

# MINNESOTA STATUTES 1977 SUPPLEMENT

## 10.13 GENERAL PROVISIONS

counts due to the state which have accumulated during the preceding year or years.

[ 1977 c 347 s 3 ]

### 10.30 Employees' compensation revolving fund, reimbursement.

In all cases where any state department owes the employees' compensation revolving fund, created by sections 176.591, 176.601 and 176.611, for claims paid its employees, and no direct appropriation is made therefor, such department shall reimburse the revolving fund from the money appropriated for operation of the department.

[ 1977 c 455 s 69 ]

## CHAPTER 10A. ETHICS IN GOVERNMENT

Sec.  
10A.20 Campaign reports.

### 10A.20 Campaign reports.

[For text of subds 1 to 9, see M.S.1976]

Subd. 10. A political committee or a political fund or any of its members or contributors shall have standing to seek an exemption. Upon receipt of an application for exemption the board shall give notice to all persons known to the board to have an interest in the application and publish notice of the filing of the application in the state register. The board may grant the exemption 30 days after notice of the filing has been fully made. If the board receives a written objection to the application from any person within 20 days after the notice of filing has been fully made the exemption shall be granted or denied only after a contested case hearing has been held on the application. The board may elect to hold a contested case hearing if no objections to the application are received. If a timely objection is not received and the board denies the exemption without hearing the applicant may request, within 30 days of receiving a notice of denial, and shall be granted a contested case hearing on the application. The board by rule shall establish a procedure so that any individual seeking an exemption may proceed anonymously if he would be exposed to the reprisals listed in subdivision 9 were he to reveal his identity for the purposes of the hearing.

[For text of subds 11 and 12, see M.S.1976]

[ 1977 c 346 s 1 ]

## CHAPTER 11. STATE BOARD OF INVESTMENT

Sec.	Sec.
11.117 Investment advisory council. [New]	11.145 Annual report. [New]
11.118 Replacement of existing agencies. [New]	11.25 Minnesota adjustable fixed benefit fund.

### 11.117 Investment advisory council.

Subdivision 1. **Membership.** There is created an investment advisory council consisting of the following voting members: the commissioner of finance; and ten members appointed by the state board of investment. Ex-officio, non-voting members are the executive director of the Minnesota state retirement system and the secretaries of the public employees retirement association and the teachers retirement association. Members appointed by the state board of investment shall be experienced in corporate or governmental finance or in general investment matters.

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## STATE BOARD OF INVESTMENT 11.145

Subd. 2. **Powers and duties.** The council shall:

(a) advise the board of investment on general policy matters relating to the investment of state money;

(b) advise the board and its executive secretary in respect to all proposed transactions which would have a significant impact on the character, size or quality of the state's investment portfolio;

(c) consider and report periodically to the board on methods to improve the rate of return on invested state money while insuring adequate security for that money;

(d) consider and report periodically to the board on methods to better utilize and receive a return from excess moneys in the state treasury;

(e) assist the board in preparing the content of the board's report required by section 11.145, and advise the board on a form for the report which will best achieve the goal of revealing investment activities of the board and its executive secretary in a clear and objective manner; and

(f) perform other tasks of a related advisory nature assigned to it by the board.

Subd. 3. **Duties; standard of care.** In giving advice or making recommendations to the board, the members of the council shall act in good faith in what they reasonably believe to be in the best interests of the state and shall exercise 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.

Subd. 4. **Officers; meetings.** The council shall annually elect a chairman from among the members appointed by the governor, and may elect other officers as necessary. The board of investment shall provide the council with necessary meeting space and administrative services. The council shall meet at least monthly and upon the call of the chairman of the council or the board.

Subd. 5. **Compensation; removal; vacancies.** The commissioner of finance and the ex-officio members of the council shall serve for the terms of the office to which they were appointed or elected. The membership terms, compensation and removal of members, and filling of vacancies of the members appointed by the state board of investment shall be as provided in section 15.059 except that those members shall not receive a per diem.

Subd. 6. **Liability; indemnification.** A member of the council shall be indemnified and held harmless by the state for any reasonable costs or expenses incurred as a result of any actual or threatened litigation or administrative proceedings, other than an action brought by the state or any agency thereof, arising out of the performance of the member's duties if the duties were performed in a manner as prescribed by this section.

Subd. 7. **Conflict of interest; economic interest statement.** No member of the council may participate in deliberations or vote on any matter before the council which will or is likely to result in direct, measurable economic gain to the member or his private employer. A member of the council shall file with the board of ethical practices an economic interest statement in a manner as prescribed by section 10A.09, subdivisions 5 and 6.

[ 1977 c 209 s 1 ]

### 11.118 Replacement of existing agencies.

The council created pursuant to section 11.117 supersedes and replaces any advisory agencies to the state board of investment in existence on May 21, 1977. The governor is not prohibited from appointing members of a former investment advisory agency to the council created by section 11.117.

[ 1977 c 209 s 3 ]

### 11.145 Annual report.

No later than November 15 of each year, the board of investment will prepare and distribute to the legislature a report summarizing the activities of the

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## 11.145 STATE BOARD OF INVESTMENT

board, the investment advisory council and the board's executive secretary during the preceding fiscal year. The report shall be prepared so as to give the legislature and the people of the state a clear, comprehensive summary of the transactions affecting the state's investment portfolio, the results of these transactions, and the actual rates of return to the treasury and to each of the funds whose investments are administered by the board.

