CHAPTER NO. _8/____.

SENATE BILL NO. 117

INTRODUCED BY HIMSL, OLSON, LOCKREM, SEVERSON

IN THE SENATE

January 16, 1979	Introduced and referred to Committee on Business and Industry.	
January 24, 1979	Committee recommend bill do pass. Report adopted.	
January 25, 1979	Printed and placed on members' desks.	
January 26, 1979	Second reading, pass con- sideration.	
January 27, 1979	Second reading, pass con- sideration.	
January 29, 1979	Second reading, do pass as amended.	
January 30, 1979	Correctly engrossed.	
January 31, 1979	Third reading, passed. Transmitted to second house.	
IN THE HOUSE		
February 1, 1979	Introduced and referred to Committee on Business and Industry.	
March 1, 1979	Committee recommend bill be concurred in. Report adopted.	
March 2, 1979	Second reading, concurred in.	
March 5, 1979	Third reading, concurred in.	

IN THE SENATE

March 6, 1979

Returned from second house. Concurred in. Sent to enrolling.

Reported correctly enrolled.

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LC 0865/01

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INTRODUCED BY Stime Olan Lockton 1 2 З A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE STATE 4 BOARD OF INVESTMENTS TO INVEST BEQUESTS, DEVISES, OR GIFTS 5 T3 THE STATE IN PREFERRED OR COMMON STOCKS; AMENDING SECTION 6 7 17-6-211. MCA.*

8

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 17-6-211, MCA, is amended to read:
 "17-6-211. Permissible investments. (1) The following
 securities are permissible investments for all investment
 funds referred to in 17-6-203, except as indicated:

14 (a) any securities authorized to be pledged to secure
15 deposits of public funds under 17-6-103;

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

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

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

(i) such securities mature in 270 days or less;

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

11 (iii) no investment may be made at any time under this 12 subsection (c) which would cause the book value of such 13 investments in any investment fund to exceed 10% of the book 14 value of such fund or would cause the commercial paper of 15 any one corporation to exceed 2% of the book value of such 16 fund;

17 (d) bankers' acceptances guaranteed by any bank having
18 its principal office in any state of the United States and
19 having deposits in excess of \$500 million;

(e) interest-bearing deposits in banks, building and
loan associations, and savings and loan associations located
in Kontana, provided, however, that the board of investments
shall require pledged securities as specified in 17-6-102
(interest on said deposits shall not be less than the
prevailing rate of interest being paid on deposits of

-2- SB117 INTRODUCED BILL 1 private funds);

2 (f) unencumbered real property, first mortgages, and
3 participations in first mortgages on unencumbered real
4 property, provided that:

5 (i) no such mortgage or mortgage participation may be
6 purchased unless:

7 (A) the principal amount of the loan secured by the
8 mortgage or mortgage participation is 80% or less of the
9 appraised value of the property;

10 (B) the principal amount of the loan secured by the 11 mortgage or mortgage participation exceeds 80% of the 12 appraised value of the property but the amount of the loan 13 in excess of 80%, determined at the time the loan was made, 14 is guaranteed or insured by a mortgage insurance company 15 which the board of investments has determined to be a 16 gualified private insurer;

17 (C) 25% or more of the loan or participation therein
18 secured is guaranteed or insured in the event of default by
19 the United States of America or an agency thereof; or

(0) the mortgagor has leased the mortgaged property to
a person, firm, or corporation whose rental payments under
the lease are guaranteed for the full term of the loan or
participation therein by an agency of the United States; and
(ii) no investment shall be made at any time under
subsection (1)(f) which would cause the book value of such

investments in any investment fund to exceed 50% of the book
 value of such fund.
 (2) Investments from the pooled investment fund shall

4 be restricted to fixed income securities described in
5 subsections (1)(a) to (1)(e) above.

