CHAPTER 324 — H.F.No. 564

An act relating to the state board of investment; modifying the procedures for purchase and sale of securities; clarifying the membership of the investment advisory council; abolishing certain restrictions on stock investments; modifying procedures for the mortality adjustments for the post-retirement investment fund; authorizing additional investment alternatives; amending Minnesota Statutes 1982, sections 11A.07, subdivision 4; 11A.08, subdivision 1, as amended; 11A.17, subdivision 4; 11A.18, subdivisions 5, 9, and 11; 11A.24, subdivisions 1, 5, and 6.

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

Section 1. Minnesota Statutes 1982, section 11A.07, subdivision 4, is amended to read:

Subd. 4. **DUTIES AND POWERS.** The director, at the direction of the state board, shall:

(1) Plan, direct, coordinate and execute administrative and investment functions in conformity with the policies and directives of the state board.

(2) Employ such professional and clerical staff as is necessary within the complement limits established by the legislature. Employees whose primary responsibility is to invest or manage moneys or employees who hold positions designated as unclassified pursuant to section 43A.08, subdivision 1a shall be in the unclassified service of the state. Other employees shall be in the classified service.

(3) Report to the state board on all operations under his control and supervision.

(4) Maintain accurate and complete records of securities transactions and official activities.

(5) ~~Purchase and sell~~ Establish a policy relating to the purchase and sale of all securities on the basis of competitive offerings or bids ~~received from at least two firms known to specialize in the securities being traded and likely to position these securities in relevant quantities. Competitive bidding shall not be required when the securities to be traded are: listed or traded on a major United States exchange, bound by underwriting restrictions or classified as private placements and offered only to a limited number of institutional investors~~. The policy is subject to board approval.

(6) Cause all securities acquired to be kept in the custody of the state treasurer or such other depositories as the state board deems appropriate.

(7) Prepare and file with the director of the legislative reference library on or before ~~November 15~~ December 31 of each year, a report summarizing the activities of the state board, the council and the director during the preceding

fiscal year. The report shall be prepared so as to provide the legislature and the people of the state with a clear, comprehensive summary of the portfolio composition, the transactions, the total annual rate of return and the yield to the state treasury and to each of the funds whose assets are invested by the state board, and the recipients of business placed or commissions allocated among the various commercial banks, investment bankers and brokerage organizations. This report shall contain financial statements for funds managed by the board prepared in accordance with generally accepted accounting principles.

(8) Require state officials from any department or agency to produce and provide access to any financial documents the state board deems necessary in the conduct of their investment activities.

(9) Receive and expend legislative appropriations.

(10) Undertake any other activities necessary to implement the duties and powers set forth in this subdivision.

Sec. 2. Minnesota Statutes 1982, section 11A.08, subdivision 1, as amended by Laws 1982, Third Special Session chapter 1, article 2, section 3, is amended to read:

Subdivision 1. **MEMBERSHIP.** There is created an investment advisory council consisting of ~~ten~~ 17 members ~~who are~~ . Ten of these members shall be experienced in general investment matters ~~and who~~. They shall be appointed by the state board~~;~~. The other seven members shall be: the commissioner of finance; the executive ~~directors~~ director of ~~each of the following:~~ the Minnesota state retirement system~~,~~; the executive director of the public employees retirement association~~,~~; the executive director of the teachers retirement association; a retiree currently receiving benefits from the post retirement investment fund; and two public employees who are active members of funds whose assets are invested by the state board. The retiree and the public employees shall be appointed by the governor for four year terms.

Sec. 3. Minnesota Statutes 1982, section 11A.17, subdivision 4, is amended to read:

Subd. 4. **INVESTMENT.** The assets of the supplemental investment fund shall be invested by the state board subject to the provisions of section 11A.24; provided, however, that the fixed-return account and the bond account shall be invested entirely in debt obligations and the growth share account ~~shall be invested as follows:~~

~~(a) Up to 100 percent of the book value~~ may be invested entirely in corporate stocks~~;~~

~~(b) Up to six percent of the book value may be invested in the stock of any one corporation;~~

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~~(c) Up to ten percent of the book value may be invested in corporate stocks which do not conform with the dividend standard provided for in section 11A.24~~.

