

CHAPTER NO. 180

SENATE BILL NO. 212

INTRODUCED BY S. BROWN, MANLEY, HAZELBAKER

IN THE SENATE

January 23, 1979	Introduced and referred to Committee on State Administration.
February 3, 1979	Committee recommend bill do pass. Report adopted.
February 5, 1979	Printed and placed on members' desks.
February 6, 1979	Second reading, do pass.
February 7, 1979	Considered correctly engrossed.
February 8, 1979	Third reading, passed. Transmitted to second house.

IN THE HOUSE

February 9, 1979	Introduced and referred to Committee on State Administration.
March 6, 1979	Committee recommend bill be concurred in. Report adopted.
March 7, 1979	Second reading, concurred in.
March 9, 1979	Third reading, concurred in.

IN THE SENATE

March 10, 1979	Returned from second house. Concurred in. Sent to enrolling.
	Reported correctly enrolled.

Leahy BILL NO. 212
INTRODUCED BY S. Brown Marly Walsh

1 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
2 17-6-211, MCA, TO AUTHORIZE INVESTMENT OF PUBLIC FUNDS IN
3 OBLIGATIONS OF A CORPORATION IN WHICH THE UNITED STATES
4 GOVERNMENT IS A VOTING SHAREHOLDER BY ACT OF CONGRESS."

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

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

7 "17-6-211. Permissible investments. (1) The following
8 securities are permissible investments for all investment
9 funds referred to in 17-6-203, except as indicated:

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

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

1 (c) commercial paper of prime quality, as defined by
2 one nationally recognized rating agency, issued by any
3 corporation organized and operating in any state of the
4 United States, provided that:

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

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

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

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

22 (e) interest-bearing deposits in banks, building and
23 loan associations, and savings and loan associations located
24 in Montana, provided, however, that the board of investments
25 shall require pledged securities as specified in 17-6-102

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1 (interest on said deposits shall not be less than the
 2 prevailing rate of interest being paid on deposits of
 3 private funds);

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

7 (i) no such mortgage or mortgage participation may be
 8 purchased unless:

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

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

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

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

1 (ii) no investment shall be made at any time under
 2 subsection (1)(f) which would cause the book value of such
 3 investments in any investment fund to exceed 50% of the book
 4 value of such fund.

5 (2) Investments from the pooled investment fund shall
 6 be restricted to fixed income securities described in
 7 subsections (1)(a) to (1)(e) above.

8 (3) Retirement funds, only, may be invested in
 9 preferred and common stocks of any corporation organized and
 10 operating in any state of the United States provided that:
 11 (a) the corporation has assets of a value not less
 12 than \$10 million;

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

20 (c) if the investment is common stock:

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

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

1 cash dividends paid thereon; and

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

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

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

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Approved by Committee
on State Administration

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2 INTRODUCED BY S. Beaven Marley Walker
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20 (b) bonds, notes, debentures, equipment obligations,
21 or any other kind of absolute obligation of any corporation
22 organized and operating in any state of the United States or
23 in Canada, if the obligations purchased are payable in
24 United States dollars, or of any corporation in which the
25 United States government is a voting shareholder by act of
congress; provided that all investments under this
subsubsection (b) must be rated by one nationally recognized
rating agency among the top third of their quality
categories, not applicable to defaulted bonds;

1 (c) commercial paper of prime quality, as defined by
2 one nationally recognized rating agency, issued by any
3 corporation organized and operating in any state of the
4 United States, provided that:
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6 (i) such securities mature in 270 days or less;
7 (ii) the issuing corporation or the parent company of a
8 finance subsidiary issuing commercial paper, at the time of
9 the last financial reporting period, had a ratio of current
10 assets to current liabilities, including among current
11 liabilities long-term debt maturing within 1 year, of at
12 least 1 1/2 to 1 and had received net income averaging \$1
13 million or more annually for the preceding 5 years; and
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15 (iii) no investment may be made at any time under this
16 subsection (c) which would cause the book value of such
17 investments in any investment fund to exceed 10% of the book
18 value of such fund or would cause the commercial paper of
19 any one corporation to exceed 2% of the book value of such
20 fund;
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22 (d) bankers' acceptances guaranteed by any bank having
23 its principal office in any state of the United States and
24 having deposits in excess of \$500 million;
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26 (e) interest-bearing deposits in banks, building and
27 loan associations, and savings and loan associations located
28 in Montana, provided, however, that the board of investments
29 shall require pledged securities as specified in 17-6-102

1 (interest on said deposits shall not be less than the
 2 prevailing rate of interest being paid on deposits of
 3 private funds);

4 (f) unencumbered real property, first mortgages, and
 5 participations in first mortgages on unencumbered real
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7 (i) no such mortgage or mortgage participation may be
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 10 mortgage or mortgage participation is 80% or less of the
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 14 appraised value of the property but the amount of the loan
 15 in excess of 80%, determined at the time the loan was made,
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 17 which the board of investments has determined to be a
 18 qualified private insurer;

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

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

1 (ii) no investment shall be made at any time under
 2 subsection (1)(f) which would cause the book value of such
 3 investments in any investment fund to exceed 50% of the book
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5 (2) Investments from the pooled investment fund shall
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3 fund may be invested in common stocks or in fixed income
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