

1 *House* BILL NO. *204*
 2 INTRODUCED BY *Anthony, Susan Wyrick* TEAGUE
 3 *Hager*

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROHIBIT THE BOARD
 5 OF INVESTMENTS FROM INVESTING RETIREMENT FUNDS IN COMMON
 6 STOCKS."

7
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9 Section 1. Section 79-310, R.C.M. 1947, is amended to
 10 read as follows:

11 "79-310. Permissible investments. (1) The following
 12 securities are permissible investments for all investment
 13 funds referred to in 79-309, except as indicated:

14 (a) any securities authorized to be pledged to secure
 15 deposits of public funds under 79-307 of this act;

16 (b) bonds, notes, debentures, equipment obligations, or
 17 any other kind of absolute obligation of any corporation
 18 organized and operating in any state of the United States,
 19 or in Canada if the obligations purchased are payable in
 20 United States dollars; provided that all investments under
 21 subsection (b) must be rated by one (1) nationally
 22 recognized rating agency among the top third of their
 23 quality categories, not applicable to defaulted bonds;

24 (c) commercial paper of prime quality, as defined by
 25 one (1) nationally recognized rating agency, issued by any

1 corporation organized and operating in any state of the
 2 United States, provided that:

3 (i) such securities mature in two hundred seventy (270)
 4 days or less; and

5 (ii) the issuing corporation, or the parent company of
 6 a finance subsidiary issuing commercial paper, at the time
 7 of the last financial reporting period, had a ratio of
 8 current assets to current liabilities, including among
 9 current liabilities long-term debt maturing within one (1)
 10 year, of at least one and one-half (1 1/2) to one (1); and
 11 had received net income averaging one million dollars
 12 (\$1,000,000) or more annually for the preceding five (5)
 13 years; and

14 (iii) no investment may be made at any time under
 15 subsection (c) which would cause the book value of such
 16 investments in any investment fund to exceed ten percent
 17 (10%) of the book value of such fund, or would cause the
 18 commercial paper of any one corporation to exceed two
 19 percent (2%) of the book value of such fund;

20 (d) bankers' acceptances guaranteed by any bank having
 21 its principal office in any state of the United States and
 22 having deposits in excess of five hundred million dollars
 23 (\$500,000,000);

24 (e) interest-bearing deposits in banks, building and
 25 loan associations, and savings and loan associations located

1 in the state of Montana, provided, however, that the board
 2 of investments shall require pledged securities as specified
 3 in section 79-301; interest on said deposits shall not be
 4 less than the prevailing rate of interest being paid on
 5 deposits of private funds;

6 (f) unencumbered real property and first mortgages on
 7 unencumbered real property, provided that:

8 (i) no such mortgage shall be purchased unless:

9 (A) the principal amount of the loan secured by the
 10 mortgage is seventy-five percent (75%) or less of the
 11 appraised value of the property; or

12 (B) thirty percent (30%) or more of the loan secured is
 13 guaranteed or insured in the event of default by the United
 14 States of America or an agency thereof; or

15 (C) the mortgagor has leased the mortgaged property to
 16 a person, firm, or corporation whose rental payments under
 17 the lease are guaranteed for the full term of the loan by an
 18 agency of the United States; and

19 (ii) no investment shall be made at any time under
 20 subsection (f) which would cause the book value of such
 21 investments in any investment fund to exceed fifty percent
 22 (50%) of the book value of such fund.

23 (2) Investments from the pooled investment fund, shall
 24 be restricted to fixed income securities described in
 25 subsections (a) to (e) above.

1 ~~(3) Retirement funds, only, may be invested in preferred and~~
 2 ~~common stocks of any corporation organized and operating in~~
 3 ~~any state of the United States, provided that:~~

4 ~~(a) the corporation has assets of a value not less than~~
 5 ~~ten million dollars (\$10,000,000); and~~

6 ~~(b) ---if---the---investment---is---preferred---stock,---the~~
 7 ~~corporation's aggregate earnings available for payment of~~
 8 ~~interest and preferred dividends, for a period of five (5)~~
 9 ~~consecutive years immediately before the date of investment,~~
 10 ~~have been at least one and one-half (1-1/2) times the~~
 11 ~~aggregate of interest and preferred dividends required to be~~
 12 ~~paid during this period; and~~

13 ~~(c) if the investment is common stock,~~

14 ~~(i) ---the---stock---has---paid---cash---dividends---in---each---of---at~~
 15 ~~least five (5) years immediately before it is purchased; and~~

16 ~~(ii) the aggregate earnings of the corporation during~~
 17 ~~this period which were available for payment of dividends on~~
 18 ~~common stock were at least equal to the aggregate of the~~
 19 ~~cash dividends paid thereon; and~~

20 ~~(iii) not more than two percent (2%) of the assets of~~
 21 ~~any retirement fund may be invested in common stocks or in~~
 22 ~~fixed income securities convertible into common stock not~~
 23 ~~conforming to the dividend and earnings standards stated in~~
 24 ~~paragraphs (i) and (ii) above, so long as the corporation~~
 25 ~~maintains the asset value required in subsection (a) and~~

1 evidences-appropriate-growth-potential-and-probable-earnings
2 gain; and

3 ~~(d) no investment may be made at any time under~~
4 ~~subsection (3) which would cause the book value of such~~
5 ~~investments in any retirement fund to exceed twenty percent~~
6 ~~(20%) of the book value of such fund, or would cause the~~
7 ~~stock of one corporation to exceed one percent (1%) of the~~
8 ~~book value of such retirement fund.~~

9 ~~(4)~~ (3) The state board of investments shall endeavor
10 to direct the state's investment business to those
11 investment firms, and/or banks, which maintain offices in
12 the state and thereby make contributions to the state
13 economy. Further, due consideration shall be given to
14 investments which will benefit the smaller communities in
15 the state of Montana. The state's investment business will
16 be directed to out-of-state firms only when there is a
17 distinct economic advantage to the state of Montana."

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