

CHAPTER 11

STATE BOARD OF INVESTMENT

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11.01 MEMBERSHIP; RECORDS. The governor shall be ex officio president of the state board of investment, which shall have a permanent executive secretary, who shall keep a record of its proceedings. Both the executive secretary of the board and the auditor shall keep appropriate investment and accounting records.

[1921 c 516 s 1; 1925 c 131 s 1; 1929 c 254 s 1; 1931 c 346 s 1; 1935 c 337 s 1; 1939 c 387 s 1; 1941 c 172 s 1; 1943 c 152 s 1; 1963 c 567 s 3] (6303)

11.015 PERMANENT SCHOOL FUND, INVESTMENT. Subdivision 1. The state board of investment may invest the permanent school funds of the state of Minnesota in such securities as are duly authorized by Article VIII, Section 4, of the Constitution of the state of Minnesota subject, however, to the limitations provided in this section. Such investments shall be made with such prudence, discretion, and intelligence as will protect the safety of the principal of such fund as well as the income to be derived therefrom. The state board of investment shall sell such securities when the overall investment portfolio of the fund will be improved through such action and may reinvest the proceeds in securities herein provided for.

Subd. 2. Bonds of any municipal or political subdivision of this state, issued pursuant to a law of this state, are legal investments for the permanent school fund; provided, however, that the issuer has not, within ten years prior to the making of the investment, been in default for more than 30 days in the payment of any part of the principal or interest on any debt evidenced by its bonds, and provided further, that the assessed value of the real and personal property within the municipality issuing such bonds is more than double the sum of the bonded indebtedness of such municipality and the bonded indebtedness of any other political subdivision imposing taxes upon the property within such municipality for the payments of its bonded indebtedness. Where the area of such other political subdivision is greater than the area of the municipality issuing such bonds, the amount of bonded indebtedness of such other political subdivision to be used in making the foregoing calculations shall be such figure as is arrived at by dividing the bonded indebtedness of such other political subdivision by the total assessed value of real and personal property in such other subdivision and multiplying the result by the assessed value of the real and personal property of such other political subdivision within such municipality.

Subd. 3. Not more than 50 percent of the bonds of any municipal or political subdivision of this state issued at one time and due on any one maturity date may be purchased for accounts managed by the state board of investment. Such bonds must bear the same coupon rate as those of the same maturity sold to other investors and must be purchased at a price no higher than that offered to other buyers of the issue at the time of purchase.

Subd. 4. Bonds, notes, debentures, equipment obligations, or any other obligation of any corporation organized within any of the states of the United States or in Canada provided that obligations of Canadian corporations shall be payable in United States dollars, are legal investments for the permanent school fund; provided, however, that no bonds, notes, debentures, equipment obligations, or any other

obligation of any corporation with assets of less than ten million dollars may be purchased, nor shall the book value of the outstanding capital stock of such corporation at the time of such investment be equal to less than 50 percent of its total funded debt. For a period of five consecutive years or longer immediately prior to the date of such investment, the pretax earnings of the corporation shall have been at least three times the interest requirements on outstanding bonds, and for such period the gross operating revenues of any such corporation shall have averaged per year not less than one million dollars; provided that the investment in such securities shall not exceed 40 per cent of the total assets of the fund at any time.

Subd. 5. All investments made under subdivisions 2, 3, and 4 hereof shall be rated among the top third of the quality categories, not applicable to defaulted bonds, used by a nationally recognized rating agency for rating the quality of the same.

Subd. 6. Preferred and common stocks of any corporation organized within any of the states of the United States or in Canada listed on a United States national stock exchange and insurance and bank common and preferred stocks are legal investments for the permanent school fund, providing these stocks conform to the limitations prescribed in the Constitution, Article VIII, Section 4. The aggregate of common and preferred stock investments may not exceed 20 per cent of the total assets of the fund at any time. Furthermore, the board may invest no more than five percent of the assets of the fund in common or preferred stocks in any one year, the intent of this provision being that the fund may not attain a position of 20 percent in stocks within a period of less than four years. All percentage restrictions concerning stock investments, both by constitutional provisions and by statute, shall be computed on the basis of the cost price of such stocks at the time of investment. No investment shall be made in the common or preferred stocks of any corporation with assets of less than ten million dollars.

