREMENT SYSTEM.

15 (J) THE TRUSTEES SHALL CAUSE THE ANNUAL FINANCIAL STATEMENTS  
16 OF THE TRUST TO BE PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED  
17 ACCOUNTING PRINCIPLES AND AN AUDIT TO BE CONDUCTED OF THOSE  
18 FINANCIAL STATEMENTS BY A QUALIFIED INDEPENDENT CERTIFIED  
19 ACCOUNTING FIRM FOR EACH FISCAL YEAR IN ACCORDANCE WITH GENERALLY  
20 ACCEPTED AUDITING STANDARDS.

21 (K) THE IRREVOCABLE TRUST IS NOT CONSIDERED TO BE INVALID  
22 BECAUSE OF ANY INDEFINITENESS OR UNCERTAINTY OF THE PERSONS  
23 DESIGNATED AS BENEFICIARIES. THE IRREVOCABLE TRUST IS NOT  
24 CONSIDERED TO BE INVALID AS VIOLATING ANY EXISTING LAW AGAINST  
25 PERPETUITIES, AGAINST SUSPENSION OF THE POWER OF ALIENATION OF  
26 TITLE TO PROPERTY, OR AGAINST TRUSTS FOR THE PURPOSE OF THE  
27 ACCUMULATION OF INCOME, BUT EACH TRUST MAY CONTINUE FOR THE AMOUNT

1 OF TIME THAT MAY BE NECESSARY TO ACCOMPLISH THE PURPOSE FOR WHICH  
2 IT WAS CREATED.

3 (l) ALL ASSETS AND INCOME OF THE IRREVOCABLE TRUST ARE EXEMPT  
4 FROM TAXATION BY THIS STATE OR ANY POLITICAL SUBDIVISION OF THIS  
5 STATE. DISTRIBUTIONS FROM THE IRREVOCABLE TRUST SHALL NOT BE  
6 TREATED AS TAXABLE INCOME TO FORMER EMPLOYEES OR THEIR RETIREE  
7 HEALTH DEPENDENTS BY THIS STATE OR ANY POLITICAL SUBDIVISION OF  
8 THIS STATE.

9 (M) A TRUSTEE OF THE IRREVOCABLE TRUST IS NOT ANY OF THE  
10 FOLLOWING:

11 (i) PERSONALLY LIABLE FOR ANY LIABILITY, LOSS, OR EXPENSE  
12 SUFFERED BY THE TRUST, UNLESS THE LIABILITY, LOSS, OR EXPENSE  
13 ARISES OUT OF OR RESULTS FROM THE WILLFUL MISCONDUCT OR INTENTIONAL  
14 WRONGDOING OF THE TRUSTEE.

15 (ii) RESPONSIBLE FOR THE ADEQUACY OF THE TRUST TO MEET AND  
16 DISCHARGE ANY OBLIGATION UNDER APPLICABLE LAW.

17 (iii) REQUIRED TO TAKE ACTION TO ENFORCE THE PAYMENT OF ANY  
18 CONTRIBUTION OR APPROPRIATION TO THE TRUST.

19 (N) A TRUSTEE OF THE IRREVOCABLE TRUST MAY BE INDEMNIFIED BY  
20 THE TRUST AGAINST COSTS, LIABILITIES, LOSSES, DAMAGES, AND  
21 EXPENSES, INCLUDING ATTORNEY FEES, AS MORE FULLY PROVIDED IN THE  
22 RESPECTIVE TRUST AGREEMENTS, UNLESS THE COSTS, LIABILITIES, LOSSES,  
23 DAMAGES, OR EXPENSES ARISE OUT OF OR RESULT FROM THE WILLFUL  
24 MISCONDUCT OR INTENTIONAL WRONGDOING OF THE TRUSTEE.

25 (O) ANY ASSETS REMAINING IN THE IRREVOCABLE TRUST AFTER ALL  
26 PAYMENTS FOR ELIGIBLE RETIREMENT HEALTH BENEFITS HAVE BEEN PAID AND  
27 ALL OTHER LIABILITIES OF THE TRUST HAVE BEEN SATISFIED MUST BE

1 DISTRIBUTED TO THIS STATE, THE LOCAL UNIT OF GOVERNMENT, OR OTHER  
2 EMPLOYERS WITHIN THE APPLICABLE RETIREMENT SYSTEM IF THE EMPLOYERS  
3 ARE ORGANIZATIONS, THE INCOME OF WHICH IS EXCLUDED UNDER SECTION  
4 115(1) OF THE INTERNAL REVENUE CODE OF 1986, 26 USC 115.