

the group is in a hazardous financial condition or financially impaired condition shall be enforceable in the courts of the state.

Sec. 31. Minnesota Statutes 1992, section 79.252, subdivision 1, is amended to read:

Subdivision 1. **PURPOSE.** The purpose of the assigned risk plan is to provide workers' compensation coverage to employers rejected by ~~two nonaffiliated a licensed insurance companies;~~ company pursuant to subdivision 2. ~~Each rejection must be in writing and must be obtained within 60 days before the date of application to the assigned risk plan. In addition, the rejections must also show the name of the insurance company and the representative contacted.~~

Sec. 32. **TRANSITIONAL PROVISIONS.**

(a) In addition to complying with the requirements of Minnesota Statutes, section 60E.04, a risk retention group operating in this state before the effective date of this act shall, within 30 days after that date, comply with the provisions of Minnesota Statutes, section 60E.04, subdivision 2, paragraph (a).

(b) A purchasing group which was doing business in this state before the enactment of this act shall, within 30 days after the effective date of this act, furnish notice to the commissioner pursuant to Minnesota Statutes, section 60E.08, subdivision 1, and furnish the information required pursuant to Minnesota Statutes, section 60E.08, subdivisions 2 and 3.

Sec. 33. **REPEALER.**

Minnesota Statutes 1992, sections 60A.07, subdivision 5d; 60A.12, subdivision 10; 60A.13, subdivision 3a; 60B.24; and 60E.11, are repealed. Minnesota Rules, parts 2710.0100; 2710.0200; 2710.0300; 2710.1100; 2710.1200; 2710.1300; 2710.1400; 2710.1500; 2710.1600; 2710.1700; 2710.1800; 2710.1900; 2710.2000; 2710.2100; 2710.3100; 2710.3200; and 2710.3300, are repealed.

Presented to the governor May 17, 1993

Signed by the governor May 20, 1993, 2:17 p.m.

CHAPTER 300—S.F.No. 376

An act relating to the state board of investment; management of funds under board control; amending Minnesota Statutes 1992, sections 11A.08, subdivision 4; 11A.14, subdivisions 1, 2, 4, and 5; 11A.24, subdivisions 1 and 4; 69.77, subdivision 2g; 69.775; 116P.11; 352.96, subdivision 3; 356.24, subdivision 1; and 424A.06, subdivision 4.

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

New language is indicated by underline, deletions by ~~strikeout~~.

Section 1. Minnesota Statutes 1992, section 11A.08, subdivision 4, is amended to read:

Subd. 4. **TERMS; COMPENSATION; REMOVAL; VACANCIES; EXPIRATION.** The membership terms, compensation, removal of members appointed by the state board, and filling of vacancies of members; and expiration of the council shall be as provided in section 15.059 except that council members shall not receive a per diem. The council is not subject to the expiration date provisions of section 15.059.

Sec. 2. Minnesota Statutes 1992, section 11A.14, subdivision 1, is amended to read:

Subdivision 1. **ESTABLISHMENT.** The Minnesota combined investment funds are established for the purpose of providing investment vehicles for assets of the participating public retirement plans and nonretirement funds. The assets of participating nonretirement funds may not be commingled with the assets of participating public retirement plans. The combined funds shall consist of the following investment accounts: cash management accounts, equity accounts, fixed income accounts, and any other accounts determined appropriate by the state board.

Sec. 3. Minnesota Statutes 1992, section 11A.14, subdivision 2, is amended to read:

Subd. 2. **ASSETS.** The assets of the combined investment funds shall consist of the money certified to and received by the state board from participating retirement plans and nonretirement funds which shall be used to purchase investment shares in the appropriate investment accounts. Each participating plan or fund shall own an undivided participation in all the assets of the particular accounts of the combined funds in which it participates. As of any date, the total claim of a participating plan or fund on the assets in each account shall be equal to the ratio of units owned by a plan or fund in each account to the total issued units then outstanding.

Sec. 4. Minnesota Statutes 1992, section 11A.14, subdivision 4, is amended to read:

Subd. 4. **INVESTMENTS.** The assets of the combined investment funds shall be invested by the state board subject to the provisions of section 11A.24, except that any individual account may be completely invested in a single asset class or managed in a separate account by the state board at its discretion.

