



H.F. 1555 (Document H1555-E1)
(Murphy, M.)

S.F. 927
(Rosen)

Commission Staff Materials, Unofficial Engrossment

Affected Pension Plan(s): All Minnesota Public Pension Plans
Relevant Provisions of Law: Minn. Stat., Sec. 11A.07, 11A.14, 11A.24, 69.77, 69.775, 354A.08, 356A.06
General Nature of Proposal: Revising Investment Authority Provisions
Date of Summary: February 17, 2011

Potential Amendments drawn to the Unofficial Engrossment

Exchange-Traded Funds Authority Amendments

- H1555-20A** removes the proposed authority for SBI to use ETFs if the Commission concludes that the proposed SBI ETF authority is inappropriate or unnecessary.
- H1555-21A** removes the proposed authority for limited list plans (all of which are volunteer fire plans) to use ETFs if the Commission has concerns about potential abuse of this authority.

Junk Bond Authority Amendments

- H1555-22A** removes the proposed junk bond authority for limited and expanded list volunteer fire plans.
- H1555-23A**, an alternative to -22A, removes the proposed volunteer fire junk bond authority for limited list plans but retains the proposed authority for volunteer fire expanded list plans.
- H1555-24A**, which could be used with -22A or -23A, revises the maximum percentage of an expanded list plan's portfolio that can be devoted to junk bonds from 5% to a percentage to be determined.
- H1555-25A**, an alternative to -24A, revises the maximum proposed percentage that volunteer fire relief associations can devote to junk bonds from 5% to an unspecified percentage (presumably lower) while leaving the 5% maximum for all other expanded list plans. This amendment should not be used if -22A is adopted.

If amendments -22A to -25A are not used, amendments -26A to -28A are alternatives for permitting better-grade junk bonds (speculative grade) while prohibiting investments in securities that are highly speculative or in default:

- H1555-26A** sets a lower boundary on the quality of permissible junk bonds for volunteer fire plans only, permitting investment in bonds considered speculative (one grade below investment-grade), while prohibiting investments in highly speculative and defaulted securities.
- H1555-27A** is similar to -26A but applies to all limited list plans, all expanded list plans, and SBI.
- H1555-28A** is similar to -26A and -27A but applies to all limited list and expanded list plans.

85% Equity Cap Amendment

- H1555-29A** would reset the maximum permissible percent of assets in equity/equity-like investments from 85% of total portfolio to a percentage to be determined; the revised limit would apply to all plans including SBI.

Emerging Market Securities Cap Amendments

- H1555-30A** revises the emerging market equity/international debt 15% cap for expanded list volunteer fire plans from 15% to a percent to be specified.
- H1555-31A** expands the emerging market equity/international debt 15% cap to include all expanded list plans. This amendment can be used with -30A.
- H1555-32A**, an alternative to -30A and -31A, combines those two amendments by expanding the emerging market equity and international debt cap to include all expanded list plans and revising the percent cap to a percentage specified by the Commission.
- H1555-33A** expands the 15% emerging market equity/international debt cap to include all expanded list plans and SBI.
- H1555-34A**, an alternative to -33A, expands the emerging market equity and international debt cap to include all expanded list plans and SBI, and revises the percent cap to a percentage to be specified.

Investment Authority Transition Provision Amendments

- H1555-35A** sets a date other than June 30, 2013, for compliance with the revised investment authority.
- H1555-36A** revises the transition provision by creating an early deadline for compliance (January 1, 2012) if the plan is exceeding 85% equity in its portfolio (or whatever revised limit is specified by the Commission).

Amendment Requested by the State Auditor

- H1555-37A** revises a member-directed defined contribution plan investment return reporting provision (Minn. Stat. Sec. 356.219, Subd. 4) by including the Hennepin County Supplemental Plan, and by requiring the rate of return information to be deposited with the Commission rather than with the State Auditor.
- H1555-38A**, an alternative to -37A, would repeal, rather than amend, Minn. Stat. Sec. 356.219, Subd. 4.

- 1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
- 1.2 engrossment (H1555-E1) as follows:
- 1.3 Page 3, line 4, delete "exchange-traded or"

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 12, line 4, delete "exchange-traded"

1.4 Page 12, line 5, delete "funds, or through"

1.5 Page 12, line 8, delete "exchange-traded funds and"

1.6 Page 12, line 12, delete "or exchange-traded"

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 12, line 10, delete "to" and insert ", (d), (f), or"

1.4 Page 13, line 27, after "plan" insert ", other than a volunteer firefighter relief
1.5 association governed by sections 69.771 to 69.776,"

- 1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
- 1.2 engrossment (H1555-E1) as follows:
- 1.3 Page 12, line 10, delete "to" and insert ", (d), (f), or"

- 1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
- 1.2 engrossment (H1555-E1) as follows:
- 1.3 Page 13, line 30, delete "five" and insert "...."

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 13, line 30, delete "five" and insert "...."

1.4 Page 13, line 31, after "value" insert "if the covered plan is a volunteer firefighter
1.5 relief association governed by sections 69.771 to 69.776, or five percent of the covered
1.6 plan's market value for any other expanded list plan"

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 13, line 27, before "An" insert "(1)"

1.4 Page 13, line 30, delete "(1)" and insert "(i)"

1.5 Page 13, line 32, delete "(2)" and insert "(ii)"

1.6 Page 13, line 34, delete "(3)" and insert "(iii)"

1.7 Page 13, after line 35, insert:

1.8 "(2) For volunteer firefighter relief associations governed by sections 69.771 to
1.9 69.776, clause (1) applies, except that investing in corporate obligations below the top
1.10 five quality categories as rated by a nationally recognized rating agency, or in comparable
1.11 unrated corporate obligations, is prohibited."

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 4, line 6, strike "in unrated corporate obligations or"

1.4 Page 4, line 7, strike everything after "are"

1.5 Page 4, line 8, strike "paragraph (a), clause (2)," and before "if" insert "rated in
1.6 the fifth quality category from the top by a nationally recognized rating agency, or in
1.7 comparable unrated securities,"

1.8 Page 13, line 28, delete "in unrated corporate obligations or"

1.9 Page 13, line 29, delete everything before "if" and insert "rated in the fifth quality
1.10 category from the top by a nationally recognized rating agency, or in comparable unrated
1.11 securities,"

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 13, line 28, delete "in unrated corporate obligations or"

1.4 Page 13, line 29, delete everything before "if" and insert "rated in the fifth quality
1.5 category from the top by a nationally recognized rating agency, or in comparable unrated
1.6 securities,"

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 6, line 5, delete "85" and insert ".."

