CHAPTER 10. GENERAL PROVISIONS

10.09 Officers appointed by governor, terms

Except as otherwise provided, the terms of all officers appointed by the governor shall begin upon the date when such officers qualify and assume their official duties, shall continue for the prescribed period thereafter, and until their successors are appointed and have qualified.

[*1973 c 35 s 2*]

10.39 Loans, dues; deductions from salaries

Subdivision 1. The heads of the various departments of the government of the state of Minnesota are hereby authorized, by and with the written consent of any employee of any state department, to deduct from the salary of such employee such sum or sums as may be agreed to by such employee for the payment of any moneys to any state employees' credit union, or to any organization contemplated by the provisions of section 179.65, of which the employee is a member; provided, that where an employee is a member of more than one such credit union or more than one such organization, only one credit union and one organization may be paid money by payroll deduction from the employee's salary; and provided further, that no deduction shall be made from the salary of any state employee for payment to any credit union or organization hereinbefore referred to unless there are at least 100 state employees who have deductions made from their salaries for payment to such credit union or organization. Provided however, that the above noted numerical requirement shall not apply to present and prospective members of credit unions and organizations which received authorized payroll deduction payments on the effective date of this act.

[*1973 c 35 s 3*]

[*For text of subds. 2 and 3, see M.S.1971*]

10.41 [Repealed, 1973 c 680 s 2]

CHAPTER 11. STATE BOARD OF INVESTMENT

11.10 Investment of money in state treasury not currently needed

Subdivision 1. Investment of treasury fund. The state treasurer shall make a report to the commissioner of finance daily or at such other times as the commissioner of finance shall determine of the moneys in the state treasury together with such other information which the commissioner may prescribe. When there is money in the state treasury over and above the amount that the commissioner of finance has advised the treasurer is currently needed, the state treasurer 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 the following:

(a) 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.

(b) Bonds, notes, debentures or other obligations issued by any agency or instrumentality of the United States or any securities guaranteed by the United States government, or for which the credit of the United States is pledged for the payment of the principal and interest thereof, all of which must mature not later than three years from date of purchase.

(c) Commercial paper of prime quality, or rated among the top third of the quality categories, not applicable to defaulted paper, as defined by a nationally recognized organization which rates such securities as eligible for investment in the state employees retirement fund except that any non-banking issuing corporation, or parent company in the case of paper issued by operating utility or finance subsidiaries, must have total assets exceeding $500,000,000. Such commercial paper may constitute no more than 30 percent of the book value of the fund at the time of purchase, and the commercial paper of any one corporation shall not constitute more than four percent of the book value of the fund at the time of such investment.

(d) Any securities eligible under the preceding provisions, purchased with simultaneous repurchase agreement under which the securities will be sold to the particular dealer on a specified date at a predetermined price. In such instances, all maturities of United States government securities, or securities issued or guaranteed by the United States government or an agency thereof, may be purchased so long as any such securities which mature later than three years from the date of purchase have a current market value exceeding the purchase price by at least five percent on the date of purchase, and so long as such repurchase agreement involving securities extending beyond three years in maturity be limited to a period not exceeding 45 days.

(e) Shares of an investment company registered under the investment company act of 1940, whose shares are registered under the securities act of 1933, provided that the only investments of that company are in obligations of the United States government, in obligations fully guaranteed by the United States government or in obligations of instrumentalities of the United States government such as treasury bonds, certificates of indebtedness, bonds or notes of the United States of America, all of which must mature not later than three years from date of purchase; bonds, notes, debentures or other obligations issued by any agency or instrumentality of the United States or any securities guaranteed by the United States government, or for which the credit of the United States is pledged for the payment of the principal and interest thereof, all of which must mature not later than three years from date of purchase.

[*1973 c 492 s 9*]

Subd. 2. Commissioner of finance to certify. When it shall appear to the commissioner of finance 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.

[*1973 c 492 s 10*]

[*For text of subd. 3, see M.S.1971*]

11.16 Minnesota state retirement system, investment securities

[*For text of subds. 1 to 12, see M.S.1971*]

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 50 percent of the total assets of the fund at any time. Furthermore, the board may increase its holdings of stocks by no more than five percent of the assets of the fund during any one fiscal year. No more than three 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 one and one-half 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. A maximum of five percent of the assets in the account may be placed in equity investments, including fixed-income securities convertible into common stock, not conforming with these dividend and earnings standards so long as the corporation maintains the asset value indicated and evidences appropriate growth potential and probable earnings gain.

