

CHAPTER NO. 81.

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 consideration.
January 27, 1979	Second reading, pass consideration.
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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Senate BILL NO. *117*
INTRODUCED BY *Timothy Alan Lockman*

A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE STATE BOARD OF INVESTMENTS TO INVEST BEQUESTS, DEVISES, OR GIFTS TO THE STATE IN PREFERRED OR COMMON STOCKS; AMENDING SECTION 17-6-211, MCA."

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:

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

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

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

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

(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

(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;

(d) bankers' acceptances guaranteed by any bank having its principal office in any state of the United States and 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

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 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
19 the United States of America or an agency thereof; or

20 (D) the mortgagor has leased the mortgaged property to
21 a person, firm, or corporation whose rental payments under
22 the lease are guaranteed for the full term of the loan or
23 participation therein by an agency of the United States; and

24 (ii) no investment shall be made at any time under
25 subsection (1)(f) which would cause the book value of such

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

3 (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 funds, ~~only~~ 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 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,
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

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
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
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
20 benefit the smaller communities in the state. The state's
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-

Approved by Committee
on Business and Industry

1 *Senate* BILL NO. *117*
2 INTRODUCED BY *Stimul Olsen Lockman*

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4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE STATE
5 BOARD OF INVESTMENTS TO INVEST BEQUESTS, DEVICES, OR GIFTS
6 TO THE STATE IN PREFERRED OR COMMON STOCKS; AMENDING SECTION
7 17-6-211, MCA."

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

10 Section 1. Section 17-6-211, MCA, is amended to read:

11 "17-6-211. Permissible investments. (1) The following
12 securities are permissible investments for all investment
13 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
18 organized and operating in any state of the United States or
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;

24 (c) commercial paper of prime quality, as defined by
25 one 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 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;

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

1 private funds);

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

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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 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
19 the United States of America or an agency thereof; or

20 (D) the mortgagor has leased the mortgaged property to
21 a person, firm, or corporation whose rental payments under
22 the lease are guaranteed for the full term of the loan or
23 participation therein by an agency of the United States; and

24 (ii) no investment shall be made at any time under
25 subsection (1)(f) which would cause the book value of such

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

3 (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 funds ~~only~~ 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 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,
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

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
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
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
20 benefit the smaller communities in the state. The state's
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

1 SENATE BILL NO. 117

2 INTRODUCED BY WIMSL, OLSON, LOCKREN, SEVERSON

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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;

24 (c) commercial paper of prime quality, as defined by
25 one 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 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
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12 appraised value of the property but the amount of the loan

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21 a person, firm, or corporation whose rental payments under

22 the lease are guaranteed for the full term of the loan or

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

2 value of such fund.

3 (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 funds, ~~only~~ and the fund provided for

7 in 11-6-203, 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 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,

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

17 preferred dividends required to be paid during this period;

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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 ~~(E) SUBSECTIONS (C)(III) AND (D) HEREIN DO NOT APPLY~~
16 ~~TO FUNDS PROVIDED FOR IN 17-6-203(4).~~

17 (4) The board of investments shall endeavor to direct
18 the state's investment business to those investment firms
19 and/or banks which maintain offices in the state and thereby
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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
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25 state of Montana."

-End-

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

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12 appraised value of the property but the amount of the loan
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16 qualified private insurer;

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6 (3) Retirement funds, ~~only~~ and ~~the fund provided for~~
7 ~~in 11-6-2011, 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:

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11 than \$10 million;

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13 corporation's aggregate earnings available for payment of
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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
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
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13 corporation to exceed 1% of the book value of such
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15 ~~(E) SUBSECTIONS (C)(IIII) AND (D) HEREIN DO NOT APPLY~~
16 ~~TO FUNDS PROVIDED FOR IN 17-6-203(4).~~

17 (4) The board of investments shall endeavor to direct
18 the state's investment business to those investment firms
19 and/or banks which maintain offices in the state and thereby
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