1.4 Page 17, line 18, delete "85" and insert ".."

- 1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
- 1.2 engrossment (H1555-E1) as follows:

- 1.3 Page 17, line 12, delete "15" and insert ".."

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 17, line 11, delete "volunteer firefighter relief associations" and insert "an
1.4 expanded list plan"

1.5 Page 17, line 13, delete "association's" and insert "expanded list plan's"

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 17, line 11, delete "volunteer firefighter relief associations" and insert "an
1.4 expanded list plan"

1.5 Page 17, line 12, delete "15" and insert ".."

1.6 Page 17, line 13, delete "association's" and insert "expanded list plan's"

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 6, line 31, strike "and"

1.4 Page 6, line 34, strike the period and insert "; and"

1.5 Page 6, after line 34, insert:

1.6 "(5) emerging market equity and international debt investments authorized under
1.7 paragraph (a), clause (4), must not exceed 15 percent of the market value of the fund for
1.8 which the state board is investing."

1.9 Page 17, line 11, delete "volunteer firefighter relief associations" and insert "an
1.10 expanded list plan"

1.11 Page 17, line 13, delete "association's" and insert "expanded list plan's"

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 6, line 31, strike "and"

1.4 Page 6, line 34, strike the period and insert "; and"

1.5 Page 6, after line 34, insert:

1.6 "(5) emerging market equity and international debt investments authorized under
1.7 paragraph (a), clause (4), must not exceed .. percent of the market value of the fund for
1.8 which the state board is investing."

1.9 Page 17, line 11, delete "volunteer firefighter relief associations" and insert "an
1.10 expanded list plan"

1.11 Page 17, line 12, delete "15" and insert ".."

1.12 Page 17, line 13, delete "association's" and insert "expanded list plan's"

- 1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
- 1.2 engrossment (H1555-E1) as follows:
- 1.3 Page 17, line 25, delete "June 30, 2013" and insert "....."

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 17, line 22, before "If" insert "(a)"

1.4 Page 17, after line 25, insert:

1.5 "(b) Notwithstanding the liquidation date specified in paragraph (a), if a fund
1.6 invested by the State Board of Investment or any covered pension plan fund exceeds the
1.7 maximum permissible asset mix limit on equities and similar investments under section
1.8 3 or 8, whichever is applicable, the noncompliance must be corrected before January
1.9 1, 2013."

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 9, after line 31, insert:

1.4 "Sec. 7. Minnesota Statutes 2010, section 356.219, subdivision 4, is amended to read:

1.5 Subd. 4. **Alternative reporting; certain plans.** In lieu of requirements in
1.6 subdivision 3, the applicable administration for the individual retirement account plans
1.7 under chapters 354B and 354D, for any alternative retirement benefit plan established
1.8 under section 383B.914, and for the University of Minnesota faculty retirement plan
1.9 shall submit computed time-weighted rates of return to the ~~Office of the State Auditor~~
1.10 Legislative Commission on Pensions and Retirement. These time-weighted rates of
1.11 return must cover the most recent complete calendar year, and must be computed
1.12 separately for each investment option available to plan members. To the extent feasible,
1.13 the returns must be computed net of all investment costs, fees, and charges, so that the
1.14 computed return reflects the net time-weighted return available to the investor. If this
1.15 is not practical, the existence of any remaining investment cost, fee, or charge which
1.16 could further lower the net return must be disclosed. The procedures used to compute
1.17 the returns must be consistent with Bank Administration Institute studies of investment
1.18 performance measurement and Association for Investment Management and Research
1.19 presentation standards, or, if applicable, Securities Exchange Commission requirements.
1.20 The individual who computes the returns must certify that the supplied returns comply
1.21 with this subdivision. The applicable plan administrator must also submit, with the return
1.22 information, the total amounts invested by the plan members, in aggregate, in each
1.23 investment option as of the last day of the calendar year.

1.24 **EFFECTIVE DATE.** This section is effective the day following final enactment."

1.25 Renumber the sections in sequence

1.26 Amend the title accordingly

1.1 moves to amend H.F. No. 1555; S.F. No. 927, the unofficial
1.2 engrossment (H1555-E1) as follows:

1.3 Page 17, after line 26, insert:

1.4 "Sec. 10. **REPEALER.**

1.5 Minnesota Statutes 2010, section 356.219, subdivision 4, is repealed.

1.6 **EFFECTIVE DATE.** This section is effective the day following final enactment."

1.7 Amend the title accordingly

1.1 A bill for an act
1.2 relating to retirement; all Minnesota public pension plans; revising investment
1.3 authority provisions; amending Minnesota Statutes 2010, sections 11A.07,
1.4 subdivision 4; 11A.14, subdivision 14; 11A.24; 69.77, subdivision 9; 69.775;
1.5 354A.08; 356A.06, subdivisions 6, 7.

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

1.7 Section 1. Minnesota Statutes 2010, section 11A.07, subdivision 4, is amended to read:

1.8 Subd. 4. **Duties and powers.** The director, at the direction of the state board, shall:

1.9 (1) plan, direct, coordinate, and execute administrative and investment functions
1.10 in conformity with the policies and directives of the state board and the requirements of
1.11 this chapter and of chapter 356A;

1.12 (2) prepare and submit biennial and annual budgets to the board and with the
1.13 approval of the board submit the budgets to the Department of Management and Budget;

1.14 (3) employ professional and clerical staff as necessary. Employees whose primary
1.15 responsibility is to invest or manage money or employees who hold positions designated
1.16 as unclassified under section 43A.08, subdivision 1a, are in the unclassified service of the
1.17 state. Other employees are in the classified service. Unclassified employees who are
1.18 not covered by a collective bargaining agreement are employed under the terms and
1.19 conditions of the compensation plan approved under section 43A.18, subdivision 3b;

1.20 (4) report to the state board on all operations under the director's control and
1.21 supervision;

1.22 (5) maintain accurate and complete records of securities transactions and official
1.23 activities;

1.24 (6) establish a policy relating to the purchase and sale of securities on the basis of
1.25 competitive offerings or bids. The policy is subject to board approval;

2.1 (7) cause securities acquired to be kept in the custody of the commissioner of
2.2 management and budget or other depositories consistent with chapter 356A, as the state
2.3 board deems appropriate;