The corporate stock portfolio purchased under the terms of this subdivision, at the discretion of the board of trustees of the retirement association, may be valued at a total amount other than original book cost if the following procedures be used:

(a) The corporate stock portfolio must be valued bi-monthly, using the closing market prices on the last business days of February, April, June, August, October, and December.

(b) Whenever the portfolio has shown a total market valuation exceeding the original book cost by 10 percent for six consecutive valuation dates, the book value of the portfolio shall be increased by three percent for accounting and actuarial purposes, and such three percent increase may apply until further adjustments be made in the stock valuations.

(c) Whenever the new adjusted value has been exceeded by 10 percent for six consecutive bi-monthly periods, the valuation for accounting and actuarial purposes shall again be increased by three percent; this process may be continued as consistent with continuing market changes.

(d) Whenever the market value of the stock portfolio has decreased by 10 percent below cost or most recent adjusted value, whichever is applicable, for six consecutive bi-monthly periods, the valuation of the stock portfolio for accounting and actuarial purposes shall be reduced by three percent below the original cost or adjusted value. This procedure shall continue in accordance with market fluctuations.

Any unrealized gain or loss computed under the provisions of this paragraph shall be recorded in an unrealized appreciation account and used only for the accounting and actuarial purposes of the fund and shall not apply to the credit or detriment of any individual contribution, participant, or member of the retirement association.

[1973 c 129 s 1]

[For text of subds. 14 to 17, see M.S.1971]

11.18 Minnesota supplemental retirement fund established

[For text of subd. 1, see M.S.1971]

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 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.

[1973 c 129 s 2]

[For text of subds. 3 to 5, see M.S.1971]

11.19 Participation in fund

[*For text of subd. 1, see M.S.1971*]

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 retirement 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. Each share of both funds shall be split on a two for one basis as of June 30, 1973, and thereafter at any time when the market value of each share of either account has exceeded $10 for six consecutive months. 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.

[*1973 c 129 s 3*]

11.25 Minnesota adjustment fixed benefit fund

[*For text of subds. 1 to 11, see M.S.1971*]

Subd. 12. Adjustment in annuity payments. Annually as of July 1 of each fiscal year the annuity payments made from each retirement fund or organization participating in the Minnesota adjustable fixed benefit fund during the next calendar year shall be determined in accordance with the following procedures. Any adjustment in the amount of annuity payments shall become effective with the first payment falling due after December 31 next succeeding the July 1 as of which the adjustment was determined.

(a) Annually, after June 30 of each year, the state board of investment shall:

(1) Using the admitted value as determined pursuant to subdivision 8, determine the actual rate of return and the accumulation factor on the assets of the Minnesota adjustable fixed benefit fund. The accumulation factor shall be 1.00 plus or minus the actual rate of return.

(2) Calculate the benefit adjustment factor, which shall be the ratio of the accumulation factor determined pursuant to (1) to the valuation accumulation factor. The valuation accumulation factor shall be 1.00 plus the interest rate assumed for actuarial valuations.

(3) Determine for each pension fund the amount of participation of such fund in the Minnesota adjustable fixed benefit fund, excluding any portion of the annuity stabilization reserve. Any suspense fund determined pursuant to clause (f) at the beginning of the fiscal year to which the accumulation factor has been applied, shall be added to the participation thus determined.

(4) Determine a preliminary amount for the current annuity stabilization reserve by multiplying the final amount of the previous year's annuity stabilization reserve by the accumulation factor determined pursuant to (1).

(b) Each participating pension fund shall apply the actual benefit adjustment factor to the amount of the benefit which each fund's participants in the Minnesota adjustable fixed benefit fund who are eligible for adjustment are entitled to receive and shall determine the amount of the reserves required for such adjusted benefits and the amount of reserves required to continue benefits at the previous level for participants not eligible for adjustment.