Subd. 7. At the end of each fiscal year, the total amount of losses on the sales of securities, not offset by gains on the sales of securities during that year, shall be computed, with a portion of these losses to be deducted each fiscal year from the interest and dividend income and such amount of interest and dividend income added to the principal of the fund. Losses taken on the sales of bonds shall be accumulated over a period equal to the average remaining life of the bonds sold, and losses taken on the sales of stocks shall be accumulated within a period of five years, unless these losses are offset by gains on future sales of securities. In any fiscal year in which the gains on the sales of securities exceed the losses on the sales of securities, such excess shall be added to the principal of the fund.

Subd. 8. Income arising from the investment of the permanent school fund shall be invested in short term obligations of the United States of America or an agency thereof until such investment income is needed for payment to the school districts.

[1963 c 567 s 1]

11.02 [Repealed, 1959 c 693 s 7]

11.03 [Repealed, 1959 c 693 s 7]

11.04 SECRETARY TO HAVE ACCESS TO BONDS AND SECURITIES BEING PART OF TRUST FUNDS. The state treasurer shall continue to have the custody of the bonds and securities belonging to the trust funds of the state, but the secretary shall have access thereto, in the presence of a representative of the state treasurer, during the usual office hours of the treasury department.

[1917 c. 271 s. 7] (6310)

11.05 APPROPRIATION FOR INVESTMENT. Subdivision 1. **Annually.** There are hereby annually appropriated for the purposes of investment all moneys received into the state treasury to the credit of the permanent school fund, permanent university fund, internal improvement land fund, and all other funds required to be invested in securities or which may be loaned as provided by law.

Subd. 2. **Coverage.** The annual appropriations herein provided for shall cover the full purchase price of bonds or other securities to be purchased, including premiums when bonds or securities are purchased above par. All premiums to be paid out of such appropriation of trust funds shall be amortized from the income from said bonds or securities as follows: The yield on said bonds or securities shall be calculated on the basis of cost including premiums. From each interest payment to

be received there is hereby appropriated and there shall be transferred to the respective trust funds the difference between the yield of the bond or security so calculated for that interest period and the interest received, so that at the maturity of the bond, or security the respective trust funds will be completely reimbursed for the amount of premiums paid. When United States government obligations are purchased below par, all discounts shall be accumulated on such bonds or securities as follows: At the time each interest payment is received there shall be transferred from the principal to the income of the respective trust funds the difference between the yield of the bond, or security so calculated for that interest period and the interest received so that at the maturity of the bond, or security, income will be credited with the full amount of the interest yield, namely the amount received from the coupons plus the amount of the discount. The amount received from the bond, or security, at maturity will be credited to principal and will completely reimburse the principal for: (1) The amount paid from principal for the purchase of the bond at a discount, and (2) the amounts transferred from principal to income to cover the difference between the yield of the bond, or security, and the interest received from the coupons. The yield from United States treasury bills shall be the difference between the cost price and selling price or maturity value and shall be regarded as interest income. The state board of investment shall initiate those entries that are necessary to give effect to the above provision applicable to those investments purchased on and after January 1, 1955.

Subd. 3. **Profit credited to trust fund.** If the state board of investment shall sell any bonds or other securities held in the trust funds of the state above the purchase price therefor, the profit therefrom shall be credited to the principal of the trust fund in which they are held.