Sec. 4. Minnesota Statutes 1982, section 11A.18, subdivision 5, is amended to read:

Subd. 5. **DEFERRED YIELD ADJUSTMENT ACCOUNT.** There is hereby established a deferred yield adjustment account which shall be increased by the sale or disposition of any debt securities at less than book value and shall be decreased by the sale or disposition of debt securities at more than book value. At the end of each fiscal year, a portion of the balance of this account shall be offset against the investment income for that year. The annual portion of the balance to be offset shall be proportional to the reciprocal of the average remaining life of the bonds sold, unless the amounts are offset by gains on the future sales of these securities. The amount of this account shall be included in the recognized value of assets other than corporate stocks and all other equity investments. In any fiscal year in which the gains on the sales of debt securities exceed the discounts realized on the sales of such securities, the excess shall be used to reduce the balance of the account. <u>If the realized capital gains are sufficient to reduce the balance of the account to zero, any excess gains shall be available for the calculation of post-retirement adjustments made according to subdivision 9.</u>

Sec. 5. Minnesota Statutes 1982, section 11A.18, subdivision 9, is amended to read:

Subd. 9. **CALCULATION OF POST-RETIREMENT ADJUSTMENT.** Annually, following June 30, the state board shall determine whether a post-retirement adjustment shall be payable and shall determine the amount of any post-retirement adjustment which shall be payable.

(1) The state board shall determine whether a post-retirement adjustment shall be payable using the following procedure:

(a) The state board shall determine the amount of dividends, interest, accruals and realized ~~equity~~ capital gains or losses applicable to the most recent fiscal year ending June 30;

(b) The participating public pension funds or plans shall determine the amount of reserves required for every annuitant and benefit recipient as of the current June 30. Every annuitant or benefit recipient who has been receiving an annuity or benefit for at least one year as of the current June 30 shall be eligible to receive a post-retirement adjustment. Each fund shall report separately the amount of the reserves for those annuitants and benefit recipients who are eligible to receive a post-retirement benefit adjustment and those annuitants and benefit recipients who are not eligible to receive a post-retirement adjustment. The amount of the required reserves shall be certified to the board as soon as is practical following the current June 30;

(c) The state board shall determine the amount of investment income required to equal five percent of the required reserves as of the preceding June 30 adjusted by five percent of each transfer in or transfer out multiplied by the fraction of a year from the date of transfer to the current June 30. This amount of required investment income shall be subtracted from the actual amount of investment income determined ~~pursuant~~ according to clause (1)(a), to determine the amount of excess investment income. If this amount is positive, then a post-retirement adjustment may be paid.

(2) The state board shall determine the amount of any post-retirement adjustment which is payable using the following procedure:

(a) The state board shall determine the amount of excess investment income by the method indicated in clause (1);

(b) The participating public pension funds and plans shall certify to the state board the total required reserves as of the first of January next following the end of the fiscal year for the annuitants and benefit recipients eligible to receive the post-retirement adjustment as determined by clause (1)(b). The required reserves shall be determined on the assumption that all annuitants and benefit recipients eligible to receive the post-retirement adjustment will be alive on the January 1 in question;

(c) If the state board determines that the book value of the assets of the fund is less than an amount equal to 100 percent of the current June 30 required reserves, with the book value and required reserves to be determined after the adjustments provided for in subdivision 11, then the board shall allocate five percent of the excess investment income as an asset of the fund. The excess investment income allocated as an asset of the fund shall not exceed the difference between book value and required reserves. The remaining amount shall be termed available for distribution. The book value of assets on any given date shall be the net assets at cost less the excess investment income determined pursuant to clause (1)(c);

(d) The resulting total amount available for distribution shall be increased by 2 1/2 percent, and the result shall be stated as a percentage of the total required reserves pursuant to clause (2)(b), and if the percentage is equal to or greater than one percent, the amount shall be certified to each participating public pension fund or plan as the amount of the post-retirement adjustment. If the percentage is less than one percent, the amount shall be credited to a separate reserve established for this purpose. The reserve shall be invested in the same manner as all other assets of the fund and shall be credited with any investment income as specified in clause (1)(a). Amounts credited to the reserve shall be utilized in determining a post-retirement adjustment in the subsequent year. The amount certified shall be carried to five decimal places and stated as a percentage.

Sec. 6. Minnesota Statutes 1982, section 11A.18, subdivision 11, is amended to read:

Subd. 11. **ADJUSTMENT FOR MORTALITY GAINS AND LOSSES.** As of June 30 annually, the actuary of each participating public pension fund or plan shall calculate the amount of required reserves representing any mortality gains and any mortality losses incurred by the fund or plan during the fiscal year. The actuary shall report separately the amount of the reserves for annuitants and benefit recipients who are eligible for a post-retirement benefit adjustment and the amount of reserves for annuitants and benefit recipients who are not eligible for a post-retirement benefit adjustment. If the net amount of required reserves represents a mortality gain, the participating public pension fund or plan shall certify that amount to the state board, which shall sell sufficient securities or transfer sufficient available cash to equal the amount of money certified. If the amount of required reserves represents a mortality loss, the participating public pension fund or plan shall transfer to the state board an amount equal to the amount of the net mortality loss. The amount of the transfers shall be determined before any post-retirement benefit adjustments have been made. All transfers resulting from mortality adjustments shall be completed annually by December 31 for the preceding June 30. Interest shall be charged or credited on any transfers after December 31 based upon the average short-term rate earned by the post-retirement investment fund. All book values of the assets of the fund for the purposes of subdivision 9 shall be determined only after all adjustments for mortality gains and losses for the fiscal year have been made.

