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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3776

04/01/2016 Authored by Albright, Vogel and O'Driscoll

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

1.1 A bill for an act
1.2 relating to deposits and investments of public funds; granting certain cities
1.3 and counties additional investment authority; proposing coding for new law
1.4 in Minnesota Statutes, chapter 118A.

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

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

1.8 Subdivision 1. Definition; qualifying government. "Qualifying government"
1.9 means a county or city with a population in excess of 100,000, or a county or city with a
1.10 rating in the highest category from a national bond rating agency.

1.11 Subd. 2. Additional investment authority. Qualifying governments may invest the
1.12 amount described in subdivision 3: (1) in index mutual funds based in the United States
1.13 and indexed to the Standard & Poors 500 Index or the Dow Jones United States Total
1.14 Stock Market Index; or (2) with the Minnesota State Board of Investment. Investments
1.15 must be made directly with the main office of the index mutual fund.

1.16 Subd. 3. Funds. (a) Qualifying governments may only invest under subdivision
1.17 2 according to the limitations in this subdivision. A qualifying government can only
1.18 invest its cash and investments held for long-term capital planning, revenue stabilization
1.19 reserves, and long-term obligations of the qualifying government. Long-term obligations
1.20 of the qualifying government includes long-term capital planning reserves, funds held to
1.21 offset long-term environmental exposure, pension liabilities, postemployment benefit
1.22 liabilities, and compensated absences.

1.23 (b) Qualifying governments may only invest up to 15 percent of the sum of the
1.24 following: unrestricted cash, cash equivalents, deposits, and investments. This calculation

2.1 must be based on the qualifying government's most recent statement of net position, which
2.2 must be compliant and audited pursuant to governmental accounting and auditing standards.

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

2.5 (1) the qualifying government understands that index mutual fund investments have
2.6 a greater risk of loss than fixed income investments; and

2.7 (2) the qualifying government understands the type of funds that are being invested
2.8 and the nature of the investment itself.