Subd. 4. **Collection of unearned interest.** If the state board of investment shall accept payment of any bonds or other securities, by the issuers thereof, prior to maturity, upon payment of their face value and accrued interest, plus the difference in interest between that which the face value of said bonds or securities would have yielded if they had not been paid before maturity and the interest, if less, that will be received on the reinvestment of the principal so prepaid up to the date of its original maturity, the unearned interest so paid in advance shall be distributed in the same manner and at such times as the interest on such bonds or securities would have been distributed if such interest had not been so prepaid.

[*R. L. s. 2436; 1945 c 312 s 1; Ex 1961 c 34 s 1*] (6313)

11.06 STANDING APPROPRIATION FOR EXPENSE OF INVESTMENT.

There are hereby annually appropriated such sums as shall be found necessary for the incidental expenses of purchase, including the payment of interest accrued at the time of purchase, of bonds for the permanent school and university funds, payable from the current or general school or university funds, respectively, and for like expenses of the purchase of bonds for the other permanent funds referred to in section 11.05, payable from the respective current or general funds.

[*R. L. s. 2437*] (6314)

11.07 [Repealed, 1961 c 561 s 17]

11.08 ESCHEATED PROPERTY, REPORT, SALE. The state auditor shall report immediately to the state board of investment all personal property other than money received by the state of Minnesota as escheated property. When the state board of investment shall determine that it is for the best interest of the state to sell such property it shall direct the state treasurer to sell the same to the highest bidder in such manner and upon such terms and conditions as it may prescribe. All moneys received from such sale shall be credited to the general revenue fund of the state.

[*1941 c 198 s 1; 1957 c 861 s 2*]

11.09 [Repealed, 1961 c 561 s 17]

11.10 INVESTMENT OF MONEY IN STATE TREASURY NOT CURRENTLY NEEDED. Subdivision 1. **Investment of treasury fund.**

When there shall be any money in the state treasury that is not currently needed, the state auditor 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 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.

Subd. 2. **State auditor to certify.** When it shall appear to the state auditor that

any invested funds are needed for current purposes before the maturity dates of the securities held, he shall so certify and it shall then be the duty of the board of investment to order the sale or conversion into cash of securities of the amount so certified.

Subd. 3. **Interest and profit credited to general revenue fund.** All interest and profit accruing from said investments shall be credited to and be a part of the general revenue fund, except as otherwise provided by law; and any loss incurred in the principal of said investments shall be borne by the general revenue fund.

[1949 c 110 s 1-3]

11.11 EXECUTIVE SECRETARY; CONSULTANTS. The board of investment shall employ an executive secretary to perform the duties provided by law, and may employ or engage such expert consultants and technical and other assistants as it deems necessary. Such persons so employed or engaged are in the unclassified service of the state. The employment of the executive secretary shall be subject to confirmation by the senate in the same manner as the appointment of executive officers is confirmed by the senate.

[1959 c 693 s 1]

11.12 DUTIES OF EXECUTIVE SECRETARY; BOND. The executive secretary shall manage and direct the work of the board of investment on a full time basis. He shall be a chartered financial analyst or a person of equivalent qualifications. He shall be well qualified by training to administer and invest the money available for investment and have at least seven years experience in the management of institutional investment portfolios. He shall have free access to all files and records of the various funds assigned to the board for investment purposes, and may inspect and audit the various accounts thereof as he deems necessary. He shall devote his full time and attention to the duties of his office, and shall not engage in any other occupation or profession. He shall be paid such salary as is determined by the board, subject to such maximum amount as may be set by the legislature. He shall perform duties prescribed by the board. He shall attend all board meetings and report to the board all operations and negotiations under his control and supervision. Before he assumes the office to which he has been appointed, the executive secretary shall give bond to the state in the sum of at least \$100,000 conditioned for the faithful discharge of his official duties.

