

Sec. 3. Minnesota Statutes 1986, section 617.296, is amended by adding a subdivision to read:

Subd. 1a. PENALTY FOR DISPLAY OF HARMFUL MATERIALS. A violation of section 617.293, subdivision 2, is a misdemeanor.

Sec. 4. EFFECTIVE DATE.

Sections 1 to 3 are effective August 1, 1988, and apply to crimes committed on or after that date.

Approved April 6, 1988

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#### CHAPTER 453—H.F.No. 1806

*An act relating to state agencies; amending and repealing various statutes administered by the state board of investments; amending Minnesota Statutes 1986, sections 11A.17, subdivisions 1, 4, 9, 11, and 14; 11A.19, subdivision 4; and 352D.04, subdivision 1; Minnesota Statutes 1987 Supplement, sections 11A.24, subdivisions 4 and 6; 136.81, subdivision 3; and 353D.05, subdivision 2; repealing Minnesota Statutes 1986, section 11A.17, subdivisions 12 and 13.*

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

Section 1. Minnesota Statutes 1986, section 11A.17, subdivision 1, is amended to read:

Subdivision 1. ~~ESTABLISHMENT PURPOSE.~~ There is hereby established a The purpose of the supplemental investment fund for the purpose of providing is to provide an investment vehicle for the assets of various public retirement plans and funds. This The fund shall consist consists of seven six investment accounts: an income share account, a growth share account, a bond account, a money market account, a guaranteed return account, a bond market account, and a common stock index account. The supplemental investment fund shall be is a continuation of the supplemental retirement fund in existence on January 1, 1980.

Sec. 2. Minnesota Statutes 1986, section 11A.17, subdivision 4, is amended to read:

Subd. 4. INVESTMENT. The assets of the supplemental investment fund ~~shall must~~ be invested by the state board subject to ~~the provisions of~~ section 11A.24; provided, however, that:

(1) the bond market account and the ~~bond~~ money market account ~~shall must~~ be invested entirely in debt obligations;

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(2) the growth share account and the common stock index account may be invested entirely in corporate stocks; and

~~(2)~~ (3) the guaranteed return account may be invested entirely in guaranteed investment contracts; and

~~(3)~~ the money market account shall be invested entirely in debt obligations maturing within three years.

Sec. 3. Minnesota Statutes 1986, section 11A.17, subdivision 9, is amended to read:

Subd. 9. **VALUATION OF INVESTMENT SHARES.** The value of investment shares in the income share account, the growth share account, the bond market account, and the common stock index account ~~shall~~ must be determined by dividing the total market value of the securities constituting the respective account by the total number of shares then outstanding in the investment account. The value of investment shares in the money market account and the guaranteed return account ~~shall be~~ is \$1 per a share. ~~The value of investment shares in the bond account shall be \$5 per share; provided, however, if the account shares are redeemed by a public retirement fund prior to the expiration of the multiyear period set by the board for the payment of the applicable assumed rate, the value of the investment shares shall be at market value.~~ Terms as to withdrawal schedules will be agreed upon by the public retirement fund and the state board.

Sec. 4. Minnesota Statutes 1986, section 11A.17, subdivision 11, is amended to read:

Subd. 11. **PROSPECTUS.** Annually, ~~on or before July 1~~ by July 2, the state board shall prepare and shall issue a prospectus for the supplemental investment fund with separate exhibits for each investment account. The exhibit for each account ~~shall list for~~ must include its investment objectives, asset allocation, and past investment performance. Upon request, the board shall provide a list of each security representing the current assets of the account in the fund and show the following items, whichever are applicable:

- (1) The purchase price of the security;
- (2) The current market value of the security;
- (3) The current dividend or interest rate of the security;

(4) The rating of a debt security issued by a nationally recognized rating agency if it is other than a security issued or guaranteed by the United States government.

~~The prospectus shall set forth the statutory provisions governing the supplemental investment fund.~~

The state board shall transmit sufficient copies of the prospectus ~~shall be~~

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~~transmitted~~ to each public retirement plan or fund participating in the supplemental investment account to meet the plan or fund's distribution requirements. Ten copies of the prospectus ~~shall~~ must be filed with the director of the legislative reference library.

