

File Number: H.F. 409

Date: February 6, 2017

Version: First engrossment

Authors: Albright and others

Subject: Local government; long-term equity investment authority

Analyst: Deborah A. Dyson

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd/.

Overview

This bill would give certain cities and counties the option to invest a portion of their funds in index mutual funds or with the State Board of Investment in an account managed by the Public Employees Retirement Association (PERA).

Section

1 Additional long-term equity investment authority.

Subd. 1. Definition; qualifying government. Defines “qualifying government” based on population or the city’s or county’s general obligation bond rating. It is a city or county with a population of more than 100,000, which would include at this time (using the 2015 population estimates), the counties of Anoka, Dakota, Hennepin, Olmsted, Ramsey, Scott, St. Louis, Stearns, Washington, and Wright, and the cities of Minneapolis, St. Paul, and Rochester.

The definition also includes a county or city with a population of less than 100,000 that received the highest bond rating by a national rating agency for the county’s or city’s most recent general obligation bond issue. If the rating drops, the city or county may not use the authority in this section for additional investments.

A self-insurance pool established and open for enrollment on a statewide basis by the Minnesota League of Cities Insurance Trust, the Minnesota School Boards Association Insurance Trust, the Minnesota Association of Townships Insurance and Bond Trust, the Minnesota Counties Intergovernmental Trust, or the Nonprofit Insurance Trust are also qualifying governments under this section.

Subd. 2. Additional investment authority. Permits a qualifying government to invest in certain index mutual funds or with the State Board of Investment (SBI).

Subd. 3. Funds. Limits the investments to cash and investments that are held for long-term capital plans or long-term obligations. Limits the amount.

Subd. 4. Approval. Requires the investments be made pursuant to a resolution of the governing body that acknowledges the risks.

Subd. 5. PERA to act as account administrator. Requires a qualifying government investing with the SBI to set up an account with PERA, which will act as the account administrator.

Subd. 6. Purpose of account. Requires the account to be used only as permitted in this section and allows PERA to rely on representations of the qualifying government.

Subd. 7. Account maintenance. Permits PERA to charge an administrative fee and requires PERA to report on investment returns and fees incurred.

Subd. 8. Investment. Specifies how investments must be handled.

Subd. 9. Withdrawal of funds and termination of account. Allows a qualifying government to withdraw its money or terminate the account, and if it does, it must do so at a time and in the manner required by PERA.