Sec. 5. Minnesota Statutes 1992, section 11A.14, subdivision 5, is amended to read:

Subd. 5. **PARTICIPATING PUBLIC RETIREMENT PLANS OR PARTICIPATION IN MINNESOTA COMBINED INVESTMENT FUNDS.** The following Any public retirement plans and funds shall plan or nonretirement

New language is indicated by underline, deletions by ~~strikeout~~.

fund authorized by law to have its assets managed by the state board may participate in the Minnesota combined investment funds:

- (1) state employees retirement fund established pursuant to chapter 352;
- (2) correctional employees retirement plan established pursuant to chapter 352;
- (3) state patrol retirement fund established pursuant to chapter 352B;
- (4) public employees retirement fund established pursuant to chapter 353;
- (5) public employees police and fire fund established pursuant to chapter 353;
- (6) teachers retirement fund established pursuant to chapter 354;
- (7) judges retirement fund established pursuant to chapter 490;
- (8) the permanent school fund established under the Minnesota Constitution, article XI, section 8;
- (9) the supplemental investment fund established under section 11A.17; and
- (10) any other fund required by law to participate.

Sec. 6. Minnesota Statutes 1992, 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 puts and call options and future contracts traded on a contract market ~~designated and regulated by a federal governmental agency or by a financial institution regulated by a governmental agency.~~ These securities may be owned as units in commingled trusts that own the securities described in subdivisions 2 to 5.

Sec. 7. Minnesota Statutes 1992, section 11A.24, subdivision 4, is amended to read:

Subd. 4. **OTHER OBLIGATIONS.** (a) The state board may invest funds in bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage participation certificates and pools, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies if they conform to the following provisions:

- (1) bankers acceptances and deposit notes of United States banks are limited to those issued by banks rated in the highest four quality categories by a nationally recognized rating agency;

New language is indicated by underline, deletions by ~~strikeout~~.

(2) certificates of deposit are limited to those issued by (i) United States banks and savings institutions that are rated in the highest four quality categories by a nationally recognized rating agency; ~~that meet the collateral requirements established in section 9.031~~; or whose certificates of deposit are fully insured by federal agencies; or (ii) credit unions in amounts up to the limit of insurance coverage provided by the National Credit Union Administration;

(3) commercial paper is limited to those issued by United States corporations or their Canadian subsidiaries and rated in the highest two quality categories by a nationally recognized rating agency;

(4) mortgage participation or pass through certificates evidencing interests in pools of first mortgages or trust deeds on improved real estate located in the United States where the loan to value ratio for each loan as calculated in accordance with section 61A.28, subdivision 3, does not exceed 80 percent for fully amortizable residential properties and in all other respects meets the requirements of section 61A.28, subdivision 3;

(5) collateral for repurchase agreements and reverse repurchase agreements is limited to letters of credit and securities authorized in this section;

(6) guaranteed investment contracts are limited to those issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency or to alternative guaranteed investment contracts where the underlying assets comply with the requirements of this section; and

(7) savings accounts are limited to those fully insured by federal agencies.

(b) Sections 16A.58 and 16B.06 do not apply to certificates of deposit and collateralization agreements executed by the state board under paragraph (a), clause (2).

(c) In addition to investments authorized by paragraph (a), clause (4), the state board may purchase from the Minnesota housing finance agency all or any part of a pool of residential mortgages, not in default, that has previously been financed by the issuance of bonds or notes of the agency. The state board may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The state board may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the state board comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The state board may also enter into agreements with the agency for the investment of any portion of the funds of the agency. The agreement must cover the period of the investment, withdrawal privileges, and any guaranteed rate of return.

Sec. 8. Minnesota Statutes 1992, section 69.77, subdivision 2g, is amended to read:

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 2g. The funds of the association must be invested in securities that are authorized investments under section 356A.06, subdivision 6 or 7. Notwithstanding the foregoing, up to 75 percent of the market value of the assets of the fund may be invested in open-end investment companies registered under the federal Investment Company Act of 1940, if the portfolio investments of the investment companies comply with the type of securities authorized for investment by section 11A.24, subdivisions 2 to 5. Securities held by the association before June 2, 1989, that do not meet the requirements of this subdivision may be retained after that date if they were proper investments for the association on that date.

The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify ~~funds~~ special fund assets for investment by the state board of investment under section 11A.17. The governing board of the association may certify general fund assets of the relief association for investment by the state board of investment in fixed income pools or in a separately managed account at the discretion of the state board of investment as provided in section 11A.14. The governing board of the association may select and appoint a qualified private firm to measure management performance and return on investment, and the firm shall use the formula or formulas developed by the state board under section 11A.04, clause (11).