6 (3) Retirement fundsy-onlyw and the fund provided for
7 in 17-6-203. subsection (4) may be invested in preferred and
8 common stocks of any corporation organized and operating in
9 any state of the United States provided that:

10 (a) the corporation has assets of a value not less11 than \$10 million;

12 (b) if the investment is preferred stock, the 13 corporation's aggregate earnings available for payment of 14 interest and preferred dividends, for a period of 5 15 consecutive years immediately before the date of investment, 16 have been at least 1 1/2 times the aggregate of interest and 17 preferred dividends required to be paid during this period; 18 and

19 (c) if the investment is common stock:

20 (i) the stock has paid cash dividends in each of at
21 least 5 years immediately before it is purchased;

22 (ii) the aggregate earnings of the corporation during 23 this period which were available for payment of dividends on 24 common stock were at least equal to the aggregate of the 25 cash dividends paid thereon; and

-3-

-4-

1 (iii) not more than 2% of the assets of any retirement 2 fund may be invested in common stocks or in fixed income 3 securities convertible into common stock not conforming to 4 the dividend and earnings standards stated in subsections (3)(c)(i) and (3)(c)(ii) above, so long as the corporation 5 maintains the asset value required in subsection (3)(a) and 6 evidences appropriate growth potential and probable earnings 7 8 gain; and

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9 (d) no investment may be made at any time under 10 subsection (3) which would cause the book value of such 11 investments in any retirement fund to exceed 20% of the book 12 value of such fund or would cause the stock of one 13 corporation to exceed 1% of the book value of such 14 retirement fund.

(4) The board of investments shall endeavor to direct 15 16 the state's investment business to those investment firms 17 and/or banks which maintain offices in the state and thereby 18 make contributions to the state economy. Further, due 19 consideration shall be given to investments which will benefit the smaller communities in the state. The state's 20 21 investment business will be directed to out-of-state firms only when there is a distinct economic advantage to the 22 23 state of Montana."

-End-

SB 117

-5-

Approved by Committee

on Business and Industry Frate BILL NO. 117 1 Ulen LockArn INTRODUCED BY z 3 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE STATE 4 BOARD OF INVESTMENTS TO INVEST BEQUESTS, DEVISES, OR GIFTS 5 6 TO THE STATE IN PREFERRED OR COMMON STOCKS: AMENDING SECTION 7 17-6-211. MCA." ß BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 9

Section 1. Section 17-6-211. MCA, is amended to read:
 #17-6-211. Permissible investments. (1) The following
 securities are permissible investments for all investment
 funds referred to in 17-6-203. except as indicated:

14 (a) any securities authorized to be pledged to secure
15 deposits of public funds under 17-6-103;

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

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

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

3 (i) such securities mature in 270 days or less;

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

11 {iii} no investment may be made at any time under this subsection (c) which would cause the book value of such investments in any investment fund to exceed 10% of the book value of such fund or would cause the commercial paper of any one corporation to exceed 2% of the book value of such fund;

17 (d) bankers* acceptances guaranteed by any bank having
18 its principal office in any state of the United States and
19 having deposits in excess of \$500 million;

(e) interest-bearing deposits in banks, building and
loan associations, and savings and loan associations located
in Kontana, provided, however, that the board of investments
shall require pledged securities as specified in 17-6-102
(interest on said deposits shall not be less than the
prevailing rate of interest being paid on deposits of

-2- SB 117 SECOND READING

LC 0865/01

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value of such fund.

1 private funds);

2 (f) unencumbered real property, first mortgages, and
 3 participations in first mortgages on unencumbered real
 4 property, provided that:

5 (i) no such mortgage or mortgage participation may be
6 purchased unless:

7 (A) the principal amount of the loan secured by the
8 mortgage or mortgage participation is 80% or less of the
9 appraised value of the property;

10 (B) the principal amount of the loan secured by the 11 mortgage or mortgage participation exceeds 80% of the 12 appraised value of the property but the amount of the loan 13 in excess of 80%, determined at the time the loan was made, 14 is guaranteed or insured by a mortgage insurance company 15 which the board of investments has determined to be a 16 gualified private insurer;

17 (C) 25% or more of the loan or participation therein
18 secured is guaranteed or insured in the event of default by
19 the United States of America or an agency thereof; or

