Sec. 3. This act shall take effect upon the construction of the trunk highway 12 bypass of Willmar.

Approved March 15, 1974.

CHAPTER 152—H.F.No.3058
[Coded in Part]

An act relating to the state board of investment; investments applicable to the invested treasurer's cash fund and retirement funds; amending Minnesota Statutes, 1973 Supplement, Sections 11.10, Subdivision 1; 11.16, Subdivision 13; 11.19, Subdivision 2; 69.77, Subdivision 2; 69.775; 352D.03; and 352D.04, Subdivision 1; and Minnesota Statutes 1971, Sections 11.18, Subdivisions 1, 4, and 5, and by adding a subdivision; 11.20; and 11.21.

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

Section 1. Minnesota Statutes, 1973 Supplement, Section 11.10, Subdivision 1, is amended to read:

11.10 **INVESTMENTS; STATE FUNDS; INVESTMENT OF MONEY NOT CURRENTLY NEEDED.** Subdivision 1. **INVESTMENT OF TREASURY FUND.** The state treasurer shall make a report to the commissioner of finance daily or at such other times as the commissioner of finance shall determine of the moneys in the state treasury together with such other information which the commissioner may prescribe. When there is money in the state treasury over and above the amount that the commissioner of finance has advised the treasurer is currently needed, the state treasurer shall certify to the state board of investment the amount thereof. The board of investment may then invest said amount, or any part thereof, in the following:

(a) Treasury bonds, certificates of indebtedness, bonds or notes of the United States of America or bonds, notes or certificates of indebtedness of the state of Minnesota, all of which must mature not later than three years from date of purchase.

(b) Bonds, notes, debentures or other obligations issued by any agency or instrumentality of the United States or any securities guaranteed by the United States government, or for which the credit of the United States is pledged for the payment of the principal and interest thereof, all of which must mature not later than three years from date of purchase.

(c) Commercial paper of prime quality, or rated among the top third of the quality categories, not applicable to defaulted paper, as defined by a nationally recognized organization which rates such securities as eligible for investment in the state employees retirement fund except that any non-banking issuing corporation, or parent company in the case of paper issued by operating utility or finance subsidiaries, must have total assets exceeding $500,000,000. Such commercial paper may constitute no more than 30 percent of the book value of the fund at the time of purchase, and the commercial paper of any one corporation shall not constitute more than four percent of the book value of the fund at the time of such investment.

(d) Any securities eligible under the preceding provisions, purchased with simultaneous repurchase agreement under which the securities will be sold to the particular dealer on a specified date at a predetermined price. In such instances, all maturities of United States government securities, or securities issued or guaranteed by the United States government or an agency thereof, may be purchased so long as any such securities which mature later than three years from the date of purchase have a current market value exceeding the purchase price by at least five percent on the date of purchase, and so long as such repurchase agreement involving securities extending beyond three years in maturity be limited to a period not exceeding 45 days.

~~(e) Shares of an investment company registered under the investment company act of 1940, whose shares are registered under the securities act of 1933, provided that the only investments of that company are in obligations of the United States government, in obligations fully guaranteed by the United States government or in obligations of instrumentalities of the United States government such as treasury bonds, certificates of indebtedness, bonds or notes of the United States of America, all of which must mature not later than three years from date of purchase; bonds, notes, debentures or other obligations issued by any agency or instrumentality of the United States or any securities guaranteed by the United States government, or for which the credit of the United States is pledged for the payment of the principal and interest thereof, all of which must mature not later than three years from date of purchase.~~

Sec. 2. Minnesota Statutes, 1973 Supplement, Section 11.16, Subdivision 13, is amended to read:

Subd. 13. **CORPORATE STOCKS.** Preferred or common stocks of any corporation organized and operating within the United States are legal investments for the purposes of this section. The aggregate of common and preferred stock investments may not exceed 50 percent of the total assets of the fund at any time. Furthermore, the board may increase its holdings of stocks by no more than five percent of the assets of the fund during any one fiscal year. No more than three percent of the assets of the fund may be invested in the stock of any one corporation and at no time shall the fund together with other Minnesota public retirement funds own more than five percent of the voting stock of any one corporation. All such percentages shall be computed on the basis of the cost price of such stock at the time of investment.