2.4 (8) prepare and file with the director of the Legislative Reference Library, by
2.5 December 31 of each year, a report summarizing the activities of the state board, the
2.6 council, and the director during the preceding fiscal year. The report must be prepared
2.7 so as to provide the legislature and the people of the state with a clear, comprehensive
2.8 summary of the portfolio composition, the transactions, the total annual rate of return,
2.9 and the yield to the state treasury and to each of the funds whose assets are invested by
2.10 the state board, and the recipients of business placed or commissions allocated among
2.11 the various commercial banks, investment bankers, money managers, and brokerage
2.12 organizations and the amount of these commissions or other fees. ~~The report must contain~~
2.13 ~~financial statements for funds managed by the board prepared in accordance with generally~~
2.14 ~~accepted accounting principles.~~ The report must include an executive summary;

2.15 (9) include on the state board's Web site its annual report and an executive summary
2.16 of its quarterly reports;

2.17 (10) require state officials from any department or agency to produce and provide
2.18 access to any financial documents the state board deems necessary in the conduct of
2.19 its investment activities;

2.20 (11) receive and expend legislative appropriations; and

2.21 (12) undertake any other activities necessary to implement the duties and powers
2.22 set forth in this subdivision consistent with chapter 356A.

2.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.24 Sec. 2. Minnesota Statutes 2010, section 11A.14, subdivision 14, is amended to read:

2.25 Subd. 14. **Reports required.** As of each valuation date, or as often as the state
2.26 board determines, each participant shall be informed of the number of units owned and the
2.27 current value of the units. ~~Annually, the state board shall provide each participant financial~~
2.28 ~~statements prepared in accordance with generally accepted accounting principles.~~

2.29 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.30 Sec. 3. Minnesota Statutes 2010, section 11A.24, is amended to read:

2.31 **11A.24 AUTHORIZED INVESTMENTS.**

2.32 Subdivision 1. **Securities generally.** (a) ~~The state board shall have the authority is~~
2.33 authorized to purchase, sell, lend or and exchange the following securities specified in this

3.1 section, for funds or accounts specifically made subject to this section, including puts and
3.2 call options and future contracts traded on a contract market regulated by a governmental
3.3 agency or by a financial institution regulated by a governmental agency. These securities
3.4 may be owned directly or through shares in exchange-traded or mutual funds, or as units
3.5 in commingled trusts that own the securities described in subdivisions 2 to 6, subject to
3.6 any limitations as specified in this section.

3.7 (b) Any agreement to lend securities must be concurrently collateralized with cash
3.8 or securities with a market value of not less than 100 percent of the market value of the
3.9 loaned securities at the time of the agreement. Any agreement for put and call options
3.10 and futures contracts may only be entered into with a fully offsetting amount of cash or
3.11 securities. Only securities authorized by this section, excluding those under subdivision 6,
3.12 paragraph (a), clauses (1) to ~~(4)~~ (3), may be accepted as collateral or offsetting securities.

3.13 Subd. 2. **Government obligations.** The state board ~~may~~ is authorized to invest
3.14 funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness
3.15 provided if the issue is backed by the full faith and credit of the issuer or if the issue
3.16 is rated among the top four quality rating categories by a nationally recognized rating
3.17 agency. The obligations in which the board may invest under this subdivision include are
3.18 guaranteed or insured issues of (a):

3.19 (1) the United States, its agencies, its instrumentalities, or organizations created
3.20 and regulated by an act of Congress; ~~(b)~~

3.21 (2) the Dominion of Canada and or any of its provinces, provided the principal and
3.22 interest is are payable in United States dollars; ~~(c)~~

3.23 (3) any of the states and or any of their municipalities, political subdivisions,
3.24 agencies or instrumentalities; ~~(d) the International Bank for Reconstruction and~~
3.25 Development, the Inter-American Development Bank, the Asian Development Bank, the
3.26 African Development Bank, or and

3.27 (4) any other United States government sponsored organization of which the United
3.28 States is a member, provided if the principal and interest is are payable in United States
3.29 dollars.

3.30 Subd. 3. **Corporate obligations.** (a) The state board ~~may~~ is authorized to invest
3.31 funds in bonds, notes, debentures, transportation equipment obligations, or and any other
3.32 longer term evidences of indebtedness issued or guaranteed by a corporation organized
3.33 under the laws of the United States or any state thereof of the United States, or the
3.34 Dominion of Canada or any Canadian province thereof provided that if:

4.1 (1) the principal and interest of obligations of corporations incorporated or organized
4.2 under the laws of the Dominion of Canada or any Canadian province thereof shall be
4.3 are payable in United States dollars; and

4.4 (2) the obligations shall be are rated among the top four quality categories by a
4.5 nationally recognized rating agency.

4.6 (b) The state board may invest in unrated corporate obligations or in corporate
4.7 obligations that are not rated among the top four quality categories as provided in
4.8 paragraph (a), clause (2), ~~provided that if:~~

4.9 (1) the aggregate value of these obligations ~~may~~ does not exceed five percent of the
4.10 market ~~or book value, whichever is less,~~ of the fund for which the state board is investing;

4.11 (2) the state board's participation is limited to 50 percent of a single offering subject
4.12 to this paragraph; and

4.13 (3) the state board's participation is limited to 25 percent of an issuer's obligations
4.14 subject to this paragraph.

4.15 Subd. 4. **Other obligations.** (a) The state board ~~may~~ is authorized to invest funds in
4.16 ~~bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage~~
4.17 ~~securities and asset backed securities, repurchase agreements and reverse repurchase~~
4.18 ~~agreements, guaranteed investment contracts, savings accounts, and guaranty fund~~
4.19 ~~certificates, surplus notes, or debentures of domestic mutual insurance companies if they~~
4.20 ~~conform to the following provisions:~~

4.21 (1) bankers acceptances and deposit notes ~~of United States banks are limited to those~~
4.22 if issued by banks a United States bank that is rated in the highest four quality categories
4.23 by a nationally recognized rating agency;

4.24 (2) certificates of deposit ~~are limited to those~~ if issued by (i) a United States banks
4.25 ~~and savings institutions that are~~ bank or savings institution that is rated in the top four
4.26 quality categories by a nationally recognized rating agency or whose certificates of deposit
4.27 are fully insured by federal agencies; ~~or (ii) certificates of deposits issued by a credit~~
4.28 ~~unions~~ union in amounts up to an amount within the limit of the insurance coverage
4.29 provided by the National Credit Union Administration;

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

4.33 (4) mortgage securities ~~shall be~~ and asset-backed securities if rated in the top four
4.34 quality categories by a nationally recognized rating agency;

4.35 (5) ~~collateral for~~ repurchase agreements and reverse repurchase agreements ~~is~~
4.36 ~~limited to~~ if collateralized with letters of credit ~~and or~~ securities authorized in this section;

5.1 (6) guaranteed investment contracts ~~are limited to those~~ if issued by an insurance
5.2 ~~companies company or banks a bank that is~~ rated in the top four quality categories by a
5.3 nationally recognized rating agency or to alternative guaranteed investment contracts
5.4 ~~where~~ if the underlying assets comply with the requirements of this section;

5.5 (7) savings accounts ~~are limited to those~~ if fully insured by a federal agencies
5.6 agency; and

5.7 (8) ~~asset backed securities shall be rated in the top four quality categories by a~~
5.8 ~~nationally recognized rating agency guaranty fund certificates, surplus notes, or debentures~~
5.9 if issued by a domestic mutual insurance company.