(c) Each participating pension fund shall determine its adjusted participation in the Minnesota adjustable fixed benefit fund in the following manner.

(1) Deduct the reserve on benefits not to be adjusted from the total amount of participation of the fund determined pursuant to clause (a) (3).

(2) Multiply the result obtained pursuant to (1) by the ratio of the actual benefit adjustment factor to the calculated adjustment factor.

(3) Add the result obtained pursuant to (2) to the amount of the reserves for benefits not to be adjusted. The result is the adjusted participation in the Minnesota adjusted fixed benefit fund.

(d) Each participating pension fund shall calculate the difference between the reserves determined pursuant to clause (b) and the amount of its adjusted participation in the Minnesota adjustable fixed benefit fund determined pursuant to clause (c).

(e) If the result obtained pursuant to clause (d) is a positive figure, the amount thus determined is due to a mortality loss, and the pension fund shall pay to the Minnesota adjustable fixed benefit fund the amount thus determined, which amount shall be added to the pension fund's participation. If the result obtained pursuant to clause (d) is a negative figure, the amount thus determined is due to a mortality gain, and the pension fund shall be credited with the amount thus determined by deducting the amount from the fund's total participation.

(f) A suspense account shall be established within the Minnesota adjustable fixed benefit fund for each pension fund for the purpose of temporarily carrying any amounts required pending addition to the participation of that fund.

(1) Whenever the rate for an actual benefit adjustment for any fund is required to be reduced by less than one-half of one percent due to the requirement that adjustments be limited to the last full multiple of one-half of one percent, the reserves to cover such portion of one-half of one percent thus withheld shall be placed in the suspense account for that fund. If the calculated adjustment factor exceeds 1.00 but is less than 1.02, an amount equal to the excess reserves over those for a factor of one percent shall be placed in the suspense account.

(2) If the actual benefit adjustment factor is less than the calculated benefit adjustment factor, the amount of that pension fund's participation determined pursuant to clause (e) shall be reduced to the amount of the reserves determined pursuant to clause (b) and the amount of reduction shall be added to the annuity stabilization reserve. If the actual benefit adjustment factor exceeds the calculated benefit adjustment factor, the amount of that pension fund's participation determined pursuant to clause (e) shall be increased to the amount of the reserves determined pursuant to clause (b) and the amount of increase shall be deducted from the annuity stabilization reserve.

(3) The share of the stabilization reserve that each pension fund may claim shall bear the same ratio to the total stabilization reserve as the participation of that pension fund bears to the total of all participations. The applied rate for an actual benefit adjustment shall be the actual benefit rate as determined, adjusted to the last full one-half of one percent.

If the benefit adjustment factor calculated pursuant to clause (a) (2) is greater than 98 percent but less than 102 percent, no adjustment of annuities shall be made. If the ratio is equal to or greater than 102 percent or is equal to or less than 98 percent, the annuity payments currently payable shall be increased or decreased in the ratio so determined for the 12 month period beginning with the first payment due after December 31 next succeeding the valuation date, except that persons who retired during the fiscal year preceding the July 1 valuation date shall not be entitled to an adjustment. Any decreases shall be limited through the use of the annuity stabilization reserve established in subdivision 13. The annuity payment to any annuitant shall never be an amount less than the amount originally determined on the date of retirement or on July 1, 1971, whichever is later. For the purpose of calculating the adjustments provided herein, all individual members of any participating fund or organization retiring during any fiscal year shall be deemed to have retired in the same class, except that all such individuals retired prior to July 1, 1969 shall be in the same class as those retiring between July 1, 1969 and June 30, 1970. All annuitants in each class are equally entitled to any adjustment of annuity payments. If the value of the participation in the Minnesota adjustable fixed benefit fund goes below the value of the reserves required to support the amount originally determined on the date of retirement or on July 1, 1971, whichever is later, for any annuitant or class of annuitants, the excess of the amount paid over the amount which the reserves would support must be recovered from the annuity stabilization reserve as established in subdivision 13. If such reserve is inadequate, any excess amount must be recovered by withholding the amount of any future increases in annuity payments to which the annuitant or class of annuitants would be otherwise entitled until the sum of the amounts withheld equals such accumulated excess. After any deficiency is recovered in full, either through the annuity stabilization reserve or the withholding of increases in annuity payments, the annuity will be increased on the basis of the ratio of assets to reserves currently applicable to all persons retired from the pension fund. Except as provided by statute, exact procedures to be followed in making determinations as to the amounts to be received by pension beneficiaries during the various fiscal years shall be determined by the board of directors or trustees of the participating retirement fund or organization in accordance with accepted actuarial and accounting practices.