[1959 c 693 s 2; 1967 c 404 s 1]

11.13 INVESTMENT POLICIES. The board shall invest the funds over which it has supervision in securities authorized by law and may dispose of or convert such securities when in its judgment it is to the best interest of the funds so to do. The board shall formulate and establish, and may from time to time amend, modify or repeal such policies as it deems necessary and proper which shall govern the methods, practices or procedures for the investment, reinvestment, purchase, sale, or exchange of securities, to be followed by the executive secretary. All securities purchased or sold by the state board of investment, except stocks listed or traded on a major United States stock exchange, securities bound by underwriting restrictions, or securities classified as private placements and offered only to a limited number of institutional investors, shall be purchased or sold 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. A record of the offerings or bids shall be kept by the executive secretary. All securities purchased shall be kept in the custody of the state treasurer and shall be held as an asset of the fund from which the money was spent, and except as otherwise provided by law, any loss or gain shall inure to such fund.

[1959 c 693 s 3; 1965 c 306 s 1]

11.14 OFFICE SPACE. The custodian of the state capitol building shall provide the executive secretary and staff with suitable office and storage space in the state capitol complex as near as possible to the office of the state treasurer.

[1959 c 693 s 4; 1967 c 404 s 2]

11.15 INVESTMENT OF STATE BOND FUND. Subdivision 1. All money received in the state treasury to the credit of the separate and special state bond fund, which the state treasurer is directed by Article IX, Section 6, Subdivision 4, of the constitution to maintain on his official books and records, is annually appropriated for the purpose of investment and reinvestment in accordance with this act, and so much of the income arising therefrom as may be necessary to pay expenses incidental thereto is annually appropriated for that purpose.

Subd. 2. When there is any money in the state bond fund not needed to pay principal or interest due on state bonds within 30 days, the amount thereof shall be invested by the state board of investment in securities which are direct general obligations of the United States. No investment in securities maturing more than three years from the date of purchase thereof shall be made at any time unless the aggregate face amount of all securities then held in the fund, maturing within three years from said date, is equal to the aggregate amount of principal and interest to become due on state bonds within 12 months from said date. Subject to these limitations, the fund shall be invested and reinvested so as to produce the maximum yield thereon.

Subd. 3. When any of such invested money is needed to pay principal or interest due on state bonds, in excess of cash on hand or receivable from investments in the fund on or before the due date, the state board of investment shall convert securities into cash in an amount sufficient to make the payment.

Subd. 4. All interest and profit accruing from any investment of the state bond fund shall be credited to and be a part of the state bond fund, and all loss from the sale thereof and all necessary expenses of investment and reinvestment shall be charged to that fund.

Subd. 5. Whenever money for the payment of any issue or class of issues of state bonds is transferred to the state bond fund out of the proceeds of such bonds, or is transferred thereafter pursuant to a standing annual appropriation in the law authorizing the issuance of the bonds, the net income from time to time received from the investment of this money shall be deducted from the amounts subsequently required to be transferred pursuant to such annual appropriation.

[1965 c 901 s 84]

11.16 STATE EMPLOYEES RETIREMENT ASSOCIATION, INVESTMENT SECURITIES. Subdivision 1. **Securities generally, standard.** The state board of investment shall invest any sum certified by the state employees retirement association or any pension, retirement, or other type of fund authorized by law in such securities as are defined in this section, provided, however, that any investments shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived. The state board of investment shall have authority to sell, convey, and exchange such securities and invest and reinvest the funds when it deems it desirable to do so. The board shall sell securities upon request of the retirement board or other appropriate official when such retirement board or official determines that funds are needed for authorized purposes.

Subd. 2. **U. S. Government bonds or notes.** Bonds, notes, mortgages, or other obligations of the United States, or those guaranteed by, or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof are legal investments for the purposes of this section.

Subd. 3. **Bonds of Minnesota or other states.** Bonds or other evidences of indebtedness of this state, and full faith and credit obligations of, or obligations unconditionally guaranteed as to principal and interest by any other state of the United States are legal investments for the purposes of this section.