No investment shall be made in the common or preferred stock of any corporation with assets of less than $10,000,000.

No investment shall be made in the preferred stock of any corporation unless the latter shall have had earnings available for the payment of interest and preferred dividends equal, on the average, for the last five years, to at least one and one-half times the aggregate of interest and preferred dividend requirements. No investment shall be made in a common stock unless the latter shall have paid cash dividends for at least five years immediately prior to purchase nor unless the aggregate earnings of such corporation available for payment of dividends on the common stock during the last five years has been at least equal to the aggregate of such cash dividends. A maximum of five percent of the assets in the account may be placed in equity investments, including fixed-income securities convertible into common stock, not conforming with these dividend and earnings standards so long as the corporation maintains the asset value indicated and evidences appropriate growth potential and probable earnings gain.

The corporate stock portfolio purchased under the terms of this subdivision, at the discretion of the board of trustees of the retirement association, may be valued at a total amount other than original book cost if the following procedures be used:

(a) The corporate stock portfolio must be valued bi-monthly, using the closing market prices on the last business days of February, April, June, August, October, and December.

(b) Whenever the portfolio has shown a total market valuation exceeding the original book cost by 10 percent for six consecutive valuation dates, the book value of the portfolio shall be increased by three percent for accounting and actuarial purposes, and such three percent increase may apply until further adjustments be made in the stock valuations.

(c) Whenever the new adjusted value has been exceeded by 10 percent for six consecutive bi-monthly periods, the valuation for accounting and actuarial purposes shall again be increased by three percent; this process may be continued as consistent with continuing market changes.

(d) Whenever the market value of the stock portfolio has decreased by 10 percent below cost or most recent adjusted value, whichever is applicable, for six consecutive bi-monthly periods, the valuation of the stock portfolio for accounting and actuarial purposes shall be reduced by three percent below the original cost or adjusted value. This procedure shall continue in accordance with market fluctuations.

Any unrealized gain or loss computed under the provisions of this paragraph shall be recorded in an unrealized appreciation account and used only for the accounting and actuarial purposes of the fund and shall not apply to the credit or detriment of any individual contribution, participant, or member of the retirement association. If any increase or decrease is to be considered as an adjustment to the income of the fund, the amount thereof shall be distributed to or from the income account over a period of not less than three nor more than five years.

Sec. 3. Minnesota Statutes 1971, Section 11.18, Subdivision 1, is amended to read:

11.18 **MINNESOTA SUPPLEMENTAL RETIREMENT FUND ESTABLISHED.** Subdivision 1. There is hereby established a Minnesota supplemental retirement fund which shall be administered by the state board of investment and shall consist of ~~two~~ the investment accounts *as provided in this section.*

Sec. 4. Minnesota Statutes 1971, Section 11.18, is amended by adding a subdivision to read:

Subd. 3a. There shall be a fixed-return account which shall be invested in debt securities which are legal investments for the state employees retirement fund. At the beginning of each fiscal year, the state board of investment shall set an assumed interest rate for moneys invested in such account during that year, with the rate applicable to all sums invested during the 12 month period. At the end of the 12 months, the board may determine the period of time over which such an assumed rate is to apply to funds so invested, depending upon the average yield and maturity of the securities purchased. Any earnings accrued to the account above the rate earlier indicated may be distributed among participants at fiscal year-end, except that appropriate reserves may first be established from the income of the fund in order to assure such a future rate of return. The account shall be established on July 1, 1974, with the initial unit valuations set at $5 per unit. The income from earnings on shares in this account shall be used to purchase additional units as such income is available.

Sec. 5. Minnesota Statutes 1971, Section 11.18, Subdivision 4, is amended to read:

Subd. 4. All distributions in the nature of capital, income, or interest received by the state board of investment in respect of investments held in ~~either~~ any account of the supplemental retirement fund shall be held and invested by the board to the credit of said account in the same manner as are moneys received by the board from participating public retirement funds.

Sec. 6. Minnesota Statutes 1971, Section 11.18, Subdivision 5, is amended to read:

Subd. 5. All moneys on hand in such supplemental retirement fund from time to time, except moneys appropriated under section 11.22, are hereby appropriated for the purchase of investments as provided in ~~subdivisions 2, 3, and 4~~ this section .

