

1.1 A bill for an act  
 1.2 relating to retirement; revising public pension plan investment portfolio and  
 1.3 performance information and reporting; amending Minnesota Statutes 2018, section  
 1.4 356.219, subdivisions 1, 6, 7; Minnesota Statutes 2019 Supplement, section  
 1.5 356.219, subdivisions 3, 8.

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

1.7 Section 1. Minnesota Statutes 2018, section 356.219, subdivision 1, is amended to read:

1.8 Subdivision 1. **Report required.** (a) ~~The State Board of Investment, on behalf of the~~  
 1.9 ~~public pension funds and programs for which it is the investment authority, and any~~  
 1.10 ~~Minnesota public pension plan that is not fully invested through the State Board of~~  
 1.11 ~~Investment, including the Bloomington Fire Department Relief Association and a local,~~  
 1.12 ~~volunteer firefighters relief association~~ associations governed by sections 424A.091 to  
 1.13 424A.095, ~~shall~~ the St. Paul Teachers Retirement Fund Association, and any Minnesota  
 1.14 public pension plan that is not fully invested through the State Board of Investment, must  
 1.15 report the information specified in subdivision 3 to the state auditor. The state auditor may  
 1.16 prescribe a form or forms for the purposes of the reporting requirements contained in this  
 1.17 section.

1.18 ~~(b) The Bloomington Fire Department Relief Association and a local volunteer firefighters~~  
 1.19 ~~relief association governed by sections 424A.091 to 424A.095 is fully invested during a~~  
 1.20 ~~given calendar year for purposes of this section if all assets of the applicable pension plan~~  
 1.21 ~~beyond sufficient cash equivalent investments to cover six months expected expenses are~~  
 1.22 ~~invested under section 11A.17. The board of any fully invested public pension plan remains~~  
 1.23 ~~responsible for submitting investment policy statements and subsequent revisions as required~~  
 1.24 ~~by subdivision 3, paragraph (a).~~

2.1 ~~(e) For purposes of this section, the State Board of Investment is considered to be the~~  
 2.2 ~~investment authority for any Minnesota public pension fund required to be invested by the~~  
 2.3 ~~State Board of Investment under section 11A.23, or for any Minnesota public pension fund~~  
 2.4 ~~authorized to invest in the supplemental investment fund under section 11A.17 and which~~  
 2.5 ~~is fully invested by the State Board of Investment.~~

2.6 (b) For purposes of this section, a pension plan is fully invested through the State Board  
 2.7 of Investment during a given calendar year if all assets of the pension plan beyond sufficient  
 2.8 cash equivalent investments to cover six months of expected expenses are invested under  
 2.9 section 11A.17.

2.10 (c) A public pension plan to which subdivision 3, paragraph (b) or (c), applies is not  
 2.11 required to file the report required by this subdivision for a given calendar year if the pension  
 2.12 plan's most recent annual financial audit was conducted by the state auditor.

2.13 (d) This section does not apply to the following plans:

2.14 (1) the Minnesota unclassified employees retirement program under chapter 352D;

2.15 (2) the public employees defined contribution plan under chapter 353D;

2.16 (3) the individual retirement account plans under chapters 354B and 354D;

2.17 (4) the higher education supplemental retirement plan under chapter 354C;

2.18 (5) any alternative retirement benefit plan established under section 383B.914; ~~and~~

2.19 (6) the University of Minnesota faculty retirement plan; and supplemental plan; and

2.20 (7) any other statewide plan required to be invested by the State Board of Investment  
 2.21 under section 11A.23.

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

2.23 Sec. 2. Minnesota Statutes 2019 Supplement, section 356.219, subdivision 3, is amended  
 2.24 to read:

2.25 Subd. 3. **Content of reports.** (a) The report required by subdivision 1 must include a  
 2.26 written statement of the investment policy. Following that initial report, subsequent reports  
 2.27 must include investment policy changes and the effective date of each policy change rather  
 2.28 than a complete statement of investment policy, unless the state auditor requests submission  
 2.29 of a complete current statement. The report must also include the information required by  
 2.30 the following paragraphs, as applicable.

3.1 ~~(b) If, after four years of reporting under this paragraph, the total portfolio time weighted~~  
 3.2 ~~rate of return, net of all investment related costs and fees, provided by the public pension~~  
 3.3 ~~plan differs by no more than 0.1 percent from the comparable return for the plan calculated~~  
 3.4 ~~by the Office of the State Auditor, and if a public pension plan has a total market value of~~  
 3.5 ~~\$50,000,000 or more as of the beginning of the calendar year, and if the public pension~~  
 3.6 ~~plan's annual audit is performed by the state auditor or by the legislative auditor, For public~~  
 3.7 ~~pension plans not fully invested through the State Board of Investment with assets having~~  
 3.8 ~~a market value of \$50,000,000 or more as of the beginning of the calendar year, or that had~~  
 3.9 ~~a market value of \$50,000,000 or more in a prior calendar year, the report required by~~  
 3.10 ~~subdivision 1 must include the market value of the total portfolio and the market value of~~  
 3.11 ~~each asset class included in the pension fund as of the beginning of the calendar year and~~  
 3.12 ~~as of the end of the calendar year. At the discretion of the state auditor, the public pension~~  
 3.13 ~~plan may be required to submit the following:~~