Subd. 4. **Obligations of Canada.** Bonds, debentures, notes, or other full faith and credit obligations issued, guaranteed, or assumed as to both principal and interest by the government of the Dominion of Canada, or by any province of Canada; provided that the principal and interest thereof shall be payable in United States funds, either unconditionally or at the option of the holder are legal investments for the purposes of this section.

Subd. 5. **Municipal obligations of Minnesota.** Bonds, notes, or obligations of any municipal or political subdivision of this state, issued pursuant to a law of this state; provided that the issuer has not, within ten years prior to the making of the investment, been in default for more than three months in the payment of any part of the principal or interest on any debt evidenced by its bonds, notes, or obligations; and provided further, if the bonds are revenue bonds, the revenues of the obligor, other than for payment of operation and maintenance expenses, are pledged wholly to the payment of the interest on and principal of such indebtedness, and the obligor has been completely self-supporting for a period of five years next preceding the date of investment are legal investments for the purposes of this section.

Subd. 6. Municipal obligations of other states. Bonds, notes, or other obligations issued, guaranteed, or assumed by any municipal or political subdivision of any other state of the United States; provided, (a) that any such municipal or political subdivision, or the total of its component parts, shall have a population as shown by the last preceding federal census of not less than 10,000, and (b) the issuer, guarantor, or assumer of such bonds, notes, or other obligations: (i) shall have pledged its faith and credit for the payment of the principal and interest of such bonds, notes, or other obligations; (ii) shall have the power to levy taxes on the taxable real property therein for the payment of both principal and interest of such bonds, notes, or other obligations without limitation of rate or amount; (iii) shall not within ten years prior to the making of the investment have defaulted in payment of principal or interest of any debt evidenced by its bonds, notes, or other obligations for more than 90 days are legal investments for the purposes of this section.

Subd. 7. Municipal obligations of Canada. Bonds, debentures, notes, or other obligations issued, guaranteed, or assumed as to both principal and interest by any city of Canada which has a population of not less than 100,000 inhabitants; provided that the principal and interest thereof shall be payable in United States funds, either unconditionally or at the option of the holder; and provided further that all the conditions as prescribed in subdivision 6(b) of this section have likewise been met are legal investments for the purposes of this section.

Subd. 8. Obligations insured by International Bank for Reconstruction and Development. Bonds, notes, or other obligations issued, assumed, or unconditionally guaranteed by the International Bank for Reconstruction and Development are legal investments for the purposes of this section.

Subd. 9. Obligations insured by agency of United States. Bonds, debentures, or other obligations issued by any agency or instrumentality of the United States are legal investments for the purposes of this section.

Subd. 10. Public housing obligations. Obligations of any public housing authority or urban redevelopment authority issued pursuant to the laws of this state relating to the creation or operation of a public housing or urban redevelopment authority are legal investments for the purposes of this section.

Subd. 11. Obligations of state, municipal, or public authority. Obligations of any state, municipal, or public authority issued pursuant to the laws of any state of the United States; provided that for each of the five years next preceding the date of investment the income of such authority available for fixed charges shall have been not less than $1\frac{1}{2}$ times its average annual fixed charges requirements over the life of such obligations are legal investments for the purposes of this section.

