

1.1 moves to amend H.F. No. 4074 as follows:

1.2 Page 1, after line 15, insert:

1.3 "Section 1. Minnesota Statutes 2025 Supplement, section 11A.04, is amended to read:

1.4 **11A.04 DUTIES AND POWERS; APPROPRIATION.**

1.5 The state board shall:

1.6 (1) Act as trustees for each fund for which it invests or manages money in accordance
1.7 with the standard of care set forth in section 11A.09 if state assets are involved and in
1.8 accordance with chapter 356A if pension assets are involved.

1.9 (2) Formulate policies and procedures deemed necessary and appropriate to carry out
1.10 its functions. Procedures adopted by the state board must allow fund beneficiaries and
1.11 members of the public to become informed of proposed board actions. Procedures and
1.12 policies of the state board are not subject to the Administrative Procedure Act.

1.13 (3) Employ an executive director as provided in section 11A.07.

1.14 (4) ~~Employ~~ Retain investment advisors and consultants as it deems necessary.

1.15 (5) Prescribe policies concerning personal investments of all employees of the state
1.16 board to prevent conflicts of interest.

1.17 (6) Maintain a record of its proceedings.

1.18 (7) As it deems necessary, establish advisory committees subject to section 15.059 to
1.19 assist the state board in carrying out its duties.

1.20 (8) Not permit state funds to be used for the underwriting or direct purchase of municipal
1.21 securities from the issuer or the issuer's agent.

2.1 (9) Direct the commissioner of management and budget to sell property other than money
2.2 that has escheated to the state when the state board determines that sale of the property is
2.3 in the best interest of the state. Escheated property must be sold to the highest bidder in the
2.4 manner and upon terms and conditions prescribed by the state board.

2.5 (10) Undertake any other activities necessary to implement the duties and powers set
2.6 forth in this section.

2.7 (11) Establish a formula or formulas to measure management performance and return
2.8 on investment. Public pension funds in the state shall utilize the formula or formulas
2.9 developed by the state board.

2.10 (12) Except as otherwise provided in article XI, section 8, of the Constitution of the state
2.11 of Minnesota, ~~employ~~ retain, at its discretion, qualified ~~private~~ external firms to invest ~~and~~₂
2.12 manage, or provide services with respect to the assets of funds over which the state board
2.13 has investment management responsibility. ~~There is annually appropriated to the state board,~~
2.14 ~~from the assets of the funds for which the state board utilizes a private investment manager,~~
2.15 ~~sums sufficient to pay the costs of employing private firms. Each year, by January 15, the~~
2.16 ~~board shall report to the governor and legislature on the cost and the investment~~ The state
2.17 board must include in the report required under section 11A.07, subdivision 4, clause (8),
2.18 the management fees paid under this clause and the performance of each investment manager
2.19 employed retained by the state board.

2.20 (13) Adopt an investment policy statement that includes investment objectives, asset
2.21 allocation, and the investment management structure for the retirement fund assets under
2.22 its control. The statement may be revised at the discretion of the state board. The state board
2.23 shall seek the advice of the council regarding its investment policy statement. Adoption of
2.24 the statement is not subject to chapter 14.

2.25 (14) Adopt a compensation plan setting the terms and conditions of employment for
2.26 unclassified employees of the state board pursuant to section 43A.18, subdivision 3b.

2.27 (15) Contract, as necessary, with the board of trustees of the Minnesota State Colleges
2.28 and Universities System for the provision of investment review and selection services under
2.29 section 354B.25, subdivision 3, and arrange for the receipt of payment for those services.

2.30 There is annually appropriated to the state board, from the assets of the funds for which
2.31 the state board provides investment services, sums sufficient to pay the ~~costs of all necessary~~
2.32 expenses for the administration of the state board, including any fees or expenses charged
2.33 by advisors, consultants, or external firms. These sums will be deposited in the State Board

3.1 of Investment operating account, which must be established by the commissioner of
3.2 management and budget in the special revenue fund.

3.3 Sec. 2. Minnesota Statutes 2025 Supplement, section 11A.07, subdivision 4, is amended
3.4 to read:

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

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

3.10 (2) prepare and submit biennial and annual budgets to the state board and with the
3.11 approval of the state board submit the budgets to the Department of Management and Budget;

3.12 (3) employ professional and clerical staff as necessary;

3.13 (4) report to the state board on all operations under the executive director's control and
3.14 supervision;

3.15 (5) maintain accurate and complete records of securities transactions and official
3.16 activities;

3.17 (6) establish a policy, which is subject to state board approval, relating to the purchase
3.18 and sale of securities on the basis of competitive offerings or bids;

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

3.22 (8) prepare and file with the director of the Legislative Reference Library a report
3.23 summarizing the activities of the state board, the council, and the executive director during
3.24 the preceding fiscal year;

3.25 (9) include on the state board's website its annual report and an executive summary of
3.26 its quarterly reports;

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

3.30 (11) with respect to any fund for which the state board provides investment services,
3.31 modify the billing procedure or apportionment of expenses under subdivision 5 to the extent

4.1 the executive director determines is appropriate or necessary, with any such modification
 4.2 consistent with the applicable duties in this chapter and section 356A.04;

4.3 ~~(11)~~ (12) receive and expend legislative appropriations; and

4.4 ~~(12)~~ (13) undertake any other activities necessary to implement the duties and powers
 4.5 set forth in this subdivision consistent with chapter 356A.