(D) the wortgagor has leased the mortgaged property to
a person, firm, or corporation whose rental payments under
the lease are guaranteed for the full term of the loan or
participation therein by an agency of the United States; and
(ii) no investment shall be made at any time under
subsection (1)(f) which would cause the book value of such

be restricted to fixed income securities described in 4 5 subsections (1)(a) to (1)(e) above. (3) Retirement fundsy-onlyy and the fund provided for 6 7 in 17-6-203. subsection (4) may be invested in preferred and common stocks of any corporation organized and operating in 8 any state of the United States provided that: 9 10 (a) the corporation has assets of a value not less 11 than \$10 million: 12 (b) if the investment is preferred stock, the corporation*s aggregate earnings available for payment of 13 interest and preferred dividends, for a period of 5 14 15 consecutive years immediately before the date of investment,

investments in any investment fund to exceed 50% of the book

(2) Investments from the pooled investment fund shall

17 preferred dividends required to be paid during this period; 18 and

have been at least 1 1/2 times the appreciate of interest and

19 (c) if the investment is common stock:

20 (i) the stock has paid cash dividends in each of at
21 least 5 years immediately before it is purchased;

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

1 (iii) not more than 2% of the assets of any retirement fund may be invested in common stocks or in fixed income 2 securities convertible into common stock not conforming to 3 the dividend and earnings standards stated in subsections 4 (3)(c)(i) and (3)(c)(ii) above, so long as the corporation 5 6 maintains the asset value required in subsection (3)(a) and 7 evidences appropriate growth potential and probable earnings 8 gain; and

9 (d) no investment may be made at any time under 10 subsection (3) which would cause the book value of such 11 investments in any retirement fund to exceed 20% of the book 12 value of such fund or would cause the stock of one 13 corporation to exceed 1% of the book value of such 14 retirement fund.

15 (4) The board of investments shall endeavor to direct the state's investment business to those investment firms 15 17 and/or banks which maintain offices in the state and thereby make contributions to the state economy. Further, due 18 consideration shall be given to investments which will 19 benefit the smaller communities in the state. The state's 20 21 investment business will be directed to out-of-state firms 22 only when there is a distinct economic advantage to the 23 state of Montana."

-End-

SB 117

-5-

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1 SENATE BILL NO. 117 2 INTRODUCED BY HIMSL, OLSON, LOCKREM, SEVERSON 3 4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE STATE 5 BOARD OF INVESTMENTS TO INVEST BEQUESTS, DEVISES, OR GIFTS 6 TO THE STATE IN PREFERRED OR COMMON STOCKS; AMENDING SECTION 7 17-6-211, HCA." 8

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deposits of public funds under 17-6-103;

16 (b) bonds, notes, debentures, equipment obligations, 17 or any other kind of absolute obligation of any corporation 18 organized and operating in any state of the United States or 19 in Canada, if the obligations purchased are payable in ∠0 United States dollars, provided that all investments under this subsection (b) must be rated by one nationally 21 22 recognized rating agency among the top third of their 23 quality categories, not applicable to defaulted bonds;

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

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

(i) such securities mature in 270 days or less;

4 (ii) the issuing corporation or the parent company of a 5 finance subsidiary issuing commercial paper, at the time of the last financial reporting period, had a ratio of current 6 7 assets to current liabilities, including among current liabilities long-term debt maturing within 1 year, of at 8 9 least 1 1/2 to 1 and had received net income averaging \$1 million or more annually for the preceding 5 years; and 10 11 (iii) no investment may be made at any time under this

12 subsection (c) which would cause the book value of such 13 investments in any investment fund to exceed 10% of the book 14 value of such fund or would cause the commercial paper of 15 any one corporation to exceed 2% of the book value of such 16 fund;

17 (d) bankers* acceptances guaranteed by any bank having
18 its principal office in any state of the United States and
19 having deposits in excess of \$500 million;