Sec. 7. Minnesota Statutes, 1973 Supplement, Section 11.19, Subdivision 2, is amended to read:

Subd. 2. Upon application for purchase or redemption of shares of participation in the fund by a public retirement fund, the board shall, on the first business day of the next month after the application is received, allocate to such public retirement fund shares of participation in the account or accounts designated in the application, or if none is designated, as it shall determine, or redeem shares of participation allocated to such public retirement fund, as the case may be. Prior to October 1, 1967, one share shall be allocated for the appropriate account for each $10 deposited for investment by a public retirement fund. Each share of both funds shall be split on a two for one basis as of June 30, 1973, and thereafter at any time when the market value of each share of either account has exceeded $10 for six consecutive months. Thereafter, for the purpose of determining the number of shares or amount to which a public retirement fund depositing funds for investment or requesting the redemption of shares of participation in the income share or growth share accounts is entitled, shares shall be valued at their respective market values as of the last business day of the month in which application for the allocation or redemption of such shares is received. The market value of shares in ~~each account~~ the income share or growth share accounts shall be determined by dividing the total market value of the account by the number of shares then outstanding in the account. The board shall allocate or redeem only full shares in the accounts.

Sec. 8. Minnesota Statutes 1971, Section 11.20, is amended to read:

11.20 **PROSPECTUS.** Once on or before July 1, 1968, and annually thereafter, the board shall prepare and issue to the public retirement fund or funds authorized or required by law to participate in the Minnesota supplemental retirement fund, a prospectus for each of the accounts in such fund. The prospectus for each account shall list the current assets of the account with the purchase price, the current market value, the current dividend rate, and the Standard & Poor or Moody rating of each debt asset; except that securities guaranteed by the United States government need not be rated and cash shall be listed at par. Each prospectus shall set forth the provisions of section 11.18, ~~subdivision 2 or subdivision 3~~ subdivisions 2, 3, or 3a , whichever relates to the account for which the prospectus is issued. The prospectuses for the accounts may be printed and distributed together. Sufficient copies of each prospectus shall be issued to each public retirement fund authorized or required by law to participate in the Minnesota supplemental retirement fund as is necessary to meet the requirements of the public retirement fund or funds prescribed by law.

A copy of each prospectus shall be provided to each member of the legislature and shall be filed with the chief clerk of the house of representatives and the secretary of the senate.

Sec. 9. Minnesota Statutes 1971, Section 11.21, is amended to read:

11.21 **PARTICIPATION BY PUBLIC EMPLOYEE RETIREMENT FUNDS.** Any public retirement fund authorized or required by law to participate in the Minnesota supplemental retirement fund may, from time to time pursuant to law authorizing such participation, deposit funds for the purchase of shares in ~~either~~ any supplemental retirement fund account or ~~both~~ accounts , which purchase shall be credited to the name of the public retirement fund on the books of the state board of investment and confirmed in writing to the fund. It shall be the duty of the public retirement fund or funds to enter on its records the portion of the shares in the name of the fund which are attributable to the contribution and matching contribution of and for each participating employee. No certificates evidencing shares of participation in the supplemental retirement fund shall be issued, and the entry on the books of the state board of investment as herein provided shall be sufficient evidence of the rights of any participating public employee retirement fund in the supplemental retirement fund. In all instances in which funds may be certified to the Minnesota state board of investment for investment purposes, under the investment provisions applicable to the state employees retirement fund, such moneys may be invested in the income share account of the Minnesota supplemental retirement fund. The units of such fund shall be recorded in the name of the participating association, fund, or account in those instances in which the contributions are not to be attributed to any particular employee.