5.10 (b) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates
5.11 of deposit and collateralization agreements executed by the state board under paragraph
5.12 (a), clause (2).

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

5.27 Subd. 5. **Corporate stocks.** The state board ~~may~~ is authorized to invest funds in
5.28 stocks or convertible issues of any corporation organized under the laws of the United
5.29 States or the any of its states thereof, the Dominion of Canada or any of its provinces, or
5.30 any corporation listed on an exchange that is regulated by an agency of the United States
5.31 or of the Canadian national government, if they conform to the following provisions:

5.32 (a) ~~The aggregate value of corporate stock investments, as adjusted for realized~~
5.33 ~~profits and losses, shall not exceed 85 percent of the market or book value, whichever is~~
5.34 ~~less, of a fund, less the aggregate value of investments according to subdivision 6;~~

5.35 (b) ~~Investments shall~~ An investment in any corporation must not exceed five percent
5.36 of the total outstanding shares of any one that corporation, except that the state board may

6.1 hold up to 20 percent of the shares of a real estate investment trust and up to 20 percent
6.2 of the shares of a closed-end mutual fund.

6.3 Subd. 5a. Asset mix limitations. The aggregate value of investments under
6.4 subdivision 5, plus the aggregate value of all investments under subdivision 6, must not
6.5 exceed 85 percent of the market value of a fund.

6.6 Subd. 6. **Other investments.** (a) In addition to the investments authorized in
6.7 subdivisions 1 to 5, and subject to the provisions in paragraph (b), the state board ~~may~~
6.8 is authorized to invest funds in:

6.9 (1) ~~venture capital~~ equity and debt investment businesses through participation in
6.10 limited partnerships, trusts, private placements, limited liability corporations, limited
6.11 liability companies, limited liability partnerships, and corporations;

6.12 (2) real estate ownership interests or loans secured by mortgages or deeds of trust or
6.13 shares of real estate investment trusts through investment in limited partnerships, ~~bank~~
6.14 ~~sponsored~~ bank-sponsored collective funds, trusts, mortgage participation agreements,
6.15 and insurance company commingled accounts, including separate accounts;

6.16 ~~(3) regional and mutual funds through bank-sponsored collective funds and open-end~~
6.17 ~~investment companies registered under the Federal Investment Company Act of 1940, and~~
6.18 ~~closed-end mutual funds listed on an exchange regulated by a governmental agency;~~

6.19 ~~(4)~~ (3) resource investments through limited partnerships, trusts, private placements,
6.20 limited liability corporations, limited liability companies, limited liability partnerships,
6.21 and corporations; and

6.22 ~~(5)~~ (4) international securities.

6.23 (b) The investments authorized in paragraph (a) must conform to the following
6.24 provisions:

6.25 (1) the aggregate value of all investments made ~~according to~~ under paragraph (a),
6.26 clauses (1) to ~~(4)~~ (3), may not exceed 35 percent of the market value of the fund for
6.27 which the state board is investing;

6.28 (2) there must be at least four unrelated owners of the investment other than the state
6.29 board for investments made under paragraph (a), clause (1), (2), or (3), ~~or~~ (4);

6.30 (3) state board participation in an investment vehicle is limited to 20 percent thereof
6.31 for investments made under paragraph (a), clause (1), (2), or (3), ~~or~~ (4); and

6.32 (4) state board participation in a limited partnership does not include a general
6.33 partnership interest or other interest involving general liability. The state board may not
6.34 engage in any activity as a limited partner which creates general liability.

6.35 (c) All financial, business, or proprietary data collected, created, received, or
6.36 maintained by the state board in connection with investments authorized by paragraph (a),

7.1 clause (1), (2), or ~~(4)~~ (3), are nonpublic data under section 13.02, subdivision 9. As used
7.2 in this paragraph, "financial, business, or proprietary data" means data, as determined by
7.3 the responsible authority for the state board, that is of a financial, business, or proprietary
7.4 nature, the release of which could cause competitive harm to the state board, the legal
7.5 entity in which the state board has invested or has considered an investment, the managing
7.6 entity of an investment, or a portfolio company in which the legal entity holds an interest.
7.7 As used in this section, "business data" is data described in section 13.591, subdivision 1.
7.8 Regardless of whether they could be considered financial, business, or proprietary data, the
7.9 following data received, prepared, used, or retained by the state board in connection with
7.10 investments authorized by paragraph (a), clause (1), (2), or ~~(4)~~ (3), are public at all times:

- 7.11 (1) the name and industry group classification of the legal entity in which the state
7.12 board has invested or in which the state board has considered an investment;
- 7.13 (2) the state board commitment amount, if any;
- 7.14 (3) the funded amount of the state board's commitment to date, if any;
- 7.15 (4) the market value of the investment by the state board;
- 7.16 (5) the state board's internal rate of return for the investment, including expenditures
7.17 and receipts used in the calculation of the investment's internal rate of return; and
- 7.18 (6) the age of the investment in years.

7.19 Subd. 7. **Appropriation.** There is annually appropriated to the state board, from
7.20 the assets of the funds for which the state board invests pursuant relating to authorized
7.21 investments under subdivision 6, clause paragraph (a), sums sufficient to pay the costs for
7.22 the management of these funds assets by private management firms.