Sec. 5. Minnesota Statutes 1986, section 11A.17, subdivision 14, is amended to read:

Subd. 14. **PROCEDURES FOR DISTRIBUTION OF INCOME FOR MONEY MARKET ACCOUNT, ~~BOND ACCOUNT,~~ AND GUARANTEED RETURN ACCOUNT.** At the end of each fiscal year, and ~~as often as at other times~~ that the state board ~~shall in addition might~~ might determine appropriate, the state board shall determine the earnings of the money market account; and the guaranteed return account; ~~and the bond account.~~ ~~Notwithstanding the provisions of section 11A.12,~~ The earnings ~~shall~~ must be used to purchase additional shares in the respective accounts on behalf of each participating public retirement plan or fund.

Sec. 6. Minnesota Statutes 1986, section 11A.19, subdivision 4, is amended to read:

Subd. 4. **INVESTMENT.** The assets of the variable annuity investment fund ~~shall~~ must be invested by the state board subject to ~~the provisions of~~ section 11A.24 except that:

(~~a~~) (1) up to 100 percent of the book value may be invested in corporate stocks;

(~~b~~) (2) up to six percent of the book value may be invested in the stock of any one corporation;

(~~c~~) ~~Up to ten percent of the book value may be invested in corporate stocks which do not conform with the dividend standard provided for in section 11A.24, subdivision 5.~~

Sec. 7. Minnesota Statutes 1987 Supplement, section 11A.24, subdivision 4, is amended to read:

Subd. 4. **OTHER OBLIGATIONS.** (a) The state board may invest funds in bankers acceptances, certificates of deposit, commercial paper, mortgage participation certificates and pools, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies if they conform to the following provisions:

(~~a~~) (1) bankers acceptances of United States banks ~~shall be~~ are limited to those issued by banks rated in the highest four quality categories by a nationally recognized rating agency;

(~~b~~) (2) certificates of deposit ~~shall be~~ are limited to those issued by United

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States banks and savings institutions that are rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation: ~~Sections 16A.58 and 16B.06 do not apply to certifications of deposit and collateralization agreements executed by the state board;~~

(e) ~~(3)~~ commercial paper ~~shall be~~ is limited to those issued by United States corporations or their Canadian subsidiaries and ~~shall be~~ rated in the highest two quality categories by a nationally recognized rating agency;

~~(d)~~ ~~(4)~~ mortgage participation or pass through certificates evidencing interests in pools of first mortgages or trust deeds on improved real estate located in the United States where the loan to value ratio for each loan as calculated in accordance with section 61A.28, subdivision 3, does not exceed 80 percent for fully amortizable residential properties and in all other respects meets the requirements of section 61A.28, subdivision 3: ~~In addition, the state board may purchase from the Minnesota housing finance agency all or any part of any pool of residential mortgages, not in default, which has previously been financed by the issuance of bonds or notes of the agency. The state board may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default, which have been made or purchased from the proceeds of the bonds or notes. The state board may charge reasonable fees for any such commitment, and may agree to purchase the mortgage loans at a price such that the yield thereon to the state board will, in its judgment, be comparable to that available on similar mortgage loans at the date of the bonds or notes. The state board may also enter into agreements with the agency for the investment of any portion of the funds of the agency for such period, with such withdrawal privileges, and at such guaranteed rate of return, if any, as may be agreed between the state board and the agency;~~

(e) ~~(5)~~ collateral for repurchase agreements and reverse repurchase agreements ~~shall be~~ is limited to letters of credit and securities authorized in this section;

(f) ~~(6)~~ guaranteed investment contracts ~~shall be~~ are limited to those issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency;

(g) ~~(7)~~ savings accounts ~~shall be~~ are limited to those fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

(b) Sections 16A.58 and 16B.06 do not apply to certifications of deposit and collateralization agreements executed by the state board under paragraph (a), clause (2).

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

Sec. 8. Minnesota Statutes 1987 Supplement, section 11A.24, subdivision 6, is amended to read:

Subd. 6. **OTHER INVESTMENTS.** (a) In addition to the investments authorized in subdivisions 1 to 5, and subject to the provisions in clause (b), the state board may invest funds in:

(1) Venture capital investment businesses through participation in limited partnerships and corporations;

(2) Real estate ownership interests or loans secured by mortgages or deeds of trust through investment in limited partnerships, bank sponsored collective funds, trusts, and insurance company commingled accounts, including separate accounts;

(3) Regional and mutual funds through bank sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940;

(4) Resource investments through limited partnerships, private placements and corporations; ~~and~~

(5) Debt obligations not subject to subdivision 3; and

(6) International securities.