4.6 Sec. 3. Minnesota Statutes 2024, section 11A.07, subdivision 5, is amended to read:

4.7 Subd. 5. **Apportionment of expenses.** (a) The annual expenses incurred by the State
 4.8 Board of Investment will state board, including any fees or expenses charged by advisors,
 4.9 consultants, or external firms, must be apportioned among the state general fund, the
 4.10 retirement funds administered by the Minnesota State Retirement System, Public Employees
 4.11 Retirement Association, and Teachers Retirement Association, and all other funds as follows:
 4.12 for which the state board provides investment services, in accordance with this subdivision.
 4.13 There is annually appropriated to the state board, from the assets of all funds for which the
 4.14 state board provides investment services, sums sufficient to pay the apportioned expenses.
 4.15 These sums must be deposited in the State Board of Investment operating account, which
 4.16 must be established by the commissioner of management and budget in the special revenue
 4.17 fund. Those sums must be apportioned as follows:

4.18 ~~(1) on a biennial basis, the State Board of Investment, in accordance with biennial budget~~
 4.19 ~~procedures established by the commissioner of management and budget, may request a~~
 4.20 ~~direct appropriation that represents the portion of the State Board of Investment expenses~~
 4.21 ~~necessary to provide investment services to the state general fund. This appropriation must~~
 4.22 ~~be deposited in the State Board of Investment operating account;~~

4.23 ~~(2)~~ (1) the executive director shall first apportion the actual expenses allocable solely
 4.24 to a specific fund or in the case of multiple funds, among the funds proportionally based on
 4.25 weighted average assets under management during the fiscal year; and

4.26 (2) next, the executive director shall apportion the expenses incurred by the State Board
 4.27 of Investment state board, less the charge to the state general fund charges apportioned
 4.28 under clause (1) and accounting for any modification made pursuant to subdivision 4, clause
 4.29 (11), among the funds whose assets are invested by the State Board of Investment, with the
 4.30 exception of the state general fund, for which the state board provides investment services,
 4.31 with such expenses allocated proportionally based on the weighted average assets under
 4.32 management during the fiscal year. The amounts necessary to pay these charges are

5.1 ~~apportioned from the investment earnings of each fund. Receipts must be credited to the~~
5.2 ~~State Board of Investment operating account;~~

5.3 ~~(3) (b) The actual~~ expenses apportioned and charged to the funds under paragraph (a),
5.4 ~~with the exception of the state general fund and the retirement funds administered by the~~
5.5 ~~Minnesota State Retirement System, Public Employees Retirement Association, and Teachers~~
5.6 ~~Retirement Association, must be calculated, billed, and paid at least on a quarterly basis in~~
5.7 ~~accordance with procedures for interdepartmental payments established by the commissioner~~
5.8 ~~of management and budget; and. Sums received to pay the expenses must be deposited in~~
5.9 ~~the operating account under section 11A.04.~~

5.10 ~~(4) (c) The annual estimated expenses to be incurred by the State Board of Investment~~
5.11 ~~state board that will be payable by the retirement funds administered by the Minnesota State~~
5.12 ~~Retirement System, Public Employees Retirement Association, and Teachers Retirement~~
5.13 ~~Association must be deposited in the State Board of Investment operating account under~~
5.14 ~~section 11A.04 on or about the first business day of each fiscal year. A reconciliation of the~~
5.15 ~~actual expenses allocable to each retirement fund compared to the applicable estimated costs~~
5.16 ~~expenses must occur at least annually at the end of each the fiscal year with any surplus or.~~
5.17 ~~Any deficit being credited or debited to each of the respective funds. The State Board of~~
5.18 ~~Investment must present a statement of accrued actual determined by such reconciliation~~
5.19 ~~is due and payable to the State Board of Investment operating account promptly upon notice~~
5.20 ~~of the amount due. Any fiscal year-end surplus may, at the executive director's discretion,~~
5.21 ~~be retained in the operating account and credited against the following fiscal year's estimated~~
5.22 ~~expenses to of each respective retirement fund at the end of each quarter during each fiscal~~
5.23 ~~year. The executive director must refund to the respective retirement fund any portion of~~
5.24 ~~any surplus not credited against the following fiscal year's estimated expenses."~~

5.25 Page 5, after line 24, insert:

5.26 "Sec. 16. Laws 2025, chapter 39, article 1, section 8, is amended to read:

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|------|-----------------------------------|----|---------|----------------|
| 5.27 | | | | 139,000 |
| 5.28 | Sec. 8. STATE BOARD OF INVESTMENT | \$ | 139,000 | \$ <u>-0-</u> |

5.29 Renumber the sections in sequence and correct the internal references

5.30 Amend the title as follows:

5.31 Page 1, line 2, after the semicolon, insert "modifying expense apportionment among
5.32 funds managed by the State Board of Investment;"

5.33 Correct the title numbers accordingly