7.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.24 Sec. 4. Minnesota Statutes 2010, section 69.77, subdivision 9, is amended to read:

7.25 Subd. 9. **Local police and paid fire relief association investment authority.**

7.26 (a) The funds special fund of the association must be invested in securities that are
7.27 authorized investments under section 356A.06, subdivision 6 or 7, whichever applies.
7.28 ~~Notwithstanding any provision of section 356A.06, subdivision 6 or 7 to the contrary, the~~
7.29 ~~special fund of the relief association may be additionally invested in:~~

7.30 ~~(1) open-end investment companies registered under the federal Investment~~
7.31 ~~Company Act of 1940, if the portfolio investments of the investment companies comply~~
7.32 ~~with the type of securities authorized for investment under section 356A.06, subdivision 7,~~
7.33 ~~up to 75 percent of the market value of the assets of the fund; and~~

7.34 ~~(2) domestic government and corporate debt obligations that are not rated in the top~~
7.35 ~~four quality categories by a nationally recognized rating agency, and comparable unrated~~

8.1 ~~securities if the percentage of these assets does not exceed five percent of the total assets~~
8.2 ~~of the special fund or 15 percent of the special fund's nonequity assets, whichever is less,~~
8.3 ~~the special fund's participation is limited to 50 percent of a single offering of the debt~~
8.4 ~~obligations, and the special fund's participation is limited to 25 percent of an issuer's debt~~
8.5 ~~obligations that are not rated in the top four quality categories. Securities held by the~~
8.6 ~~association before June 2, 1989, that do not meet the requirements of this subdivision may~~
8.7 ~~be retained after that date if they were proper investments for the association on that date.~~

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

8.17 (c) The governing board of the association may certify general fund assets of the
8.18 relief association for investment by the State Board of Investment in fixed income pools
8.19 or in a separately managed account at the discretion of the State Board of Investment
8.20 as provided in section 11A.14.

8.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

8.22 Sec. 5. Minnesota Statutes 2010, section 69.775, is amended to read:

8.23 **69.775 INVESTMENTS.**

8.24 (a) The special fund assets of a relief association governed by sections 69.771 to
8.25 69.776 must be invested in securities that are authorized investments under section
8.26 356A.06, subdivision 6 or 7, whichever applies.

8.27 (b) ~~Notwithstanding the foregoing, up to 75 percent of the market value of the assets~~
8.28 ~~of the special fund, not including any money market mutual funds, may be invested in~~
8.29 ~~open-end investment companies registered under the federal Investment Company Act of~~
8.30 ~~1940, if the portfolio investments of the investment companies comply with the type of~~
8.31 ~~securities authorized for investment under section 356A.06, subdivision 7.~~

8.32 (c) ~~Securities held by the associations before June 2, 1989, that do not meet the~~
8.33 ~~requirements of this section may be retained after that date if they were proper investments~~
8.34 ~~for the association on that date.~~

9.1 ~~(d) The governing board of the association may select and appoint investment~~
9.2 ~~agencies to act for and in its behalf or may certify special fund assets for investment by the~~
9.3 ~~State Board of Investment under section 11A.17.~~

9.4 ~~(e) The governing board of the association may certify general fund assets of the~~
9.5 ~~relief association for investment by the State Board of Investment in fixed income pools~~
9.6 ~~or in a separately managed account at the discretion of the State Board of Investment~~
9.7 ~~as provided in section 11A.14.~~

9.8 ~~(f) (b) The governing board of the association may select and appoint a qualified~~
9.9 ~~private firm to measure management performance and return on investment, and the~~
9.10 ~~firm shall must use the formula or formulas developed by the state board under section~~
9.11 ~~11A.04, clause (11).~~

9.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

9.13 Sec. 6. Minnesota Statutes 2010, section 354A.08, is amended to read:

9.14 **354A.08 AUTHORIZED INVESTMENTS.**

9.15 ~~(a) In addition to investments authorized under section 356A.06, subdivision 7, a~~
9.16 ~~teachers retirement fund association may receive, hold, and dispose of:~~

9.17 ~~(1) real estate or personal property acquired by it, whether the acquisition was by~~
9.18 ~~purchase; or any other lawful means, as provided in this chapter or in the association's~~
9.19 ~~articles of incorporation; and.~~

9.20 ~~(2) domestic government and corporate debt obligations that are not rated in the top~~
9.21 ~~four quality categories by a nationally recognized rating agency, and comparable unrated~~
9.22 ~~securities if the percentage of these assets does not exceed five percent of the total assets~~
9.23 ~~of the pension plan or 15 percent of the pension plan's nonequity assets, whichever is less;~~
9.24 ~~if the pension plan's participation is limited to 50 percent of a single offering of the debt~~
9.25 ~~obligations, and if the pension plan's participation is limited to 25 percent of an issuer's~~
9.26 ~~debt obligations that are not rated in the top four quality categories.~~

9.27 ~~(b) In addition to other authorized real estate investments, an association may also~~
9.28 ~~invest funds in Minnesota-situs nonfarm real estate ownership interests or loans secured~~
9.29 ~~by mortgages or deeds of trust. The board may also certify assets for investment by the~~
9.30 ~~State Board of Investment as provided under section 11A.17.~~

9.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

9.32 Sec. 7. Minnesota Statutes 2010, section 356A.06, subdivision 6, is amended to read:

10.1 Subd. 6. **Limited list of authorized investment securities.** (a) ~~Except to the~~
10.2 ~~extent otherwise authorized by law, Authority. This subdivision specifies the investment~~
10.3 ~~authority for a limited list plan. A limited list plan is a covered pension plan may invest its~~
10.4 ~~assets only in investment securities authorized by this subdivision if the plan that does not:~~

10.5 (1) have assets with a ~~book~~ market value in excess of \$1,000,000;

10.6 (2) use the services of an investment advisor registered with the Securities and
10.7 Exchange Commission in accordance with the Investment Advisers Act of 1940, or
10.8 registered as an investment advisor in accordance with sections 80A.58, and 80A.60, for
10.9 the investment of at least 60 percent of its assets, calculated on ~~book~~ market value;

10.10 (3) use the services of the State Board of Investment for the investment of at least 60
10.11 percent of its assets, calculated on ~~book~~ market value; or

10.12 (4) use a combination of the services of an investment advisor meeting the
10.13 requirements of clause (2) and the services of the State Board of Investment for the
10.14 investment of at least 75 percent of its assets, calculated on ~~book~~ market value.