Subd. 12. Corporate obligations. Bonds, notes, debentures, equipment obligations, or any other type of absolute obligation of any corporation organized and operating within any of the 50 states of the United States or in Canada, provided that obligations of Canadian corporations shall be payable in United States dollars, are legal investments for the purposes of this section; provided, however, that no bonds, notes, debentures, or equipment obligations may be purchased of any corporation with assets of less than \$10,000,000. The book value of the outstanding capital stock of such corporation, not including finance corporations, at the time of such investment shall not be less than 50 percent of its total funded debt, except in the instance of a corporation owned by another corporation or other corporations, one or more of which meet this requirement and which guarantee the payment of the debt securities of the subsidiary corporation. In the case of a finance corporation, the owning parent company shall meet the above requirement, or, if such finance corporation be independent, the book value of the outstanding capital stock of such corporation at the time of such investment shall not be less than 25 percent of its total funded debt. For a period of five fiscal years next preceding the date of such investment, the net pretax earnings of such corporation, or of one or more corporations guaranteeing the debt, shall have been each year not less than $1\frac{1}{2}$ times the annual interest charges on its total funded debt applicable to that period, and for such period the gross operating revenues of any such corporation shall have averaged per year not less than \$1,000,000. The investment in such securities shall not exceed 60 percent of the total assets of the fund at any time. All such corporate bond investments shall be rated among the top third of the quality categories, not applicable to defaulted bonds, used by a nationally recognized rating agency for rating the quality of the same.

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 35 percent of the total assets of the fund at any time. Furthermore, the board may invest no more than five percent of the assets of the fund in common or preferred stocks in any one year, the intent of this provision being that the fund may not attain a position of 35 percent in stocks within a period of less than seven years from April 14, 1961. No more than one 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 1½ 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.

Subd. 14. **Bank certificates of deposit and savings accounts.** Certificates of deposit or savings accounts in any bank which is insured by the Federal Deposit Insurance Corporation or in any savings and loan association insured by the Federal Savings and Loan Insurance Corporation to the extent such investment is insured are legal investments for the purposes of this section. It is the intent that these investments shall be only to maintain necessary and desirable liquidity.

Subd. 15. **Commercial paper.** Commercial paper of prime quality, as defined by a nationally recognized organization which rates such securities, issued by any corporation organized and operating within any of the 50 states of the United States, provided:

- (a) That all such securities mature in 270 days or less;
- (b) That the issuing corporation, or parent company in the case of paper issued by finance subsidiaries, show a ratio of current assets to current liabilities, including that portion of long-term debt maturing within one year, of at least 1½ to 1;
- (c) That the net income of the issuing corporation, or parent company, average \$1,000,000 or greater annually for the past five years;
- (d) That the commercial paper shall, at no time, constitute more than five percent of the book value of the investments in any one fund; and
- (e) That the commercial paper of any one corporation shall not constitute more than two percent of the book value of the investments in the fund, are legal investments for the purposes of this section.

Subd. 16. **Canadian, state, or municipal securities, notice of disposition.** In the sale or conveyance of any Canadian, state, or municipal securities authorized by this act, the state board of investment shall give ten days' published notice of such proposed disposition in a financial publication published in a city of the first class and in a national financial publication and insofar as possible receive competitive bids therefor, provided that in sales of less than \$250,000 face value of bonds of any one Minnesota municipal or political subdivision, the requirement for national publication may be waived upon resolution by the state board of investment. No published notice shall be required when a Minnesota subdivision wishes to retire, in any one year, not over \$50,000 face value of its indebtedness before maturity or call date and agrees with the state board of investment to retire such securities at a price deemed reasonable by both parties, but at not less than acquisition cost or face value, whichever is lower.

Subd. 17. **Computation of interest income.** For the purpose of determining the interest income earned by the state employees retirement fund, premiums on all bonds or securities purchased shall be amortized to the earliest call date and discounts shall be accumulated to the maturity date of the bonds or securities.

The yield from United States treasury bills and short term corporate notes purchased at a discount without a stated interest rate shall be the difference between the cost price and selling price or maturity value. When such yield is realized from securities held for a period involving all or parts of two or more fiscal or calendar years, as the case may be, the yield shall be apportioned equitably to each fiscal or calendar year. The amount of yield so apportioned to each fiscal or calendar year shall be regarded as interest income and shall be credited as earnings in the year in which the interest is earned.