[*1973 c 7 s 1*]

Subd. 13. Annuity stabilization reserve. An annuity stabilization reserve shall be attached to the Minnesota adjustable fixed benefit fund for the purposes of (1) eliminating any deficiency so that the assets of the fund will equal the reserves supporting benefits being paid; except that funds from the stabilization reserve shall not be used to eliminate any deficiency resulting from benefit payments at the fixed benefit level exceeding the amount of payment that would be paid were it not for the fixed benefit guarantee and, (2) precluding any downward adjustment in annuity payments below the previous calendar year's payment rate. If the reserve is insufficient to preclude such a decrease, the amount available shall limit the maximum decrease to a uniform percentage consistent with the utilization of the total value of the reserve. Beginning on January 1, 1972, upward adjustments of annuity payments to each annuitant shall be limited to four percent of the previous calendar year's payment rate until the accumulation in the annuity stabilization reserve from such withholding has reached an amount equal to 15 percent of the immediate past fiscal year's total annuity payments. So long as the reserve totals an amount equal to 15 percent of the immediate past fiscal year's total annuity payments, any increase up to six percent of the previous calendar year's payment rate shall be paid directly to any annuitant or class of annuitants. The amount of any increase above six percent of the previous calendar year's payment rate shall be added to the reserve until such reserve totals an amount equal to 25 percent of the total pensions paid during the previous fiscal year. Upward adjustments of the annuity payments to each annuitant shall be limited to eight percent of the previous calendar year's payment rate, with any excess being added to the reserve, even though such reserve may then exceed 25 percent of the immediate past fiscal year's total annuity payments. For the purpose of this section, the word reserve means the fund established herein and not an actuarial reserve. Any assets on hand prior to June 30, 1972 in the annuity stabilization reserve of any retirement fund or organization participating in the Minnesota adjustable fixed benefit fund, shall be paid to or credited to such retirement fund or organization. Such assets as are credited to the individual fund annuity stabilization reserves thereafter shall on the effective date of Laws 1973, Chapter 7 be transferred to the single annuity stabilization reserve for the Minnesota adjustable fixed benefit fund and the authorization for stabilization reserves relating to the individual retirement funds shall terminate.

[*1973 c 7 s 2*]

Subd. 14. Effective January 1, 1973, each retirement fund participating in the Minnesota adjustable fixed benefit fund shall make an upward adjustment of four and one-half percent to each annuitant retiring prior to July 1, 1971. Subsequent adjustments will be in accordance with section 11.25, subdivisions 12 and 13, except that in the event the assets transferred to the annuity stabilization reserve result in a stabilization reserve of less than an amount equal to 15 percent of the immediate past fiscal year's total annuity payments, such deficiency shall be made up before the next annual adjustment is made.

[*1973 c 7 s 3*]

Subd. 15. Upon taking effect of Laws 1973, Chapter 7, the calculations required by section 11.25, subdivisions 12 and 13, as amended by Laws 1973, Chapter 7 shall be determined as of July 1, 1972. Any participating pension fund that has previously announced an increase adjustment in excess of four and one-half percent, and such fund is entitled to a credit or refund due to mortality gain determined in accordance with clauses (b), (c), (d) and (e) in subdivision 12, and such credit or refund exceeds the reserves required to further increase the benefits of those eligible for the four and one-half percent adjustment by an additional one percent, such fund may pay to the fund's participation the reserves required for such additional one percent increase in benefit adjustment. The adjustments provided by Laws 1973, Chapter 7 shall apply to the accrual of benefits commencing with January 1, 1973. In case any actual disbursements of benefits have or do vary from the amounts herein provided, the participating pension fund or funds so involved shall adjust to the amounts herein provided.