10.15 (b) Investment agency appointment authority. ~~securities authorized for The~~
10.16 ~~governing board of a covered pension plan covered by this subdivision are: may select~~
10.17 ~~and appoint investment agencies to act for or on its behalf.~~

10.18 (c) Savings accounts; similar vehicles. A limited list plan is authorized to invest in:

10.19 (1) certificates of deposit issued, to the extent of available insurance or
10.20 collateralization, by a financial institution that is a member of the Federal Deposit
10.21 Insurance Corporation or the Federal Savings and Loan Insurance Corporation, that is
10.22 insured by the National Credit Union Administration, or that is authorized to do business
10.23 in this state and has deposited with the chief administrative officer of the plan a sufficient
10.24 amount of marketable securities as collateral in accordance with section 118A.03;

10.25 (2) guaranteed investment contracts, limited to those issued by insurance companies
10.26 or banks rated in the top four quality categories by a nationally-recognized rating agency
10.27 or to alternative guaranteed investment contracts where the underlying assets comply
10.28 with the requirements of this paragraph; and

10.29 (3) savings accounts, to the extent of available insurance, with a financial institution
10.30 that is a member of the Federal Deposit Insurance Corporation or the Federal Savings and
10.31 Loan Insurance Corporation; limited to those fully insured by federal agencies.

10.32 (3) (d) Government-backed obligations. A limited list plan is authorized to invest
10.33 in governmental obligations as further specified in this paragraph, including bonds, notes,
10.34 bills, or other fixed obligations, issued by the United States, an agency or instrumentality
10.35 of the United States, an organization established and regulated by an act of Congress or by
10.36 a state, state agency or instrumentality, municipality, or other governmental or political

11.1 ~~subdivision that mortgages, and other evidences of indebtedness, if the issue is backed~~
11.2 ~~by the full faith and credit of the issuer or if the issue is rated among the top four quality~~
11.3 ~~rating categories by a nationally-recognized rating agency. The obligations in which plans~~
11.4 ~~are authorized to invest under this paragraph are guaranteed or insured issues of:~~

11.5 ~~(i) for the obligation in question, issues an obligation that equals or exceeds the~~
11.6 ~~stated investment yield of debt securities not exempt from federal income taxation and of~~
11.7 ~~comparable quality;~~

11.8 ~~(ii) for an obligation that is a revenue bond, has been completely self-supporting~~
11.9 ~~for the last five years; and~~

11.10 ~~(iii) for an obligation other than a revenue bond, has issued an obligation backed by~~
11.11 ~~the full faith and credit of the applicable taxing jurisdiction and has not been in default on~~
11.12 ~~the payment of principal or interest on the obligation in question or any other nonrevenue~~
11.13 ~~bond obligation during the preceding ten years;~~

11.14 ~~(1) the United States, one of its agencies, one of its instrumentalities, or an~~
11.15 ~~organization created and regulated by an act of Congress;~~

11.16 ~~(2) the Dominion of Canada or one of its provinces if the principal and interest are~~
11.17 ~~payable in United States dollars;~~

11.18 ~~(3) a state or one of its municipalities, political subdivisions, agencies, or~~
11.19 ~~instrumentalities; or~~

11.20 ~~(4) any United States government-sponsored organization of which the United States~~
11.21 ~~is a member if the principal and interest are payable in United States dollars.~~

11.22 ~~(4) (e) **Corporate obligations.** A limited list plan is authorized to invest in corporate~~
11.23 ~~obligations, including bonds, notes, debentures, or other regularly issued and readily~~
11.24 ~~marketable evidences of indebtedness issued by a corporation organized under the laws~~
11.25 ~~of any state that during the preceding five years has had on average annual net pretax~~
11.26 ~~earnings at least 50 percent greater than the annual interest charges and principal payments~~
11.27 ~~on the total issued debt of the corporation during that period and that, for the obligation~~
11.28 ~~in question, has issued an obligation rated in one of the top three quality categories by~~
11.29 ~~Moody's Investors Service, Incorporated, or Standard and Poor's Corporation; and~~

11.30 ~~(5) shares in an open-end investment company registered under the federal~~
11.31 ~~Investment Company Act of 1940, if the portfolio investments of the company are limited~~
11.32 ~~to investments that meet the requirements of clauses (1) to (4). transportation equipment~~
11.33 ~~obligations, or any other longer-term evidences of indebtedness issued or guaranteed by~~
11.34 ~~a corporation organized under the laws of the United States or any of its states, or the~~
11.35 ~~Dominion of Canada or any of its provinces if:~~

11.36 ~~(1) the principal and interest are payable in United States dollars; and~~

12.1 (2) the obligations are rated among the top four quality categories by a
12.2 nationally-recognized rating agency.

12.3 (f) Mutual fund authority, limited list authorized assets. Securities authorized
12.4 under paragraphs (c) to (e) may be owned directly or through shares in exchange-traded
12.5 funds, or through open-end mutual funds, or as units of commingled trusts.

12.6 (g) Extended mutual fund authority. Notwithstanding restrictions in other
12.7 paragraphs of this subdivision, a limited list plan is authorized to invest the assets of
12.8 the special fund in exchange-traded funds and open-end mutual funds, if their portfolio
12.9 investments comply with the type of securities authorized for investment under section
12.10 356A.06, subdivision 7, paragraphs (c) to (g). Investments under this paragraph must not
12.11 exceed 75 percent of the assets of the special fund, not including any money market
12.12 investments through mutual or exchange-traded funds.

12.13 (h) Supplemental fund authority. The governing body of a limited list plan may
12.14 certify special fund assets to the State Board of Investment for investment under section
12.15 11A.17.

12.16 (i) Assets mix restrictions. A limited list plan must conform to the asset mix
12.17 limitations specified in section 356A.06, subdivision 7.

12.18 EFFECTIVE DATE. This section is effective the day following final enactment.

12.19 Sec. 8. Minnesota Statutes 2010, section 356A.06, subdivision 7, is amended to read:

12.20 Subd. 7. **Expanded list of authorized investment securities.** (a) **Authority.**

12.21 ~~Except to the extent otherwise authorized by law, A covered pension plan not described by~~
12.22 ~~subdivision 6, paragraph (a), is an expanded list plan and shall invest its assets only in~~
12.23 ~~accordance with~~ as specified in this subdivision. The governing board of an expanded list
12.24 plan may select and appoint investment agencies to act for or on its behalf.