(b) The investments authorized in clause (a) ~~may only be made if they must~~ conform to the following provisions:

(1) The aggregate value of all investments made according to clause (a) ~~shall~~ may not exceed 35 percent of the market value of the fund for which the state board is investing;

(2) There ~~shall~~ must be at least four unrelated owners of the investment

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other than the state board for investments made under paragraph (a), clause (1), (2), (3), or (4);

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

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

Sec. 9. Minnesota Statutes 1987 Supplement, section 136.81, subdivision 3, is amended to read:

Subd. 3. (a) Each person described in section 136.80, subdivision 1, may elect to purchase shares in one or a combination of the income share account, the growth share account, the money market account, the bond market account, the guaranteed return account, or the common stock index account established in section 11A.17. The person may elect to participate in one or more of the investment accounts in the fund by specifying, on a form provided by the executive director of the teachers retirement fund, the percentage of salary deductions and state matching funds to be used to purchase shares in each of the accounts.

(b) Twice in any calendar year, ~~each~~ a person described in section 136.80, subdivision 1, may indicate in writing on forms provided by the teachers retirement association a choice of options for subsequent purchases of shares. After a choice is made, and until a different written indication is made, the executive director shall purchase shares in the supplemental fund as selected. A change in choice of investment ~~option~~ options is effective ~~no later than the first pay date that occurs 30 or more days after~~ the first of the month following receipt of the request for a change.

(c) One month before the start of a new guaranteed investment contract, a person described in section 136.80, subdivision 1, may elect to transfer all or a portion of the participant's shares previously purchased in the income share, growth share, common stock index, bond market, or money market accounts to the new guaranteed investment contract in the guaranteed return account. If a partial transfer is made, a minimum of \$1,000 must be transferred and a minimum balance of \$1,000 must remain in the previously selected investment options. Upon expiration of a guaranteed investment contract, the participant's shares attributable to that contract must be transferred to a new guaranteed investment contract unless the executive director is otherwise directed by the participant. Shares in the guaranteed return account may not be withdrawn from the fund or transferred to another account until the guaranteed investment contract has expired, unless the participant qualifies for redemption of shares under section 136.82, subdivisions 1 and 2.

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(d) Twice in any calendar year a person described in section 136.80, subdivision 1, may also change the investment options selected for all or a portion of the person's shares previously purchased in accounts other than the guaranteed return account. If a partial transfer is made, a minimum of \$1,000 must be transferred and a minimum balance of \$1,000 must remain in the previously selected investment option. Before January 1, 1989, a change is restricted to a transfer from one or more accounts to a single account. Changes in investment options for the person's shares must be effected the first of the month following the receipt of a request for a change or as soon as cash flow to an account practically permits ~~but not provided all changes are made no~~ later than six months after the ~~requested change receipt of a request~~.

(e) If a person fails to indicate a choice as provided ~~herein~~ in this section, the executive director of the teachers retirement fund shall purchase shares in the income account of the Minnesota supplemental ~~retirement~~ investment fund ~~for the coming year until a different written indication is made by the person~~. The shares ~~so~~ purchased ~~shall~~ must stand in the name of the board of trustees of the teachers retirement fund, but a record ~~shall~~ must be kept indicating the number of shares in each account of the Minnesota supplemental ~~retirement investment~~ fund purchased with the salary deductions and state matching funds attributable to the salary deductions of each person. The record ~~shall be~~ is known as the "employee's share account record." The employee's share account record ~~shall~~ must show, in addition to the number of shares ~~therein~~ in the account, any cash balance of salary deductions or state matching funds attributable to those deductions ~~which that~~ stands uninvested in shares.

Sec. 10. Minnesota Statutes 1986, section 352D.04, subdivision 1, is amended to read:

Subdivision 1. (a) An employee exercising an option to participate in the retirement program provided by this chapter may elect to purchase shares in one or a combination of the income share account, the growth share account, the money market account, the bond market account, the guaranteed return account, or the common stock index account established in section 11A.17. The employee may elect to participate in one or more of the investment accounts in the fund by specifying, on a form provided by the executive director, the percentage of the employee's contributions provided in subdivision 2 to be used to purchase shares in each of the accounts.

(b) Twice in any calendar year, ~~each~~ a participant may indicate in writing on forms provided by the Minnesota state retirement system a choice of options for subsequent purchases of shares. ~~Thereafter~~ Until a different written indication is made by ~~such~~ the participant, the executive director shall purchase shares in the supplemental fund as selected by the participant. If no initial option is chosen, 100 percent income shares ~~shall~~ must be purchased for a participant. A change in choice of investment option ~~shall be~~ is effective no later than the first pay date first occurring after 30 days following the receipt of the request for a change.