3.14 ~~(1) the market value of the total portfolio and the market value of each investment~~  
 3.15 ~~account, investment portfolio, or asset class included in the pension fund for each month;~~  
 3.16 ~~and;~~

3.17 ~~(2) the amount and date of each injection and withdrawal to the total portfolio and to~~  
 3.18 ~~each investment account, investment portfolio, or asset class. If the market value of a public~~  
 3.19 ~~pension plan's fund drops below \$50,000,000 in a subsequent year, it must continue reporting~~  
 3.20 ~~under this paragraph for any subsequent year in which the public pension plan is not fully~~  
 3.21 ~~invested as specified in subdivision 1, paragraph (b), except that if the public pension plan's~~  
 3.22 ~~annual audit is not performed by the state auditor or legislative auditor, paragraph (c) applies.;~~

3.23 ~~(c) If paragraph (b) would apply if the annual audit were provided by the state auditor~~  
 3.24 ~~or legislative auditor, the report required by subdivision 1 must include the market value~~  
 3.25 ~~of the total portfolio and the market value of each asset class included in the pension fund~~  
 3.26 ~~as of the beginning of the calendar year and for each month, and the amount and date of~~  
 3.27 ~~each injection and withdrawal to the total portfolio and to each investment account,~~  
 3.28 ~~investment portfolio, or asset class.~~

3.29 ~~(d) For public pension plans to which paragraph (b) or (c) applies, the report required~~  
 3.30 ~~by subdivision 1 must also include (3) a calculation of the total time-weighted rate of return~~  
 3.31 ~~available from index-matching investments assuming the asset class performance targets~~  
 3.32 ~~and target asset mix indicated in the written statement of investment policy. The provided~~  
 3.33 ~~information must include;~~

4.1 (4) a description of indices used in the analyses and an explanation of why those indices  
4.2 are appropriate. This paragraph does not apply to any fully invested plan, as defined by  
4.3 subdivision 1, paragraph (b). Reporting by the State Board of Investment under this paragraph  
4.4 is limited to information on the Minnesota public pension plans required to be invested by  
4.5 the State Board of Investment under section 11A.23;

4.6 (5) computed time-weighted rates of return; and

4.7 (6) any other information required by the state auditor, as applicable.

4.8 (c) For public pension plans fully invested through the State Board of Investment with  
4.9 assets having a market value of \$50,000,000 or more as of the beginning of the calendar  
4.10 year, or that had a market value of \$50,000,000 or more in a prior calendar year, the report  
4.11 required by subdivision 1 must be in the form required by the state auditor and include the  
4.12 information needed by the state auditor to supplement the reporting available from the State  
4.13 Board of Investment.

4.14 ~~(e)~~ (d) If a public pension plan has assets with a total market value of less than  
4.15 \$50,000,000 as of the beginning of the calendar year and was never required to file under  
4.16 paragraph (b) or (c), the report required by subdivision 1 must include the following:

4.17 (1) unless paragraph (f) applies, the amount and date of each total portfolio injection  
4.18 and withdrawal. In addition, the report must include; and

4.19 (2) the market value of the total portfolio as of the beginning of the calendar year and  
4.20 for each quarter.

4.21 ~~(f) Any public pension plan reporting under paragraph (b) or (c) must include computed~~  
4.22 ~~time-weighted rates of return with the report, in addition to all other required information,~~  
4.23 ~~as applicable. The chief administrative officer of the public pension plan submitting the~~  
4.24 ~~returns must certify, on a form prescribed by the state auditor, that the returns have been~~  
4.25 ~~computed by the pension plan's investment performance consultant or custodial bank. The~~  
4.26 ~~chief administrative officer of the public pension plan submitting the returns also must~~  
4.27 ~~certify that the returns are net of all costs and fees, including investment management fees,~~  
4.28 ~~and that the procedures used to compute the returns are consistent with Bank Administration~~  
4.29 ~~Institute studies of investment performance measurement and presentation standards set by~~  
4.30 ~~the CFA Institute. If the certifications required under this paragraph are not provided, the~~  
4.31 ~~reporting requirements of paragraph (e) apply.~~

4.32 ~~(g)~~ (e) For public pension plans reporting under paragraph ~~(e)~~ (d), the public pension  
4.33 plan must retain supporting information specifying the date and amount of each injection

5.1 and withdrawal to each investment account and investment portfolio. The public pension  
 5.2 plan must also retain the market value of each investment account and investment portfolio  
 5.3 at the beginning of the calendar year and for each quarter. Information that is required to  
 5.4 be collected and retained for any given year or years under this paragraph must be submitted  
 5.5 to the ~~Office of the state auditor if the Office of the state auditor requests in writing that the~~  
 5.6 ~~information be submitted by a the public pension plan or plans, or be submitted by the State~~  
 5.7 ~~Board of Investment for any plan or plans for which the State Board of Investment is the~~  
 5.8 ~~investment authority under this section.~~ If the state auditor requests information under this  
 5.9 subdivision, and the public pension plan fails to comply, the pension plan is subject to  
 5.10 penalties under subdivision 5, unless penalties are waived by the state auditor under that  
 5.11 subdivision.