Sec. 7. Minnesota Statutes 1982, section 11A.24, subdivision 1, is amended to read:

Subdivision 1. **SECURITIES GENERALLY.** The state board shall have the authority to purchase, sell, lend or exchange the following securities for funds or accounts specifically made subject to this section including ~~the writing of covered~~ puts and call options.

Sec. 8. Minnesota Statutes 1982, section 11A.24, subdivision 5, is amended to read:

Subd. 5. **CORPORATE STOCKS.** The state board may invest funds in stocks or convertible issues of any corporation organized under the laws of the United States or the states thereof, the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange, if they conform to the following provisions:

(a) The aggregate value of corporate stock investments, as adjusted for realized profits and losses, shall not exceed 75 percent of the market or book

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value, whichever is less, of a fund, less the aggregate value of investments ~~pursuant~~ according to subdivision 6;

(b) ~~Investments in any one corporation shall not exceed five percent of the market value of a fund;~~

~~(c)~~ Investments shall not exceed five percent of the total outstanding shares of any one corporation~~;~~

~~(d) Cash dividends on corporate stock investments shall have been earned and paid for the preceding five years;~~

~~(e) Investments which do not conform to the dividend standard contained in clause (d) may be held but the total amount of these securities shall not exceed five percent of the market value of a fund.~~

Sec. 9. Minnesota Statutes 1982, section 11A.24, subdivision 6, is amended to read:

Subd. 6. **OTHER INVESTMENTS.** (a) In addition to the investments authorized in subdivisions 1 to 5, and subject to the provisions in ~~clauses~~ clause (b) ~~and (c)~~, the state board may invest funds in:

(1) Venture capital investment businesses through participation in limited partnerships and corporations;

(2) Real estate ownership interests or loans secured by mortgages or deeds of trust through investment in limited partnerships, bank sponsored collective funds, trusts, and insurance company commingled accounts, including separate accounts;

(3) Regional and mutual funds through bank sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940; and

(4) Resource investments through limited partnerships, private placements and corporations.

(b) The investments authorized in clause (a) may only be made if they conform to the following provisions:

(1) The aggregate value of all investments made ~~pursuant~~ according to clause (a) shall not exceed 20 percent of the market value of the fund for which the state board is investing;

(2) There shall be at least four unrelated owners of the investment other than the state board;

(3) State board participation in an investment vehicle shall be limited to 20 percent thereof; and

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(4) State board participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The state board shall not engage in any activity as a limited partner which creates general liability.

Sec. 10. **EFFECTIVE DATE.**

This act is effective the day after final enactment.

Approved June 14, 1983

CHAPTER 325 — H.F.No. 654

An act relating to outdoor recreation; requiring licensing of cross country skiers; creating a cross country ski trail grant-in-aid program; regulating entry of motor vehicles into state parks and other facilities; imposing a penalty; appropriating money for recreational purposes; amending Minnesota Statutes 1982, section 85.05, subdivision 2; proposing new law coded in Minnesota Statutes, chapter 85.

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

Section 1. Minnesota Statutes 1982, section 85.05, subdivision 2, is amended to read:

Subd. 2. **PERMITS FOR MOTOR VEHICLES.** (a) Except as provided in clauses (b), (c), (d) and (e), no motor vehicle shall enter or be permitted to enter any state park, state recreation area or state wayside over 50 acres in area unless it has affixed to its windshield in the lower right corner thereof a permit which is provided for hereinafter. The commissioner shall procure permits for each calendar year which by appropriate language shall grant permission to use any state park, state recreation area or state wayside over 50 acres in area. Permits for each calendar year shall be provided and placed on sale before October 1 next preceding, and may be affixed and used on or at any time after that date until the end of the calendar year for which issued. Permits in each category shall be numbered consecutively for each year of issue. A fee of $10 shall be charged for each permit issued for a vehicle licensed in Minnesota and $15 for a vehicle licensed outside of Minnesota, except that permits of appropriate special design may be sold individually at $3 for a vehicle licensed in Minnesota and $4 for a vehicle licensed outside of Minnesota covering the use of state parks, state recreation areas or state waysides under such conditions as the commissioner may prescribe for a designated period of not more than two days. The fee collected shall be deposited in the state park maintenance and operation account in the state treasury. Appropriations from this account shall be for state park maintenance and operation. Permits shall be issued by employees of the

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