Sec. 9. Minnesota Statutes 1992, 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 must be invested in securities that are authorized investments under section 356A.06, subdivision 6 or 7. Notwithstanding the foregoing, up to 75 percent of the market value of the assets of the fund may be invested in open-end investment companies registered under the federal Investment Company Act of 1940, if the portfolio investments of the investment companies comply with the type of securities authorized for investment by section 11A.24, subdivisions 2 to 5. Securities held by the associations before June 2, 1989, that do not meet the requirements of this section may be retained after that date if they were proper investments for the association on that date. The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify ~~funds~~ special fund assets for investment by the state board of investment under section 11A.17. The governing board of the association may certify general fund assets of the relief association for investment by the state board of investment in fixed income pools or in a separately managed account at the discretion of the state board of investment as provided in section 11A.14. The governing board of the association may select and appoint a qualified private firm to measure management performance and return on investment, and the firm shall use the formula or formulas developed by the state board under section 11A.04, clause (11).

Sec. 10. Minnesota Statutes 1992, section 116P.11, is amended to read:

New language is indicated by underline, deletions by ~~strikeout~~.

116P.11 AVAILABILITY OF FUNDS FOR DISBURSEMENT.

(a) The amount biennially available from the trust fund for the budget plan developed by the commission consists of the interest earnings generated from the trust fund. Interest earnings generated from the trust fund shall equal the amount of interest on debt securities and dividends on equity securities. Gains and losses arising from the sale of securities shall be apportioned as follows:

(1) if the sale of securities results in a net gain during a fiscal year, the gain shall be apportioned in equal installments over the next ten fiscal years to offset net losses in those years. If any portion of an installment is not needed to recover subsequent losses identified in paragraph (b), it shall be added to the principal of the fund; and

(2) if the sale of securities results in a net loss during a fiscal year, the net loss shall be recovered from the gains in paragraph (a) apportioned to that fiscal year. If such gains are insufficient, any remaining net loss shall be recovered from interest and dividend income in equal installments over the following five ten fiscal years.

(b) For funding projects through fiscal year 1997, the following additional amounts are available from the trust fund for the budget plans developed by the commission:

(1) for the 1991-1993 biennium, up to 25 percent of the revenue deposited in the trust fund in fiscal years 1990 and 1991;

(2) for the 1993-1995 biennium, up to 20 percent of the revenue deposited in the trust fund in fiscal year 1992 and up to 15 percent of the revenue deposited in the fund in fiscal year 1993;

(3) for the 1993-1995 biennium, up to 25 percent of the revenue deposited in the trust fund in fiscal years 1994 and 1995, to be expended only for capital investments in parks and trails; and

(4) for the 1995-1997 biennium, up to ten percent of the revenue deposited in the fund in fiscal year 1996.

(c) Any appropriated funds not encumbered in the biennium in which they are appropriated cancel and must be credited to the principal of the trust fund.

Sec. 11. Minnesota Statutes 1992, section 352.96, subdivision 3, is amended to read:

Subd. 3. **EXECUTIVE DIRECTOR TO ADMINISTER SECTION.** This section must be administered by the executive director of the system under subdivision 4. Fiduciary activities of the deferred compensation plan must be undertaken in a manner consistent with chapter 356A. If the state board of investment so elects, it may solicit bids for options under subdivision 2, clauses (2) and (3). The state board of investment may retain consulting services to

New language is indicated by underline, deletions by ~~strikeout~~.

assist it in soliciting and evaluating bids and in the periodic review of companies offering options under subdivision 2, clause (3). The periodic review must occur at least every two years. The state board of investment may annually establish a budget for its costs in the soliciting, evaluating, and periodic review processes. The state board of investment may charge a proportional share of all costs related to the periodic review to each company currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids to each company selected by the state board. All contracts must be approved before execution by the state board of investment. Contracts must provide that all options in subdivision 2 must: be presented in an unbiased manner and in a manner that conforms to rules adopted by the executive director, be reported on a periodic basis to all employees participating in the deferred compensation program, and not be the subject of unreasonable solicitation of state employees to participate in the program. The contract may not call for any person to jeopardize the tax-deferred status of money invested by state employees under this section. All costs or fees in relation to the options provided under subdivision 2, clause (3), must be paid by the underwriting companies ultimately selected by the state board of investment.