[1967 c 404 s 3]

11.17 INVESTMENT OF HIGHWAY FUNDS. Any moneys in the trunk highway fund, the county state aid highway fund, and the municipal state aid street fund, upon certification by the commissioner of highways, and funds otherwise authorized by statute, shall be invested by the state board of investment in bonds, certificates of indebtedness and other fixed income securities, except preferred stocks, which are legal investments for the permanent school fund and, to the extent of 25 percent of the book value of the fund, in such prime quality commercial paper as is an eligible investment for the state employees retirement fund, except that the commercial paper of any one corporation shall not constitute more than four percent of the book value of the investments in the fund.

[1967 c 404 s 4]

MINNESOTA SUPPLEMENTAL RETIREMENT FUND

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 investment accounts as provided in this section.

Subd. 2. There shall be an income share account which shall be invested in securities which are legal investments for the state employees retirement fund, except that: up to two percent of the assets in the account or \$15,000 in cost, whichever is greater, may be invested in the stock of any one corporation; and commercial paper may constitute 15 percent of the assets in the account, with the face amount of notes of any one corporation limited to five percent of the assets in the account of \$25,000, whichever is greater.

Subd. 3. There shall be a growth share account which shall be invested in securities which are legal investments for the state employees retirement fund, except that: 100 percent of the assets in the account may be invested in corporate stocks; up to four percent of the assets in the account or \$15,000 in cost, whichever is greater, may be invested in the stock of any one corporation; and commercial paper may constitute 15 percent of the assets in the account, with the face amount of notes of any one corporation limited to five percent of the assets in the account or \$25,000, whichever is greater. Not to exceed ten percent of the assets in the account may be invested in corporate stocks which do not conform with the dividend and earnings standards provided for investments of the state employees retirement fund. In addition to the investment standards indicated for the state employees retirement fund, the state board of investment shall consider possible growth potential and probable earnings gains of the companies in making commitments for this account.

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 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.

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.

[1967 c 795 s 1]

11.19 PARTICIPATION IN FUND. Subdivision 1. The state board of investment shall allocate shares of participation in the supplemental retirement fund to public retirement funds created by law and authorized to participate in the supplemental retirement fund and redeem such shares of participation as provided in subdivision 2 of this section.

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 re-

tirement 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. 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 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 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.

[1967 c 795 s 2]

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, 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.

[1967 c 795 s 3]

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 supplemental retirement fund account or both, 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.

[1967 c 795 s 4]

11.22 REDEMPTIONS. The state board of investment shall, after redeeming shares of participation pursuant to an application for redemption as provided in section 11.19, deliver to the public retirement fund requesting such redemption cash representing the value of the shares as computed pursuant to section 11.19. So much of the moneys or proceeds of investments on hand in the supplemental retirement fund from time to time as may be necessary to make such redemptions are hereby appropriated for such purpose.

[1967 c 795 s 5]

11.23 APPLICATIONS FOR PARTICIPATION AND REDEMPTION. Money deposited with the state board of investment for investment in the accounts of the Minnesota supplemental retirement fund shall be accompanied by such properly executed documents, forms, and applications as may be required by the state board of investment. Requests for redemption of shares shall be made in a similar manner.

[1967 c 795 s 6]

11.24 LEGAL TITLE TO ASSETS. Subdivision 1. Legal title to the assets of the Minnesota supplemental retirement fund shall be in the state of Minnesota or the state board of investment or the nominee of either, subject to the rights set forth in sections 11.18 to 11.24 of the public retirement fund or funds having shares in the accounts to their credit.

Subd. 2. The rights of any public employee to any shares in the supplemental retirement fund shall be as fixed by law in the statute authorizing or requiring a public employee retirement fund to purchase or order the redemption of shares on behalf of such public employee. The state board of investment may rely on the documents, forms, and applications of the various public employee retirement funds which accompany money for investment or orders to redeem shares as being in concert with the law in such case made and with the rights of the public employees concerned; and the state board of investment need not inquire into the legality or validity of such documents, forms, and applications.

[1967 c 795 s 7]