

commerce department's consumer services section;

(2) Reviewing and commenting upon the section's staff employment decisions related to performing the responsibilities conferred in this section; and

(3) Annually reviewing and commenting upon the consumer services section's budget of estimated expenses for utility related activities.

The board shall consist of nine voting members to be appointed by the governor. At least one member shall represent each congressional district, and at least two members shall represent farm consumers. No more than six members shall be members of the same political party. In making appointments, the governor shall give consideration to individuals having a special interest in the provision of utility services to residential consumers.

The board members shall elect from among their number a chairman and any other officers as it may deem necessary. The board shall meet at the call of the chairman or the director. The terms of office, compensation, and provisions for removal and filling vacancies of members shall be as provided in section 15.0575.

The director of the consumer services section shall submit an annual budget of estimated expenses to the board for review and comment. The director shall also periodically seek the advice of the board concerning its operations related to the responsibilities conferred by this section. The director shall also file an annual report of the section's utility related activities with the board and the legislature on or before December 31 of each year.

Sec. 3. APPROPRIATION. The sum of \$300,000 is appropriated from the general fund to the section of consumer services for the purpose of this act, to be available until June 30, 1979. The approved complement of the consumer services section is increased by seven persons.

Sec. 4. EFFECTIVE DATE. This act shall be effective the day after final enactment.

Approved April 5, 1978.

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CHAPTER 747-H.F.No.1227

[Coded in Part]

*An act relating to commerce; authorizing savings banks, savings associations, and credit unions to accept certain accounts; authorizing credit unions to accept deposits of public funds; providing for deposits of public funds in thrift institutions; amending Minnesota Statutes, 1977 Supplement, Section 52.04, Subdivision 1; and Minnesota Statutes 1976, Chapter 50, by adding a section; Sections 51A.21, by adding a subdivision; 118.005; 118.01; 118.09; 118.11; and 118.16; repealing Minnesota Statutes 1976, Section 118.17.*

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

Section 1. Minnesota Statutes 1976, Chapter 50, is amended by adding a section to read:

**[50.171] TREASURY TAX AND LOAN ACCOUNTS OF THE UNITED STATES.** A savings bank shall have the power and authority to accept and maintain treasury tax and loan accounts of the United States and to pledge collateral to secure the treasury tax or loan accounts, in accordance with the regulations of the department of the treasury of the United States.

Sec. 2. Minnesota Statutes 1976, Section 51A.21, is amended by adding a subdivision to read:

**Subd. 18. TREASURY TAX AND LOAN ACCOUNTS OF THE UNITED STATES.** To accept and maintain treasury tax and loan accounts of the United States and to pledge collateral to secure the treasury tax or loan accounts, in accordance with the regulations of the Department of the Treasury of the United States.

Sec. 3. Minnesota Statutes, 1977 Supplement, Section 52.04, Subdivision 1, is amended to read:

**52.04 POWERS.** Subdivision 1. A credit union shall have the following powers:

(1) To receive the savings of its members either as payment on shares or as deposits, including the right to conduct Christmas clubs, vacation clubs, and other such thrift organizations within its membership;

(2) To make loans to members for provident or productive purposes as provided in section 52.16;

(3) To make loans to a cooperative society or other organization having membership in the credit union;

(4) To deposit in state and national banks and trust companies authorized to receive deposits;

(5) To invest in any investment legal for savings banks or for trust funds in the state;

(6) To borrow money as hereinafter indicated;

(7) To adopt and use a common seal and alter the same at pleasure; and

(8) To make payments on shares of and deposit with any other credit union chartered by this or any other state or operating under the provisions of the federal credit union act, in amounts not exceeding in the aggregate 25 percent of its unimpaired assets providing that payments on shares of and deposit with credit unions chartered by other

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states shall be restricted to credit unions insured by the National Credit Union Administration. The restrictions imposed by this clause shall not apply to share accounts and deposit accounts of Minnesota central credit union in U.S. central credit union;

(9) To contract with any licensed insurance company or society to insure the lives of members to the extent of their share accounts, in whole or in part, and to pay all or a portion of the premium therefor;

