

**S.F. 2428**

(Pappas)

**H.F. xxx**

(Thissen)

### **Executive Summary of Commission Staff Materials**

<i>Affected Pension Plan(s):</i>	Large Plans
<i>Relevant Provisions of Law:</i>	Minnesota Statutes, Chapter 356 and 356A
<i>General Nature of Proposal:</i>	Public Pension Plans Reporting Requirements and Authorized Investment Provisions Modifications
<i>Date of Summary:</i>	February 10, 2006

### **Specific Proposed Changes**

Revises large plan (over \$10 million in assets) investment return reporting by having the plans report returns to the Office of the State Auditor rather than submitting data and having the State Auditor compute those returns; revises the expanded list (large non-SBI plan) investment authority provision (Section 356A.06, Subdivision 7) by moving real estate investment trusts (REITs) and insurance company commingled account investments to a general securities provision from the miscellaneous investments category; and repealing the following provisions:

- Section 356A.06, Subdivision 4, Economic Interest Statements, which required the plan executive director and all board members to file annual economic interest statements;
- Section 356A.06, Subdivision 5, Investment Business Recipient Disclosure, which required pension plan chief administrative officers to annually disclose the all investment related organizations and individual which did business with the plan; and
- Section 356A.06, Subdivision 8b, Disclosure of Investment Authority, which required every covered plan to annually provide to its investment managers, advisors, brokers, and similar firm with a copy of the investment authority of the fund, including relevant investment restrictions.

### **Policy Issues Raised by the Proposed Legislation**

1. Investment return self-reporting issues.
2. Appropriate definition of large plan.
3. Implications of striking "regional and mutual funds" language/junk bond authority argument.
4. Proper treatment of real estate investment trusts (REITS) and insurance company commingled accounts.
5. Issues with changing maximum percentage of miscellaneous assets.
6. Scope of change.
7. Repealer issues.

### **Potential Amendments**

- S2428-A1 revises the reporting cap on page 1 to some other figure instead of \$10 million.
- S2428-A2 is an alternative to S2428-A1, and would exclude certain types of plans from reporting.
- S2428-A3 retains the existing reporting without change by deleting Section 1.
- S2428-A4 adds debt and equity REIT and insurance commingled accounts to the applicable debt and equity investment provisions, which also has the effect of including these equity investments within the existing equity cap.
- S2428-A5 restores the existing 35 percent cap on alternative assets.
- S2428-A6, an alternative to S2428-A5, creates a cap at some level other than the proposed 45 percent miscellaneous asset cap.
- S2428-A7 moves developed foreign market stock investing out of the miscellaneous provision and would revise the miscellaneous investment cap to a percentage to be determined by the Commission, presumably a percentage lower than the existing law 35 percent cap.
- S2428-A8 removes the repealer.
- S2428-A9 adds an effective date.