[ 1977 c 209 s 2 ]

### 11.25 Minnesota adjustable fixed benefit fund.

[For text of subs 1 and 2, see M.S.1976]

Subd. 3. **Participation in fund.** Any public retirement organization authorized to participate in the Minnesota adjustable fixed benefit fund may own an undivided participation in all the assets of the fund. The extent of annual participation shall be determined by the ratio of each organization's contribution to the total contributions of all participating organizations. Such ratio shall be determined monthly. Contributions and withdrawals may be certified at any time, but notification of contributions must reach the state board of investment by the twenty-fifth day of any month in order for such contributions to be included in calculations determining the monthly ratio. At the end of each fiscal year, the 12 ratios for such year, beginning with that of the previous July 31, shall be averaged. The average ratio shall determine the distribution of the difference between the admitted value and the balances of contributions of the respective organizations at year end to determine the respective amounts of participation. The interpretation and administration of all calculations affecting the fund shall be made in a manner to achieve the most uniform and equitable treatment possible for all participating organizations.

[For text of subs 4 to 11, see M.S.1976]

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) Based upon 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) Calculate the actual benefit adjustment factor in accordance with the provisions of clause (f) and subdivision 13.

(4) 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.

(5) 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).

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(b) Each participating pension fund shall determine the amount of the reserve required for the level of benefit in effect during the year preceding the valuation date. This total reserve shall be separated into two portions, one for participants who are eligible for an adjustment in benefits and the other for participants who are not eligible for a benefit adjustment.

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

(1) Determine the expected reserve on the current valuation date in accordance with the mortality and interest assumptions used for actuarial valuations. This shall be done separately for those participants who are eligible for an adjustment in benefits and those participants who are not eligible for an adjustment in benefits.

(2) Determine the difference between the expected reserve calculated pursuant to clause (c)(1) and the reserve calculated pursuant to clause (b). This difference shall be calculated separately for participants who are eligible for a benefit adjustment and for participants who are not eligible for a benefit adjustment.

(3) For the participants who are entitled to a benefit adjustment, multiply the difference obtained pursuant to clause (c)(2) by the actual benefit adjustment factor and combine the result with the difference calculated pursuant to clause (c)(2) associated with participants not eligible for a benefit adjustment.

(4) If the result obtained pursuant to clause (c)(3) is positive, 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. If the result obtained pursuant to clause (c)(3) is negative, 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. In either case, the resulting participation is the pension fund's adjusted participation in the Minnesota adjustable fixed benefit fund.

(d) The actual benefit adjustment factor shall be applied to the reserve determined pursuant to clause (b) for participants who are entitled to a benefit adjustment and the result shall be combined with the reserve determined pursuant to clause (b) for participants not eligible for a benefit adjustment. The resulting sum is the pension fund's reserve requirement.

(e) The difference between a pension fund's adjusted participation in the Minnesota adjustable fixed benefit fund determined pursuant to clause (c)(4) and the pension fund's reserve requirement determined pursuant to clause (d) shall be calculated. If the result is positive, the amount shall be added to the annuity stabilization reserve and deducted from the pension fund's adjusted participation in the Minnesota adjustable fixed benefit fund. If the result is negative, the amount shall be deducted from the annuity stabilization reserve and added to the pension fund's adjusted participation in the Minnesota adjustable fixed benefit fund.

(f) Subject to the limitations set forth in subdivision 13, the actual benefit adjustment factor shall be determined as follows:

(1) As of June 30, 1977, and each anniversary thereafter, a potential benefit adjustment factor shall be determined by multiplying the benefit adjustment factor calculated pursuant to clause (a)(2) by the ratio of the potential adjustment factor for the anniversary immediately preceding the current anniversary to the actual benefit adjustment factor for that same prior anniversary, which ratio for June 30, 1976, shall be equal to one.

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(2) If the potential benefit adjustment factor for the current anniversary obtained pursuant to clause (f)(1) is greater than 98 percent but less than 102 percent, no adjustment of annuities shall be made.

(3) If the potential benefit adjustment factor for the current anniversary obtained pursuant to clause (f)(1) is less than or equal to 98 percent or greater than or equal to 102 percent, the actual benefit adjustment factor shall be obtained from the potential benefit adjustment factor by rounding to the next lower one-half of one percent.

(4) If no adjustment of annuities is to be made, then the actual benefit adjustment factor is one.

(g) The actual annuity adjustment factor shall be applied to the annuity payments for the twelve 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.

(h) If the application of the actual annuity adjustment factor to the annuity benefit of any annuitant produces a benefit smaller than the amount determined on the date of retirement or on July 1, 1976, whichever is later, the benefit for such annuitant shall be adjusted to or maintained at the amount determined on the date of retirement or on July 1, 1976, for the twelve month period beginning with the first payment due after December 31 next succeeding the valuation date.

**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 surplus or deficiency so that the assets of the fund will equal the reserves supporting benefits being paid; and, (2) precluding or lessening any downward adjustment in annuity payments below the previous calendar year's payment rate.

(a) Upward adjustments of annuity payments to each annuitant shall be limited to four percent of the previous 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 annuity stabilization reserve totals an amount equal to 15 percent of the immediate past fiscal year's total annuity payments, an increase up to six percent of the previous calendar year's payment rate shall be paid to each annuitant entitled to an increase. The amount of any increase above six percent of the previous calendar year's payment rate shall be added to the annuity stabilization 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 year's payment rate with any excess being added to the annuity stabilization reserve even though such reserve may then exceed 25 percent of the immediate past fiscal year's total annuity payments.

(b) If the annuity stabilization reserve should become negative as a result of the guarantee set forth in subdivision 12, clause (h), the amount of subsequent benefit increases after January 1, 1978, shall be limited to amounts which will cause the annuity stabilization reserve to be restored again to a positive level.

*[For text of subds 14 to 16, see M.S.1976]*

*[ 1977 c 274 s 1-3 ]*