(10) To indemnify each director, officer, or committee member, or former director, officer, or committee member against all expenses, including attorney's fees but excluding amounts paid pursuant to a judgment or settlement agreement, reasonably incurred by him in connection with or arising out of any action, suit, or proceeding to which he is a party by reason of being or having been a director, officer, or committee member of the credit union, except with respect to matters as to which he shall be finally adjudged in such action, suit, or proceeding to be liable for negligence or misconduct in the performance of his duties. Such indemnification shall not be exclusive of any other rights to which he may be entitled under any bylaw, agreement, vote of members, or otherwise; and

(11) Upon written authorization from a member, retained at the credit union, to make payments to third parties by withdrawals from the member's share or deposit accounts or through proceeds of loans made to such member, or by permitting the credit union to make such payments from the member's funds prior to deposit; to permit draft withdrawals from member accounts; however, this clause does not permit a credit union to establish demand deposits (checking accounts) for its members;

(12) To inform its members as to the availability of various group purchasing plans which are related to the promotion of thrift or the borrowing of money for provident and productive purposes by means of informational materials placed in the credit union's office, through its publications, or by direct mailings to members by the credit union;

(13) To facilitate its members' voluntary purchase of types of insurance incidental to promotion of thrift or the borrowing of money for provident and productive purposes including, but not limited to the following types of group or individual insurance: Fire, theft, automobile, life and temporary disability; to be the policy holder of a group insurance plan or a sub-group under a master policy plan and to disseminate information to its members concerning the insurance provided thereunder; to remit premiums to an insurer or the holder of a master policy on behalf of a credit union member, provided that the credit union shall obtain written authorization from such member for remittance by share or deposit withdrawals or through proceeds of loans made by such members, or by permitting the credit union to make such payments from the member's funds prior to deposit; and to accept from the insurer reimbursement for the actual cost of ministerial tasks performed pertaining to insurance;

(14) To contract with another credit union to furnish services which either could otherwise perform. Contracted services under this clause are subject to regulation and examination by the commissioner of banks like other services;

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(15) In furtherance of the twofold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes, and not in limitation of the specific powers hereinbefore conferred, to have all the powers enumerated, authorized, and permitted by this chapter, and such other rights, privileges and powers as may be incidental to, or necessary for, the accomplishment of the objectives and purposes of the credit union; ~~and~~

(16) To rent safe deposit boxes to its members provided the credit union obtains adequate insurance or bonding coverage for losses which might result from the rental of safe deposit boxes;

(17) Notwithstanding the provisions of section 52.05, to accept deposits of public funds in an amount secured by insurance or other means pursuant to chapter 118; and

(18) To accept and maintain treasury tax and loan accounts of the United States and to pledge collateral to secure the treasury tax or loan accounts, in accordance with the regulations of the Department of Treasury of the United States.

Sec. 4. Minnesota Statutes 1976, Section 118.005, is amended to read:

**118.005 DESIGNATION, PROTECTION OF DEPOSIT.** Subdivision 1. ~~Except as otherwise provided by law, the governing body of every public authority, public corporation, public commission, special district, or other political subdivision or agency of the state, or any of its subdivisions~~ municipality, as defined in section 118.01, which has the power to receive and disburse funds, shall designate as a depository of ~~such the funds~~ such national or, insured state banks or thrift institutions as defined in section 51A.02, subdivision 23, as it may deem proper.

Subd. 2. In the event the bank or insured thrift institution selected as a depository is a member of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation the custodian of ~~such the funds~~ may deposit an amount not to exceed the maximum amount of insurance on ~~such the~~ deposits. In the event it is desired to deposit a greater amount in any bank or thrift institution, prior to ~~such the~~ deposit the governing body or officer shall require the bank or thrift institution to furnish a bond, executed by a corporate surety company authorized to do business in the state in a sum at least equal to the estimated sum to be deposited in excess of the maximum amount of insurance. In lieu of ~~such the~~ bond, the depository shall assign to the custodian of ~~such the~~ funds collateral security in accordance with section 118.01.