12.25 ~~(b) Securities generally; investment forms. The covered pension~~ An expanded list
12.26 ~~plan has the authority~~ is authorized to purchase, sell, lend, or and exchange the investment
12.27 ~~securities specified in paragraphs (e) to (i) authorized under this subdivision, including~~
12.28 ~~puts and call options and future contracts traded on a contract market regulated by a~~
12.29 ~~governmental agency or by a financial institution regulated by a governmental agency.~~
12.30 ~~These securities may be owned~~ directly or through shares in exchange-traded or mutual
12.31 funds, or as units in commingled trusts that own the securities described in paragraphs (e)
12.32 to (i), including real estate investment trusts and insurance company commingled accounts,
12.33 including separate accounts, subject to any limitations specified in this subdivision.

12.34 ~~(c) Government obligations. The covered pension~~ An expanded list plan may
12.35 is authorized to invest funds in governmental bonds, notes, bills, mortgages, and other

13.1 evidences of indebtedness if the issue is backed by the full faith and credit of the issuer or
13.2 the issue is rated among the top four quality rating categories by a nationally recognized
13.3 rating agency. The obligations in which funds may be invested under this paragraph
13.4 include are guaranteed or insured issues of:

13.5 (1) the United States, one of its agencies, one of its instrumentalities, or organizations
13.6 an organization created and regulated by an act of Congress;

13.7 (2) the Dominion of Canada and or one of its provinces, provided if the principal
13.8 and interest is are payable in United States dollars;

13.9 (3) ~~the states and their~~ a state or one of its municipalities, political subdivisions,
13.10 agencies, or instrumentalities; and

13.11 (4) ~~the International Bank for Reconstruction and Development, the Inter-American~~
13.12 ~~Development Bank, the Asian Development Bank, the African Development Bank, or~~
13.13 ~~any other~~ a United States government-sponsored government-sponsored organization of
13.14 which the United States is a member, ~~provided if~~ the principal and interest is are payable
13.15 in United States dollars.

13.16 (d) Investment-grade corporate obligations. ~~The covered pension~~ An expanded
13.17 list plan may is authorized to invest funds in bonds, notes, debentures, transportation
13.18 equipment obligations, or any other longer term evidences of indebtedness issued or
13.19 guaranteed by a corporation organized under the laws of the United States or any state
13.20 ~~thereof~~ of its states, or the Dominion of Canada or any province thereof of its provinces if
13.21 ~~they conform to the following provisions:~~

13.22 (1) the principal and interest ~~of obligations of corporations incorporated or organized~~
13.23 ~~under the laws of the Dominion of Canada or any province thereof must be~~ are payable in
13.24 United States dollars; and

13.25 (2) the obligations must be are rated among the top four quality categories by a
13.26 nationally recognized rating agency.

13.27 (e) Below-investment-grade corporate obligations. An expanded list plan is
13.28 authorized to invest in unrated corporate obligations or in corporate obligations that are
13.29 not rated among the top four quality categories by a nationally recognized rating agency if:

13.30 (1) the aggregate value of these obligations does not exceed five percent of the
13.31 covered pension plan's market value;

13.32 (2) the covered pension plan's participation is limited to 50 percent of a single
13.33 offering subject to this paragraph; and

13.34 (3) the covered pension plan's participation is limited to 25 percent of an issuer's
13.35 obligations subject to this paragraph.

14.1 ~~(e)~~ (f) Other obligations. (1) ~~The covered pension~~ An expanded list plan may is
14.2 authorized to invest funds in bankers acceptances, certificates of deposit, deposit notes,
14.3 commercial paper, mortgage participation certificates and pools, asset backed securities,
14.4 repurchase agreements and reverse repurchase agreements, guaranteed investment
14.5 contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of
14.6 domestic mutual insurance companies if they conform to the following provisions:

14.7 (i) ~~bankers acceptances and deposit notes of United States banks are limited to those~~
14.8 if issued by banks a United States bank that is rated in the highest four quality categories
14.9 by a nationally recognized rating agency;

14.10 (ii) ~~certificates of deposit are limited to those if issued by (A) a United States~~
14.11 banks and bank or savings institutions that are institution rated in the highest four quality
14.12 categories by a nationally recognized rating agency or whose certificates of deposit are
14.13 fully insured by federal agencies; ~~or (B) if issued by a credit unions union in amounts~~
14.14 up to an amount within the limit of the insurance coverage provided by the National
14.15 Credit Union Administration;

14.16 (iii) ~~commercial paper is limited to those if issued by a United States corporations~~
14.17 corporation or their its Canadian subsidiaries subsidiary and if rated in the highest two
14.18 quality categories by a nationally recognized rating agency;

14.19 (iv) ~~mortgage participation or pass-through certificates evidencing interests in pools~~
14.20 of first mortgages or trust deeds on improved real estate located in the United States where
14.21 the loan to value ratio for each loan as calculated in accordance with section 61A.28,
14.22 subdivision 3, does not exceed 80 percent for fully amortizable residential properties and
14.23 in all other respects meets the requirements of section 61A.28, subdivision 3 securities
14.24 and asset-backed securities if rated in the top four quality categories by a nationally
14.25 recognized rating agency;

14.26 (v) ~~collateral for repurchase agreements and reverse repurchase agreements is~~
14.27 limited to if collateralized with letters of credit and or securities authorized in this section;

14.28 (vi) ~~guaranteed investment contracts are limited to those if issued by an insurance~~
14.29 companies company or banks a bank that is rated in the top four quality categories by a
14.30 nationally recognized rating agency or ~~to alternative guaranteed investment contracts~~
14.31 where if the underlying assets comply with the requirements of this subdivision;

14.32 (vii) ~~savings accounts are limited to those if fully insured by a federal agencies~~
14.33 agency; and

14.34 (viii) ~~asset backed securities must be rated in the top four quality categories by a~~
14.35 nationally recognized rating agency guaranty fund certificates, surplus notes, or debentures
14.36 if issued by a domestic mutual insurance company.

15.1 (2) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates
15.2 of deposit and collateralization agreements executed by the covered pension plan under
15.3 clause (1), item (ii).

15.4 (3) In addition to investments authorized by clause (1), item (iv), ~~the covered pension~~
15.5 an expanded list plan may is authorized to purchase from the Minnesota Housing Finance
15.6 Agency all or any part of a pool of residential mortgages, not in default, that has previously
15.7 been financed by the issuance of bonds or notes of the agency. The covered pension plan
15.8 may also enter into a commitment with the agency, at the time of any issue of bonds or
15.9 notes, to purchase at a specified future date, not exceeding 12 years from the date of the
15.10 issue, the amount of mortgage loans then outstanding and not in default that have been
15.11 made or purchased from the proceeds of the bonds or notes. The covered pension plan may
15.12 charge reasonable fees for any such commitment and may agree to purchase the mortgage
15.13 loans at a price sufficient to produce a yield to the covered pension plan comparable, in
15.14 its judgment, to the yield available on similar mortgage loans at the date of the bonds or
15.15 notes. The covered pension plan may also enter into agreements with the agency for the
15.16 investment of any portion of the funds of the agency. The agreement must cover the period
15.17 of the investment, withdrawal privileges, and any guaranteed rate of return.