Sec. 12. Minnesota Statutes 1992, section 356.24, subdivision 1, is amended to read:

Subdivision 1. **RESTRICTION; EXCEPTIONS.** (a) It is unlawful for a school district or other governmental subdivision or state agency to levy taxes for, or contribute public funds to a supplemental pension or deferred compensation plan that is established, maintained, and operated in addition to a primary pension program for the benefit of the governmental subdivision employees other than:

(1) to a supplemental pension plan that was established, maintained, and operated before May 6, 1971;

(2) to a plan that provides solely for group health, hospital, disability, or death benefits, to the individual retirement account plan established by sections 354B.01 to 354B.04;

(3) to a plan that provides solely for severance pay under section 465.72 to a retiring or terminating employee;

(4) for employees other than personnel employed by the state university board or the community college board and covered by section 354B.07, subdivision 1, to:

(i) the state of Minnesota deferred compensation plan under section 352.96;
or

(ii) payment of the applicable portion of the premium on a tax sheltered annuity contract qualified under section 403(b) of the federal Internal Revenue Code, purchased from a qualified insurance company; if provided for in a per-

New language is indicated by underline, deletions by ~~strikeout~~.

sonnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of public employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 a year per employee; or

(5) for personnel employed by the state university board or the community college board and covered by section 354B.07, subdivision 1, to the supplemental retirement plan under sections 354B.07 to 354B.09, if provided for in a personnel policy or in the collective bargaining agreement of the public employer with the exclusive representative of the covered employees in an appropriate unit, in an amount matching employee contributions on a dollar for dollar basis, but not to exceed an employer contribution of \$2,000 a year for each employee.

(b) A qualified insurance company is a company that:

(1) meets the definition in section 60A.02, subdivision 4;

(2) is licensed to engage in life insurance or annuity business in the state;

(3) is determined by the commissioner of commerce to have a rating within the top two rating categories by a recognized national rating agency or organization that regularly rates insurance companies; and

(4) is determined by the state board of investment to be among the ten applicant insurance companies with competitive options and investment returns on annuity products. The state board of investment determination must be made on or before January 1, 1993, and must be reviewed periodically. The state board of investment ~~shall~~ may retain actuarial services to assist it in this determination and in its periodic review. The state board of investment ~~shall~~ may annually establish a budget for its costs in the any determination process and shall and periodic review processes. The state board of investment may charge a proportional share of that budget all costs related to the periodic review to those companies currently under contract and may charge a proportional share of all costs related to soliciting and evaluating bids in a determination process to each insurance company selected by the state board of investment. All contracts must be approved before execution by the state board of investment. The state board of investment shall establish policies and procedures under section 11A.04, clause (2), to carry out this paragraph.

(c) A personnel policy for unrepresented employees or a collective bargaining agreement may establish limits on the number of vendors under paragraph (b), clause (4), that it will utilize and conditions under which the vendors may contact employees both during working hours and after working hours.

Sec. 13. Minnesota Statutes 1992, section 424A.06, subdivision 4, is amended to read:

Subd. 4. **INVESTMENT OF ASSETS OF THE GENERAL FUND.** The assets of the general fund may be invested in any securities authorized by the

New language is indicated by underline, deletions by ~~strikeout~~.

bylaws of the relief association and may be certified for investment by the state board of investment in fixed income pools or in a separately managed account at the discretion of the state board of investment as provided in section 11A.14.

Sec. 14. EFFECTIVE DATE.

Sections 1 to 13 are effective the day following final enactment.

Presented to the governor May 17, 1993

Signed by the governor May 20, 1993, 3:45 p.m.

CHAPTER 301—S.F.No. 1418

An act relating to state government; public employment; establishing a pilot project in certain entities; permitting the waiver of rules governing the classified and unclassified service of the state by joint committees; requiring the commissioner of employee relations to conduct experimental or research projects to improve human resource management practices.

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

Section 1. CIVIL SERVICE PILOT PROJECT.

Subdivision 1. DEFINITIONS. For purposes of this section:

(1) "civil service rules" means rules, procedures, and policies of the commissioner of employee relations governing the classified and unclassified service of the state, except for rules, procedures, and policies governing affirmative action and seniority;

(2) "employees" means employees in the entities listed in subdivision 2 who are represented by exclusive representatives; and

(3) "management-level employees" means employees in the entities listed in subdivision 2 who are covered by the managerial plan adopted by the commissioner of employee relations under Minnesota Statutes, section 43A.18, subdivision 3.

Subd. 2. PARTICIPATING ENTITIES. Notwithstanding Minnesota Statutes, sections 43A.04; 43A.07; 43A.08; 43A.09 to 43A.15; 85A.02, subdivision 5a; and 462A.04, subdivision 8, civil service rules may be waived under subdivision 4 with respect to employees in the office of the state auditor and the Minnesota housing finance agency.

Subd. 3. JOINT COMMITTEES. Within 30 days of the effective date of this section, each exclusive representative of employees in each entity listed in subdivision 2 shall appoint employees from the exclusive representative's bar-

New language is indicated by underline, deletions by ~~strikeout~~.