

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 480

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DATE	D-PG	OFFICIAL STATUS
01/30/2017	450	Introduction and first reading
		Referred to Local Government
02/09/2017		Comm report: To pass as amended and re-refer to State Government Finance and Policy and Elections

1.1 A bill for an act
1.2 relating to local government; providing long-term equity investment authority;
1.3 proposing coding for new law in Minnesota Statutes, chapter 118A.

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

1.5 Section 1. **[118A.09] ADDITIONAL LONG-TERM EQUITY INVESTMENT**
1.6 **AUTHORITY.**

1.7 Subdivision 1. **Definition; qualifying government.** "Qualifying government" means a
1.8 county or statutory or home rule charter city with a population of more than 100,000, or a
1.9 county or statutory or home rule charter city which had its most recently issued general
1.10 obligation bonds rated in the highest category by a national bond rating agency. A county
1.11 or statutory or home rule charter city with a population of 100,000 or less that is a qualifying
1.12 government, but is subsequently rated less than the highest category by a national bond
1.13 rating agency on a general obligation bond issue, may not invest additional funds under this
1.14 section but may continue to manage funds previously invested under subdivision 2.

1.15 Subd. 2. **Additional investment authority.** Qualifying governments may invest the
1.16 amount described in subdivision 3 (1) in index mutual funds based in the United States and
1.17 indexed to the Standard & Poor's 500 Index or the Dow Jones United States Total Stock
1.18 Market Index; or (2) with the Minnesota State Board of Investment subject to such terms
1.19 and minimum amounts as may be adopted by the board. Index mutual fund investments
1.20 must be made directly with the main sales office of the fund.

1.21 Subd. 3. **Funds.** (a) Qualifying governments may only invest under subdivision 2
1.22 according to the limitations in this subdivision. A qualifying government may only invest
1.23 its cash and investments that are held for long-term capital plans authorized by the city

2.1 council or county board, or long-term obligations of the qualifying government. Long-term
2.2 obligations of the qualifying government include long-term capital plan reserves, funds held
2.3 to offset long-term environmental exposure, pension liabilities, other postemployment
2.4 benefit liabilities, and compensated absences.

2.5 (b) Qualifying governments may invest up to 15 percent of the sum of (1) unassigned
2.6 cash; (2) cash equivalents; (3) deposits; and (4) investments. This calculation must be based
2.7 on the qualifying government's most recent audited statement of net position, which must
2.8 be compliant and audited pursuant to governmental accounting and auditing standards. Once
2.9 the amount invested reaches 15 percent of the sum of unassigned cash, cash equivalents,
2.10 deposits, and investments, no further funds may be invested under this section; however, a
2.11 qualifying government may continue to manage the funds previously invested under this
2.12 section even if the total amount subsequently exceeds 15 percent of the sum of unassigned
2.13 cash, cash equivalents, deposits, and investments.

2.14 Subd. 4. **Approval.** Before investing pursuant to this section, the governing body of the
2.15 qualifying government must adopt a resolution that includes the following statements:

2.16 (1) the governing body understands that investments under subdivision 2 have a risk of
2.17 loss; and

2.18 (2) the governing body understands the type of funds that are being invested and the
2.19 specific investment itself.

2.20 Subd. 5. **Public Employees Retirement Association to act as account administrator.**
2.21 A qualifying government exercising authority under this section to invest amounts with the
2.22 State Board of Investment shall establish an account with the Public Employees Retirement
2.23 Association (PERA), which shall act as the account administrator.

2.24 Subd. 6. **Purpose of account.** The account established under subdivision 5 may only
2.25 be used for the purposes provided under subdivision 3. PERA may rely on representations
2.26 made by the qualifying government in exercising its duties as account administrator and
2.27 has no duty to further verify qualifications, use, or intended use of the funds that are invested
2.28 or withdrawn.

2.29 Subd. 7. **Account maintenance.** (a) A qualifying government may establish an account
2.30 to be held under the supervision of PERA for the purposes of investing funds with the State
2.31 Board of Investment under subdivision 2. PERA shall establish a separate account for each
2.32 qualifying government. PERA may charge participating qualifying governments a fee for
2.33 reasonable administrative costs. The amount of any fee charged by PERA is annually

3.1 appropriated to the association from the account. PERA may establish other reasonable
3.2 terms and conditions for creation and maintenance of these accounts.

3.3 (b) PERA must report to the qualifying government on the investment returns of invested
3.4 funds and on all investment fees or costs incurred by the account.

3.5 Subd. 8. **Investment.** (a) The assets of an account shall be invested and held as required
3.6 by this subdivision.

3.7 (b) PERA must certify all money in the accounts for which it is account administrator
3.8 to the State Board of Investment for investment under section 11A.14, subject to the policies
3.9 and procedures established by the State Board of Investment. Investment earnings must be
3.10 credited to the account of the individual qualifying government.

3.11 (c) For accounts invested by the State Board of Investment, the investment restrictions
3.12 shall be the same as those generally applicable to the State Board of Investment.

3.13 (d) A qualifying government may provide investment direction to PERA.

3.14 Subd. 9. **Withdrawal of funds and termination of account.** (a) A government may
3.15 withdraw some or all of its money or terminate the account.

3.16 (b) A government requesting withdrawal of money from an account created under this
3.17 section must do so at a time and in the manner required by the executive director of PERA.