(e) interest-bearing deposits in banks, building and loan associations, and savings and loan associations located in Montana, provided, however, that the board of investments shall require pledged securities as specified in 17-6-102 (interest on said deposits shall not be less than the prevailing rate of interest being paid on deposits of

-2- THIRD READING SB 117

SB 117

1 investments in any investment fund to exceed 50% of the book 2 value of such fund. 3

> 4 be restricted to fixed income securities described in 5 subsections (1)(a) to (1)(e) above. 6 (3) Retirement fundsy-onlyy and the fund provided for 7 in_17=6=203, subsection_141 may be invested in preferred and 5 common stocks of any corporation organized and operating in 9 any state of the United States provided that: 10 (a) the corporation has assets of a value not less 11 than \$10 million; 12 (b) if the investment is preferred stock, the 13 corporation's aggregate earnings available for payment of 14 interest and preferred dividends. for a period of 5 15 consecutive years immediately before the date of investment, have been at least 1 1/2 times the aggregate of interest and 16 17 preferred dividends required to be paid during this period; 18 and 17 (c) if the investment is common stock: 20 (i) the stock has paid cash dividends in each of at 21 least 5 years immediately before it is purchased;

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22 (ii) the aggregate earnings of the corporation during 23 this period which were available for payment of dividends on common stock were at least equal to the aggregate of the 24 25 cash dividends paid thereon; and

-4-

SB 117

private funds); 1

2 (f) unencumbered real property, first mortgages, and participations in first mortgages on unencumbered real 3 property, provided that: 4

(i) no such mortgage or mortgage participation may be 5 6 purchased unless:

7 (A) the principal amount of the loan secured by the mortgage or mortgage participation is 80% or less of the 8 9 appraised value of the property;

10 (B) the principal amount of the loan secured by the 11 mortgage or mortgage participation exceeds 80% of the appraised value of the property but the amount of the loan 15 in excess of 80%, determined at the time the loan was made. 13 is guaranteed or insured by a mortgage insurance company 14 which the board of investments has determined to be a 15 16 qualified private insurer:

17 (C) 25% or more of the loan or participation therein 18 secured is guaranteed or insured in the event of default by the United States of America or an agency thereof; or 19

20 (D) the mortgagor has leased the mortgaged property to a person, firm, or corporation whose rental payments under 21 22 the lease are guaranteed for the full term of the loan or participation therein by an agency of the United States; and 23 24 (ii) no investment shall be made at any time under 25 subsection (1)(f) which would cause the book value of such

-3-

SB 0117/02

1 (iii) not more than 2% of the assets of any retirement 2 fund may be invested in common stocks or in fixed income 3 securities convertible into common stock not conforming to 4 the dividend and earnings standards stated in subsections 5 (3)(c)(i) and (3)(c)(ii) above, so long as the corporation 6 maintains the asset value required in subsection (3)(a) and 7 evidences appropriate growth potential and probable earnings gain; and 8

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 (£)__SUBSECTIONS_(C)(III)_AND_(D)_HEREIN_DO__NOT_APPLY

 15
 ID_EUNDS_PROVIDED_EOB_IN_17=6=203(6)_

17 (4) The board of investments shall endeavor to direct 1R the state's investment business to those investment firms 19 and/or banks which maintain offices in the state and thereby 20 make contributions to the state economy. Further, due د 1 consideration shall be given to investments which will 22 penefit the smaller communities in the state. The state's ٤3 investment business will be directed to out-of-state firms 24 only when there is a distinct economic advantage to the 25 state of Montana."