5.12 (f) A public pension plan reporting under paragraph (d) that is fully invested through  
 5.13 the State Board of Investment for the given calendar year is required to report the market  
 5.14 value of the total portfolio as of the beginning of the calendar year and for each quarter, but  
 5.15 need not report the amount and date of each total portfolio injection and withdrawal.

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

5.17 Sec. 3. Minnesota Statutes 2018, section 356.219, subdivision 6, is amended to read:

5.18 Subd. 6. **Investment disclosure report.** (a) The state auditor shall prepare an annual  
 5.19 report to the legislature on the investment performance of the ~~various~~ public pension plans  
 5.20 subject to this section. The content of the report is specified in paragraphs (b) to ~~(f)~~ (d).

5.21 (b) For each public pension plan reporting under subdivision 3, paragraph (b), the state  
 5.22 auditor shall compute and report total portfolio and asset class time-weighted rates of return,  
 5.23 net of all investment-related costs and fees. ~~If the state auditor has required a plan to submit~~  
 5.24 ~~the market value of the total portfolio and the market value of each investment account,~~  
 5.25 ~~investment portfolio, or asset class included in the pension fund for each month, and the~~  
 5.26 ~~amount and date of each injection and withdrawal to the total portfolio and to each investment~~  
 5.27 ~~account, investment portfolio, or asset class as prescribed under subdivision 3, paragraph~~  
 5.28 ~~(b), the state auditor shall also compute and report total portfolio and asset class~~  
 5.29 ~~time-weighted rates of return, net of all costs and fees.~~ The report by the state auditor must  
 5.30 also include the information submitted by the pension plans under subdivision 3 or a summary  
 5.31 of that information.

5.32 ~~(c) For each public pension plan reporting under subdivision 3, paragraph (c), the state~~  
 5.33 ~~auditor shall compute and report total portfolio and asset class time-weighted rates of return,~~  
 5.34 ~~net of all costs and fees.~~

6.1 ~~(d)~~ (c) For each public pension plan reporting under subdivision 3, paragraph ~~(e)~~ (d),  
 6.2 the state auditor shall compute and report total portfolio time-weighted rates of return, net  
 6.3 of all costs and fees. ~~If the state auditor has requested data for a plan under subdivision 3,~~  
 6.4 ~~paragraph (g), the state auditor may also compute and report asset class time-weighted rates~~  
 6.5 ~~of return, net of all costs and fees.~~

6.6 (e) The report by the state auditor must include the information submitted by the pension  
 6.7 plans under subdivision 3, paragraph (d), or a synopsis of that information.

6.8 (f) (d) The report by the state auditor may also include a presentation of multiyear  
 6.9 performance, ~~information collected under subdivision 4,~~ and any other information or  
 6.10 analysis deemed appropriate by the state auditor.

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

6.12 Sec. 4. Minnesota Statutes 2018, section 356.219, subdivision 7, is amended to read:

6.13 Subd. 7. **Expense of report.** All administrative expenses incurred relating to the  
 6.14 investment report by the state auditor described in subdivision 6 must be borne by the ~~Office~~  
 6.15 ~~of the~~ state auditor and may not be charged back to the entities described in subdivisions 1  
 6.16 or 4.

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

6.18 Sec. 5. Minnesota Statutes 2019 Supplement, section 356.219, subdivision 8, is amended  
 6.19 to read:

6.20 Subd. 8. **Timing of reports.** (a) For the Bloomington Fire Department Relief Association  
 6.21 and the volunteer ~~firefighter~~ firefighters relief associations, the information required under  
 6.22 this section must be submitted by the due date for reports required under section 424A.014,  
 6.23 subdivision 1 or 2, as applicable. ~~If a relief association satisfies the definition of a fully~~  
 6.24 ~~invested plan under subdivision 1, paragraph (b), for the calendar year covered by the report~~  
 6.25 ~~required under section 424A.014, subdivision 1 or 2, as applicable, the chief administrative~~  
 6.26 ~~officer of the covered pension plan shall certify that compliance on a form prescribed by~~  
 6.27 ~~the state auditor. The state auditor shall transmit annually to the State Board of Investment~~  
 6.28 ~~a list or lists of covered pension plans which submitted certifications in order to facilitate~~  
 6.29 ~~reporting by the State Board of Investment under paragraph (c).~~

6.30 (b) For the St. Paul Teachers Retirement Fund Association ~~and the University of~~  
 6.31 ~~Minnesota faculty supplemental retirement plan,~~ the information required under this section  
 6.32 must be submitted to the state auditor by June 1 of each year.

- 7.1 (c) ~~The State Board of Investment, on behalf of~~ Any public pension funds specified in
- 7.2 ~~subdivision 1,~~ plan required to submit information under this section that is not identified
- 7.3 in paragraph (e), shall report (a) or (b) must submit the information required under this
- 7.4 section to the state auditor by September June 1 of each year.
- 7.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.