Sec. 10. Minnesota Statutes, 1973 Supplement, Section 69.77, Subdivision 2, is amended to read:

Subd. 2. Subdivision 1 does not apply to an association described in subdivision 1 under the following circumstances:

(1) Each member of the association pays into the retirement funds of the association during his term of covered employment from and after January 1, 1970, a contribution for retirement and survivorship benefits of not less than six percent of the maximum rate of salary from which retirement and survivorship credits and amounts of benefits are determined, and that such contributions of a member are deducted from his salary by his governmental employer, transmitted to the association, and deposited to the credit of the proper fund thereof, provided that to avoid undue increase in the amount of employee contributions in any one year, any increase in the amount of contributions required by this section may be spread over several years, but the increase in rate of contribution in each year commencing in 1970 shall not be less than one percent until the appropriate levels of required employee contributions have been reached. This paragraph shall not

apply to members who are volunteer firemen, provided that the local governing body shall have given their approval to the exemption following consideration of the most recent actuarial survey.

(2) The officers of the association determine on or before September 1 of each year commencing in 1970 the financial requirements and minimum obligation of the association for the following calendar year in accordance with the following requirements:

Until a later actuarial survey is prepared in accordance with sections 69.71 to 69.76, the association shall determine its financial requirements by basing the same on the actuarial survey prepared as of December 31, 1967, copies of which are on file with the legislative retirement study commission, the chief clerk of the house of representatives, and the secretary of the senate; thereafter the financial requirements are determined by the most recent actuarial survey prepared in accordance with sections 69.71 to 69.76.

The normal level cost expressed as a percent of covered payroll determined from the actuarial survey shall be applied to the estimated covered payroll of the membership for the following year to determine the dollar amount of normal cost for said following year.

To the dollar amount of normal cost thus determined shall be added the amount of one year's interest at five percent on the amount of the (deficit) unfunded liability found by the actuarial survey of the fund.

The total of these two amounts represents the financial requirements of the association for the following year.

Except as otherwise provided in this paragraph, the minimum obligation of the governmental subdivision shall be the financial requirements of the association less member contributions herein provided from covered salary and less one year's estimated receipts expected from the state of Minnesota through state collected insurance premium taxes or other state aids. The minimum obligation may, by vote of the governing body of the governmental subdivision, be reduced to the amount levied in the preceding year for purposes of the association, plus the following percentage of the difference between that levy and the amount of the minimum obligation determined without benefit of this sentence: for the levy made in 1971, 10 percent; in 1972, 20 percent; in 1973, 30 percent; in 1974, 40 percent; in 1975, 50 percent; in 1976, 60 percent; in 1977, 70 percent; in 1978, 80 percent; and in 1979, 90 percent. Commencing with the levy made in 1980, there shall be no reduction in the minimum obligation pursuant to this paragraph.

(3) The foregoing determination of the obligation of a governmental subdivision shall be submitted to its governing body not later than September 1 of each year so that it may ascertain if it has been prepared in accordance with law.

(4) The governmental subdivision shall provide and pay as promptly as funds are available to the association at least the amount of the minimum obligation each year. Any portion of this amount not paid to the association at the end of any calendar year shall be increased at the rate of six percent per annum until so paid. On September 1 of any year the unpaid amount subject to interest shall be added to the obligation of the governmental subdivision.

(5) The governmental subdivision shall provide in its annual budget at least its minimum obligation and may levy taxes for the payment *thereof without limitation as to rate or amount and irrespective* of limitations imposed by other provisions of law upon the rate or amount of taxation when the balance of any fund of the association has attained a specified level; the levy of such taxes shall not cause the amount of other taxes levied or to be levied by the governmental subdivision, which are subject to any such limitation, to be reduced in any amount whatsoever. If the governmental subdivision does not include the full amount of the minimum obligation in its levy for any year, the association may certify that amount to the county auditor, who shall spread a levy in the amount of such obligation.

(6) Moneys paid by the governmental subdivision to the association in excess of the minimum amount so required shall be applied to the reduction in the unfunded liabilities of the association.

(7) The funds of the association shall be invested in securities which are proper investments for funds of the Minnesota state retirement system, except that up to $10,000 may be invested in the stock of any one corporation in any account of such small size that the three percent stock limitation applicable to the Minnesota state retirement system would necessitate a lesser investment. Securities held by the association before July 1, 1971, which do not meet the requirements of this paragraph may be retained after that date if they were proper investments for the association on the date of enactment of this section. The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify funds for investment by the state board of investment under the provisions of section 11.21, provided that there be no limit to the amount which may be invested in the income share account described in section 11.18, subdivision 2, <u>or in the fixed-return account described in section 4 of this act,</u> and that up to 20 percent of that portion of the assets of the association invested in the Minnesota supplemental retirement fund may be invested in the growth share account described in section 11.18, subdivision 3.