Sec. 5. Minnesota Statutes 1976, Section 118.01, is amended to read:

**118.01 DEPOSITORY BONDS.** Any bank or, trust company or thrift institution authorized to do a banking business in this state, designated as a depository of funds of county, city, town, school district, hospital district, public authority, public corporation, public commission, special district, other political subdivision, or agency of the state or of its subdivisions a municipality, as provided by law may, in lieu of the corporate or personal surety bond required to be furnished to secure ~~such the~~ funds, deposit with the custodian of ~~such the~~ funds, ~~such the~~ bonds, certificates of indebtedness, or warrants,

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except bonds secured by real estate, as are legally authorized investments for savings banks under the laws of the state, or the bonds of any of the insular possessions of the United States, or the bonds of any state, or its agency, the payment of the principal and interest of which, or either, is provided for otherwise than by direct taxation, or notes secured by first mortgages of future maturity, upon which interest is not past due, on improved real estate free from delinquent taxes, within the county wherein the ~~bank or trust company~~ depository is located, or within counties immediately adjoining ~~such~~ the county in the state of Minnesota. The total in amount of ~~such~~ the collateral computed at its market value shall be at least ten percent more than the limit of deposit which would be permitted if a corporate or personal surety bond was furnished. The depository may at its discretion furnish both a bond and collateral aggregating the required amount. Any collateral so deposited shall be accompanied by an assignment thereof to the municipality designating ~~such~~ the depository, which assignment shall recite that ~~such~~ the depository shall pay over to the treasurer or his order on demand or, if a time deposit, when due, free of exchange or any other charges, all moneys deposited therein at any time during the period ~~such~~ the collateral shall be so deposited and to pay the interest thereon when due at the agreed rate; and that, in case of any default upon the part of the depository, the governing body of the municipality making the designation shall have full power and authority to sell ~~such~~ the collateral, or as much thereof as may be necessary to realize the full amount due the municipality and to pay over any surplus to the depository or its assigns. A depository may in its discretion deposit collateral of a value less than the total designation and may from time to time, during the period of its designation, deposit additional collateral and make withdrawals of excess collateral or substitute other collateral for that on deposit or any part thereof. Authority is vested in the treasurer to return the collateral to the depository when the trust so created is terminated and he shall, in the case of a reduction of the deposit, permit the depository to withdraw the excess portion thereof. All interest on the collateral so deposited when collected shall be paid to the depository so long as it is not in default. Before any collateral is deposited with the treasurer it shall first be approved by the same authority that designated the depository, but no such authority shall be necessary for the withdrawal of collateral. The closing of a depository shall be deemed a default upon the part of the depository and no demand upon the part of the municipality or its treasurer shall be necessary to establish ~~such~~ the default. If a depository shall close, any time deposit placed therein shall immediately become due and payable. If both bond and collateral are furnished by a depository, all or any part of the collateral may be withdrawn without in any way impairing the full force and effect of the bond unless it shall contain a provision that the collateral shall not be withdrawn without the consent of the surety thereon. If a corporate surety bond is furnished by a depository, it shall be in a penal sum not to exceed the amount designated as the limit of deposit therein, notwithstanding any other provisions of law to the contrary. At no time shall the treasurer maintain a deposit in any depository against collateral in excess of 90 percent of the market value thereof. Any provision of law authorizing any ~~hospital district~~, municipality to designate banks as depositories shall be construed to include trust companies and thrift institutions authorized to do a ~~banking~~ business. All bonds furnished under the provisions of this section shall be approved by the governing body of the municipality making ~~such~~ the designation and filed in the office of the county auditor as provided by section 124.05, and all collateral deposited under the provisions of this section shall be approved by the governing body of the municipality making such designation and after such approval deposited with the treasurer of such

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municipality, unless the governing body of such municipality shall by resolution fix and determine some other place for the safe-keeping of such collateral. Such collateral shall not be redeposited in the bank ~~or~~, trust company or thrift institution furnishing the same.

Any ~~banking corporation~~ depository pledging such securities, at any time it deems it advisable or desirable, may substitute obligations of the United States of America for all or any part of the securities pledged, except that no such ~~banking corporation~~ depository shall substitute obligations of the United States which mature within one year from the date such obligations are first considered as a part of the ~~bank's~~ depository's reserve and which reserves are required by Minnesota Statutes 1967, ~~Section~~ Sections 48.22 or 51A.20. The collateral so substituted shall be approved by the governing body of the ~~hospital district~~, municipality making such designation at its next official meeting.