[*1973 c 7 s 4*]

Subd. 16. All assets in the annuity stabilization reserve and suspense account shall be credited proportionately to the individual retirement funds' participation in the Minnesota adjustable fixed benefit fund, except that the share attributable to the municipal employees retirement fund of Minneapolis shall be used to increase benefits or may at the discretion of its board of trustees be returned to such fund.

Effective January 1, 1974 each participating fund in the Minnesota adjustable fixed benefit fund, except the municipal employees retirement fund of Minneapolis, shall increase the benefits in effect on June 30, 1973 by an amount that when added to the interest assumption increase granted to such benefits effective July 1, 1973, equals 25 percent. The increase shall apply to the accrual of benefits commencing January 1, 1974 and shall be in lieu of the adjustment provided by section 11.25, subdivisions 12 and 13 scheduled to take effect January 1, 1974.

The actuary for each participating fund, except the municipal employees retirement fund of Minneapolis, shall calculate the reserve required to support the benefits in effect on June 30, 1973 as increased July 1, 1973 and herein. As of December 31, 1973, each participating fund shall transfer to or from the Minnesota adjustable fixed benefit fund assets so that its participation equals the total of such required reserve and the reserve for benefits authorized on or after July 1, 1973.

The increased benefits accruing as of January 1, 1974 shall be considered the "originally determined benefits" for the purpose of future adjustments.

Notwithstanding section 356.18, increases in payments pursuant to this section will be made automatically unless the intended recipient files written notice with the public employees retirement association requesting that the increase shall not be made.

[*1973 c 728 s 30; 1973 c 753 s 2*]

11.26 Minnesota variable annuity fund

[*For text of subds. 1 to 4, see M.S.1971*]

Subd. 5. Accounting procedures. (1) The earnings from the investments of the Minnesota variable annuity fund shall consist of dividends, interest, and all other income derived from such investments and shall be determined on an accrual basis as of each bi-monthly valuation date. Such income shall be attributed to those funds in the account at the beginning of the bimonthly period. Earnings from investments shall not include changes in the admitted values of such investments.

(2) Any realized gain or loss shall be recorded in a realized appreciation account, and shall consist of the amount received on sale less the cost of such security. Unrealized gains or losses for any fiscal year shall be determined as provided in subdivision 4, clause (1) to the book value of all investments held at the end of the fiscal year.

Subd. 6. Total annual increment or decrement. The total annual increment or decrement for any one year shall be the sum of (a) the six bi-monthly computations of earnings as computed under subdivision 5, clause (1), after adjustment so as to attribute such income to the appropriate participants, (b) total realized gains or losses for the fiscal year as computed under subdivision 5, clause (2), after adjusting for the approximate unrealized gain or loss evidenced for such securities in the admitted value, and (c) total unrealized gains or losses for the fiscal year as computed under subdivision 5, clause (2).

[*1973 c 129 s 4*]

[*1973 c 129 s 5*]

[*For text of subd. 7, see M.S.1971*]

CHAPTER 12. DIVISION OF CIVIL DEFENSE

POWERS, DUTIES

12.26 Local governmental subdivisions, appropriations

[*For text of subd. 1, see M.S.1971*]

Subd. 2. To provide moneys for civil defense purposes authorized by this chapter, a political subdivision is empowered to levy annually upon all taxable property in the political subdivision, except as provided in subdivision 4, a tax in excess of and over and above all taxing limitations in such amount as may be necessary to pay such expenditures. The total amount of a tax levied under authority of this section, except when levied by a county, shall not exceed 40 cents per capita based on the last federal regular or special census, except in a political subdivision in which such tax will not produce a total amount of $1,000 in which event a tax sufficient to produce $1,000 or so much thereof as may be necessary may be levied.

[*1973 c 583 s 1*]

[*For text of subd. 3, see M.S.1971*]

Subd. 4. When levied by a county, the taxes authorized in subdivisions 2 and 3, respectively, shall be spread wholly and exclusively upon property within the portion of the county over which the county local organization for civil defense has jurisdiction as provided in section 12.25, subdivision 1; provided, however, that a county may levy annually a tax upon all taxable property within any city, village, borough, or town within the county which has a local civil defense organization.

[*1973 c 583 s 2*]

[*For text of subds. 5 and 6, see M.S.1971*]