15.18 ~~(f)~~ (g) Corporate stocks. ~~The covered pension~~ An expanded list plan may is
15.19 authorized to invest funds in stocks or convertible issues of any corporation organized
15.20 under the laws of the United States or the any of its states thereof, any corporation
15.21 organized under the laws of the Dominion of Canada or any of its provinces, or any
15.22 corporation listed on an exchange that is regulated by an agency of the United States or of
15.23 the Canadian national government; if they conform to the following provisions:

15.24 ~~(1) the aggregate value of investments under this paragraph, plus paragraphs (g) and~~
15.25 ~~(k), plus equity investments under paragraphs (h), (i), and (j), as adjusted for realized~~
15.26 ~~gains and losses, must not exceed 85 percent of the market or book value, whichever is~~
15.27 ~~less, of a fund; and~~

15.28 ~~(2) investments~~ An investment in any corporation must not exceed five percent of
15.29 the total outstanding shares of any one that corporation, except that an expanded list plan
15.30 may hold up to 20 percent of the shares of a real estate investment trust and up to 20
15.31 percent of the shares of a closed mutual fund.

15.32 ~~(g) Developed market foreign stocks investments.~~ In addition to investments
15.33 authorized under paragraph (f), ~~the covered pension fund may invest in foreign stock sold~~
15.34 ~~on an exchange in any developed market country that is included in the Europe, Australia,~~
15.35 ~~and Far East Index.~~

16.1 ~~(h) **Commingled or mutual investments.** The covered pension plan may invest~~
16.2 ~~in index funds or mutual funds, including index mutual funds, through bank-sponsored~~
16.3 ~~collective funds and shares of open-end investment companies registered under the~~
16.4 ~~Federal Investment Company Act of 1940, to the extent that these funds comply with~~
16.5 ~~paragraphs (c) to (j).~~

16.6 ~~(i) **Real estate investment trust; related investments.** The covered pension plan~~
16.7 ~~may invest in real estate investment trusts secured by mortgages or deeds of trust and~~
16.8 ~~sold on an exchange, and insurance company commingled accounts, including separate~~
16.9 ~~accounts, of a debt or equity nature.~~

16.10 ~~(j) **Exchange traded funds.** The covered pension plan may invest funds in exchange~~
16.11 ~~traded funds, subject to the maximums, the requirements, and the limitations set forth in~~
16.12 ~~paragraphs (c) to (i), as applicable.~~

16.13 ~~(k) (h) **Other investments.** (1) In addition to the investments authorized in~~
16.14 ~~paragraphs (b) to (j) (g), and subject to the provisions in clause (2), the covered pension~~
16.15 ~~an expanded list plan may is authorized to invest funds in:~~

16.16 ~~(i) venture capital equity and debt investment businesses through participation in~~
16.17 ~~limited partnerships, trusts, private placements, limited liability corporations, limited~~
16.18 ~~liability companies, limited liability partnerships, and corporations;~~

16.19 ~~(ii) real estate ownership interests or loans secured by mortgages or deeds of trust or~~
16.20 ~~shares of real estate investment trusts, through investment in limited partnerships or bank~~
16.21 ~~sponsored, bank-sponsored collective funds, trusts, mortgage participation agreements,~~
16.22 ~~and insurance company commingled accounts, including separate accounts;~~

16.23 ~~(iii) regional and mutual funds through bank sponsored collective funds and~~
16.24 ~~open-end investment companies registered under the Federal Investment Company Act of~~
16.25 ~~1940 to the extent that a fund or a portion of a fund does not qualify under paragraph (h);~~

16.26 ~~(iv) (iii) resource investments through limited partnerships, trusts, private~~
16.27 ~~placements, limited liability corporations, limited liability companies, limited liability~~
16.28 ~~partnerships, and corporations; and~~

16.29 ~~(v) (iv) international debt securities and emerging market equity securities.~~

16.30 (2) The investments authorized in clause (1) must conform to the following
16.31 provisions:

16.32 (i) the aggregate value of all investments made ~~according to~~ under clause (1),
16.33 ~~including allocated amounts of index and mutual funds~~ items (i), (ii), and (iii), may not
16.34 exceed ~~20~~ 35 percent of the market value of the fund for which the covered pension
16.35 expanded list plan is investing;

17.1 (ii) there must be at least four unrelated owners of the investment other than the
17.2 ~~covered pension~~ expanded list plan for investments made under clause (1), item (i), (ii),
17.3 or (iii), or (iv);

17.4 (iii) ~~covered pension plan~~ the expanded list plan's participation in an investment
17.5 vehicle is limited to 20 percent thereof for investments made under clause (1), item (i),
17.6 (ii), or (iii), or (iv); and

17.7 (iv) ~~covered pension plan~~ the expanded list plan's participation in a limited
17.8 partnership does not include a general partnership interest or other interest involving
17.9 general liability. The ~~covered pension~~ expanded list plan may not engage in any activity
17.10 as a limited partner which creates general liability; and

17.11 (v) for volunteer firefighter relief associations, emerging market equity and
17.12 international debt investments authorized under clause (1), item (iv), must not exceed 15
17.13 percent of the association's special fund market value.

17.14 (i) Supplemental plan investments. The governing body of an expanded list plan
17.15 may certify assets to the State Board of Investment for investment under section 11A.17.

17.16 (j) Asset mix limitations. The aggregate value of an expanded list plan's
17.17 investments under paragraphs (g) and (h) and equity investments under paragraph (i),
17.18 regardless of the form in which these investments are held, must not exceed 85 percent of
17.19 the covered plan's market value.

17.20 EFFECTIVE DATE. This section is effective the day following final enactment.

17.21 **Sec. 9. INVESTMENT AUTHORITY TRANSITION PROVISION.**

17.22 If any investment by the State Board of Investment or any covered pension plan fund
17.23 was an authorized investment under law in effect immediately before the effective date
17.24 of applicable sections of this act, but is not authorized by this act, the applicable assets
17.25 must be liquidated before June 30, 2013.

17.26 EFFECTIVE DATE. This section is effective the day following final enactment.