Such securities so substituted shall, at the time of substitution, have a market value sufficient, together with the market value of the original securities for which no substitution is made, to equal or exceed \$110 for every \$100 of public deposits.

In the event of ~~such~~ substitution the holder or custodian of the securities shall, on the same day, forward by registered or certified mail to the public corporation and the depository ~~bank~~, a receipt specifically describing and identifying both the securities so substituted and those released and returned to the depository ~~bank~~.

"Municipality" for the purpose of this section means county, city, town, school district, hospital district, public authority, public corporation, public commission, special district, police or firefighter's relief association, volunteer firefighter's relief association, nonprofit corporation firefighter's relief association, any other statutory retirement association holding funds intended for retirement benefits for employees of a municipality, any other political subdivision, or agency of the state or of its subdivisions.

Sec. 6. Minnesota Statutes 1976, Section 118.09, is amended to read:

**118.09 TREASURER TO BE REIMBURSED FOR LOSSES.** Where the treasurer of any town, statutory city, or city of the fourth class shall reimburse ~~such the~~ town or city for loss of funds of the town or city on deposit in any ~~bank~~ depository which becomes insolvent such town or city shall reimburse the treasurer for the money so paid when a majority of the electors voting thereon at the annual town meeting or at any regular or special city election vote so to do; provided, that the notice of ~~such the~~ annual meeting or election shall specify that ~~such the~~ matter will be considered thereat.

Sec. 7. Minnesota Statutes 1976, Section 118.11, is amended to read:

**118.11 LIMITATION OF DEPOSITS NOT DEPENDENT ON CAPITAL AND SURPLUS; APPLICATION.** No designation of a bank ~~or~~, trust company or thrift institution as a depository of state, county, town, city, school district, hospital district, or county sanitarium commission funds and no deposit of ~~such the~~ funds in ~~such the~~ designated depository shall be limited by the amount of the capital or surplus of ~~such the~~ depository, but the authority designating ~~such the~~ depository may nevertheless fix the limit of deposit to be made therein and shall require security therefor as provided by law.

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This section shall apply to all cities, however organized.

Sec. 8. Minnesota Statutes 1976, Section 118.16, is amended to read:

118.16 **FAILURE TO PAY SALES AND USE TAXES.** Notwithstanding any law or regulation to the contrary, no banking or thrift institution shall act as a depository for any public funds if ~~such~~ the banking or thrift institution does not pay sales and use taxes pursuant to chapter 297A to the state of Minnesota.

Sec. 9. Minnesota Statutes 1976, Section 118.17, is repealed.

Sec. 10. This act is effective the day following final enactment.

Approved April 5, 1978.

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#### CHAPTER 748-H.F.No.1520

*An act relating to financial institutions; changing powers of savings and loan associations; amending Minnesota Statutes 1976, Section 51A.21, Subdivision 16.*

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

Section 1. Minnesota Statutes 1976, Section 51A.21, Subdivision 16, is amended to read:

Subd. 16. **LIMITED TRUSTEESHIP.** Upon application to and approval by the commissioner, to act as trustee or custodian within the contemplation of the federal self-employed individuals tax retirement act of 1962, as amended, and also within the contemplation of the employee retirement income security act of 1974, as amended. A \$100 filing fee shall accompany such application. The trustee or custodian may accept such trust funds provided such funds are invested only in savings accounts or deposits in such association or in obligations or securities issued by such association. Associations exercising the powers authorized by this subdivision shall segregate all funds held in such fiduciary capacities from the general assets of the association and shall keep a separate set of books and records, showing in detail all transactions made under authority of this subdivision. Provided individual records are kept for each self-employed individual's or other permitted retirement plan and each investment fund, all funds held in such fiduciary capacities by an association may be commingled for appropriate purposes of investment. In passing upon applications, the commissioner shall take into consideration the investment policies, amount, type and adequacy of reserves, fidelity bonds and any legally required deposits of the applicant, and other pertinent facts and circumstances, and may grant or refuse the application accordingly.

Sec. 2. **EFFECTIVE DATE.** This act is effective the day following its final enactment.

Approved April 5, 1978.

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