(8) The association shall procure an actuarial survey showing the condition of its fund as of December 31, 1970, and not less frequently than each four years thereafter. Such survey shall be filed with the *chief clerk of the house of representatives, the secretary of the senate,* the governing body of the municipality in which the association is organized, and the secretary of any legislative committee or commission

duly created and having within its jurisdiction the study of pension plans and pension funds, not later than June 1 of the following year in the manner described in sections 69.71 to 69.76.

Sec. 11. Minnesota Statutes, 1973 Supplement, Section 69.775, is amended to read:

69.775 **INVESTMENTS.** The special fund assets of the relief associations governed by sections 69.771 to 69.776 shall be invested in securities which are proper investments for funds of the Minnesota state retirement system, except that up to five percent of the special fund assets, or a minimum of $10,000, may be invested in the stock of any one corporation. Securities held by the associations before January 1, 1972, which do not meet the requirements of this section may be retained after that date if they were proper investments for the association on May 14, 1971. The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify funds for investment by the state board of investment under the provisions of section 11.21, provided that there be no limit to the amount which may be invested in the income share account described in section 11.18, subdivision 2, <u>or in the fixed-return account described in section 4 of this act,</u> and that up to 20 percent of that portion of the assets of the association invested in the Minnesota supplemental retirement fund may be invested in the growth share account described in section 11.18, subdivision 3.

Sec. 12. Minnesota Statutes, 1973 Supplement, Section 352D.03, is amended to read:

352D.03 **TRANSFER OF ASSETS.** A sum of money representing the assets credited to each employee exercising the option contained in section 352D.02, plus an equal employer contribution together with interest for the employment period at the actuarially assumed rates during this period, compounded annually, shall be used for the purchase of shares on behalf of each employee in the ~~two~~ accounts of the supplemental retirement fund established by section 11.18. Any employer's contribution to amortize the deficit in the state employee's retirement fund shall not, however, be used for the purchase of shares.

Sec. 13. Minnesota Statutes, 1973 Supplement, Section 352D.04, Subdivision 1, is amended to read:

352D.04 **INVESTMENT OPTIONS.** Subdivision 1. An employee exercising his option to participate in the retirement program provided by this chapter may elect to purchase shares in ~~either the income share account~~ <u>one</u> or a combination of the income share account ~~and~~<u>,</u> the growth share account <u>or the fixed-return account</u> of the supplemental retirement fund in accordance with one of the following options:

(1) 100 percent invested in the income share account;

(2) 75 percent invested in the income share account and 25 percent invested in the growth share account; ~~or~~

(3) 50 percent invested in the income share account and 50 percent invested in the growth share account ~~.~~ ;

(4) 100 percent invested in the fixed-return account; or

(5) 75 percent invested in the fixed-return account and 25 percent invested in the growth share account.

Prior to July 1 of each year, each participant may indicate in writing on forms provided by the Minnesota state retirement system his choice of options for subsequent purchases of shares. For that year and thereafter until a different written indication is made by such participant the executive director shall purchase shares in the supplemental fund as selected by the participant. If no initial option is chosen, 100 percent income shares shall be purchased for a participant.

Sec. 14. This act is effective July 1, 1974.

Approved March 15, 1974.

CHAPTER 153—H.F.No.3119
[Not Coded]

An act relating to assessment of street maintenance and street lighting costs in the city of Minneapolis; amending Laws 1973, Chapter 393, Section 1.

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

Section 1. Laws 1973, Chapter 393, Section 1, is amended to read:

Section 1. **MINNEAPOLIS, CITY OF; STREET MAINTENANCE AND LIGHTING.** Notwithstanding the provisions of any statute or the charter of the city of Minneapolis to the contrary, the city council of said city may provide that all costs of maintenance of streets and street lighting within the city may hereafter be paid from the general revenues of the city of Minneapolis ~~.~~ ; provided that the portion of the costs assessable against nongovernmental real property exempt from ad valorem taxation may be levied as a special assessment against the property.

Approved March 15, 1974.