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(c) One month before the start of a new guaranteed investment contract, a participant or former participant may elect to transfer all or a portion of the participant's shares previously purchased in the income share, growth share, common stock index, bond market, or money market accounts to the new guaranteed investment contract in the guaranteed return account. If a partial transfer is made, a minimum of \$1,000 must be transferred and a minimum balance of \$1,000 must remain in the previously selected investment options. Upon expiration of a guaranteed investment contract, the participant's shares attributable to that contract must be transferred to a new guaranteed investment contract unless the executive director is otherwise directed by the participant. Shares in the guaranteed return account may not be withdrawn from the fund or transferred to another account until the guaranteed investment contract has expired, unless the participant qualifies for withdrawal under section 352D.05 or for benefit payments under sections 352D.06 to 352D.075.

(d) Twice in any calendar year a participant or former participant may also change the investment options selected for all or a portion of the participant's shares previously purchased in accounts other than the guaranteed return account. However, if a partial transfer is made a minimum of \$1,000 must be transferred and a minimum balance of \$1,000 must remain in the previously selected investment option. ~~A change is restricted to a transfer from one or more accounts to a single account.~~ Changes in investment options for the participant's shares ~~shall~~ must be effected as soon as cash flow to an account practically permits, but not later than six months after the requested change.

Sec. 11. Minnesota Statutes 1987 Supplement, section 353D.05, subdivision 2, is amended to read:

Subd. 2. **INVESTMENT OPTIONS.** (a) An individual participant may elect to purchase shares in the income share account, the growth share account, the money market account, the bond market account, the guaranteed return account, or the common stock index account established by section 11A.17, or a combination of those accounts. The participant may elect to purchase shares in a combination of those accounts by specifying the percentage of contributions to be used to purchase shares in each of the accounts.

(b) Twice in a calendar year, a participant may indicate in writing a choice of options for subsequent purchases of shares. ~~Thereafter,~~ Until the participant makes a different written indication, the executive director of the association shall purchase shares in the supplemental investment fund or funds specified by the participant. If no initial option is indicated by a participant, the executive director shall invest all contributions made by or on behalf of a participant in the income share account. A choice of investment options is effective no later than the first pay date first occurring more than 30 days after receipt of the written choice of options.

(c) One month before the start of a new guaranteed investment contract, a participant may elect to transfer all or a portion of the participant's shares previously purchased in the income share, growth share, common stock index, bond market, or money market accounts to the new guaranteed investment contract in the guaranteed return account. If a partial transfer is made, a minimum of \$500 must be transferred and a minimum balance of \$500 must remain in the previously selected investment options. Upon expiration of a

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guaranteed investment contract, the participant's shares attributable to that contract must be transferred to a new guaranteed investment contract unless the executive director is otherwise directed by the participant. Shares in the guaranteed return account may not be withdrawn from the fund or transferred to another account until the guaranteed investment contract has expired, unless the participant qualifies for a benefit payment under section 353D.07.

(d) Twice in a calendar year, a participant or former participant may also change the investment options selected for all or a portion of the individual's previously purchased shares in accounts other than the guaranteed return account. If a partial transfer of previously purchased shares is selected, a minimum of \$500 must be transferred and a minimum balance of \$500 must remain in the previously selected investment option. ~~A change may be made only from one account or a combination of accounts to a single account.~~ A change under this paragraph is effective as soon as cash flow to an account permits, but not later than six months from the requested change.

Sec. 12. **REPEALER.**

Minnesota Statutes 1986, section 11A.17, subdivisions 12 and 13, are repealed.

Sec. 13. **EFFECTIVE DATES.**

Sections 1 to 8 and 12 are effective the day following final enactment. Section 9 is effective the day following final enactment except that contributions or transfers to the guaranteed return account may not be made before November 1, 1989. Sections 10 and 11 are effective the day following final enactment except that contributions or transfers to the guaranteed return account may not be made before November 1, 1988.

Approved April 6, 1988

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**CHAPTER 454—H.F.No. 1867**

*An act relating to Washington county; repealing a provision for county board expenses; repealing Laws 1965, chapter 524, as amended.*

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

Section 1. **REPEAL.**

Laws 1965, chapter 524, as amended by Laws 1967, chapter 813, section 2, is repealed.

Sec. 2. **LOCAL APPROVAL.**

This act takes effect the day after the Washington county board complies with Minnesota Statutes, section 645.021, subdivision 3.

Approved April 6, 1988

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