-End-

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fund:

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SENATE BILL NO. 117 1 2 INTRODUCED BY HIMSL+ OLSON+ LOCKREN+ SEVERSON 3 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE STATE 4 BOARD OF INVESTMENTS TO INVEST BEQUESTS, DEVISES, OR GIFTS 5 TO THE STATE IN PREFERRED OR COMMON STOCKS; AMENDING SECTION - 6 17-6-211, MCA.* 7 8 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: Section 1. Section 17-6-211, MCA, is amended to read: 10 11 "17-6-211. Permissible investments. (1) The following securities are permissible investments for all investment 12 13 funds referred to in 17-6-203, except as indicated: (a) any securities authorized to be pledged to secure 14 15 deposits of public funds under 17-6-103; (b) bonds, notes, debentures, equipment obligations, 16 or any other kind of absolute obligation of any corporation 17 organized and operating in any state of the United States or 18 19 in Canada, if the obligations purchased are payable in United States dollars, provided that all investments under 20 21 this subsection (b) must be rated by one nationally recognized rating agency among the top third of their 22 23 quality categories, not applicable to defaulted bonds; (c) commercial paper of prime quality, as defined by 24

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in Montana, provided, however, that the board of investments
shall require pledged securities as specified in 17-6-102
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-2-

REFERENCE BILL

SB 117

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1	private funds);	ι	investments in any investment fund to exceed 50% of the book
2	<pre>(f) unencumbered real property, first mortgages, and</pre>	2	value of such fund.
3	participations in first mortgages on unencumbered real	3	(2) investments from the pooled investment fund shall
4	property, provided that:	4	be restricted to fixed income securities described in
5	(i) no such mortgage or mortgage participation may be	5	subsections (1)(a) to (1)(e) above.
6	purchased unless:	6	(3) Retirement fundsy-onlyy and the fund provided for
7	(A) the principal amount of the loan secured by the	7	in_17=6=203+_subsection_[4] may be invested in preferred and
8	mortgage or mortgage participation is 80% or less of the	8	common stocks of any corporation organized and operating in
9	appraised value of the property;	9	any state of the United States provided that:
10	(B) the principal amount of the loan secured by the	10	(a) the corporation has assets of a value not less
11	mortgage or mortgage participation exceeds 80% of the	11	than \$10 million;
12	appraised value of the property but the amount of the loan	12	(b) if the investment is preferred stock, the
13	in excess of 80%, determined at the time the loan was made,	13	corporation's aggregate earnings available for payment of
14	is guaranteed or insured by a mortgage insurance company	14	interest and preferred dividends, for a period of 5
15	which the board of investments has determined to be a	15	consecutive years immediately before the date of investment,
16	qualified private insurer;	16	have been at least 1 1/2 times the aggregate of interest and
17	(C) 25% or more of the loan or participation therein	17	preferred dividends required to be paid during this period;
18	secured is guaranteed or insured in the event of default by	18	and
19	the United States of America or an agency thereof; or	19	(c) if the investment is common stock:
20	(D) the mortgagor has leased the mortgaged property to	20	(i) the stock has paid cash dividends in each of at
21	a person, firm, or corporation whose rental payments under	21	least 5 years immediately before it is purchased;
22	the lease are guaranteed for the full term of the loan or	22	(ii) the aggregate earnings of the corporation during
23	participation therein by an agency of the United States; and	23	this period which were available for payment of dividends on
24	(ii) no investment shall be made at any time under	24	common stock were at least equal to the aggregate of the
25	subsection (1)(f) which would cause the book value of such	25	cash dividends paid thereon; and

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-4-

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SB 117

(iii) not more than 2% of the assets of any retirement 1 2 fund may be invested in common stocks or in fixed income securities convertible into common stock not conforming to 3 4 the dividend and earnings standards stated in subsections 5 {3}(c)(i) and (3)(c)(ii) above, so long as the corporation maintains the asset value required in subsection (3)(a) and 6 7 evidences appropriate growth potential and probable earnings 8 gain; and

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15 (E)__SUBSECTIONS_(C)(III)_AND_(D)_HEREIN_DO__NOT_APPLY 16 IO_EUNDS_PROVIDED_EOB_IN_17=6=203(4).

17 (4) The board of investments shall endeavor to direct the state's investment business to those investment firms 18 19 and/or banks which maintain offices in the state and thereby make contributions to the state economy. Further, due 20 21 consideration shall be given to investments which will 22 benefit the smaller communities in the state. The state's 23 investment business will be directed to out-of-state firms only when there is a distinct economic advantage to the 24 25 state of Montana."

SP 117