

HOUSE BILL NO. 481

INTRODUCED BY NORDTVEDT

IN THE HOUSE

January 26, 1981	Introduced and referred to Committee on State Administration.
February 4, 1981	Committee recommend bill do pass. Report adopted.
February 5, 1981	Bill printed and placed on members' desks.
February 6, 1981	Second reading, do pass.
February 7, 1981	Considered correctly engrossed.
February 11, 1981	Third reading, passed. Ayes, 96; Noes, 1. Transmitted to Senate.

IN THE SENATE

February 12, 1981	Introduced and referred to Committee on State Administration.
March 11, 1981	Committee recommend bill be concurred in as amended. Report adopted.
March 13, 1981	Second reading, concurred in.
March 16, 1981	Third reading, concurred in as amended. Ayes, 42; Noes, 8.

IN THE HOUSE

March 17, 1981	Returned from Senate with amendments.
April 7, 1981	Second reading, amendments concurred in.

April 7, 1981

On motion, rules suspended  
and bill placed on third  
reading this day.

Third reading, amendments  
concurred in. Ayes, 96;  
Noes, 0. Sent to enrolling.

Reported correctly enrolled.

1 HOUSE BILL NO. 481  
2 INTRODUCED BY Leath

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE  
5 GUIDELINES FOR THE STATE BOARD OF INVESTMENTS; AND AMENDING  
6 SECTIONS 17-6-201, 17-6-211, AND 19-10-203, MCA."

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

9 Section 1. Section 17-6-201, MCA, is amended to read:

10 "17-6-201. Unified investment program -- general  
11 provisions. (1) The uniform investment program directed by  
12 Article VIII, section 13, of the 1972 Montana constitution  
13 to be provided for public funds shall be administered by the  
14 board of investments in accordance with the rules provided  
15 in this chapter and with that degree of judgment and care,  
16 under circumstances from time to time prevailing, which men  
17 of prudence, discretion, and intelligence exercise in the  
18 management of their own affairs, not for speculation but for  
19 investment, considering the probable safety of their capital  
20 as well as the probable income to be derived, and  
21 preservation of purchasing power of capital during periods  
22 of sustained high monetary inflation.

23 (2) All state funds shall be invested and reinvested  
24 in securities enumerated in 17-6-211 to the maximum extent  
25 consistent with this policy and with the need and timing of

1 cash expenditures for particular purposes.

2 (3) The board of investments has the sole authority to  
3 invest state funds. No other agency may invest state funds.  
4 The board shall direct the investment of state funds in  
5 accordance with the laws and constitution of this state. The  
6 board has the power to veto any investments made under its  
7 general supervision.

8 (4) The board shall:

9 (a) assist agencies with public money to determine if,  
10 when, and how much surplus cash is available for investment;

11 (b) determine the amount of surplus treasury cash to  
12 be invested;

13 (c) determine the type of investment to be made; and

14 (d) prepare the claim to pay for the investment.

15 (5) The board of investments may:

16 (a) execute deeds of conveyance transferring all real  
17 property obtained through foreclosure of any investments  
18 purchased under the provisions of 17-6-211 when full payment  
19 has been received therefor;

20 (b) direct the withdrawal of any funds deposited by or  
21 for the state treasurer pursuant to 17-6-101 and 17-6-105;

22 (c) direct the sale of any securities in the program  
23 at their full and true value when found necessary to raise  
24 money for payments due from the treasury funds for which the  
25 securities have been purchased.

1 (6) The state treasurer shall keep an account of the  
2 total of each investment fund and of all the investments  
3 belonging to such fund and of the participation of each  
4 treasury fund account therein and shall make from time to  
5 time such reports with reference thereto as may be directed  
6 by the board of investments.

7 (7) The cost of administering and accounting for each  
8 investment fund shall be deducted from the income therefrom,  
9 except that such costs of the trust and legacy fund shall be  
10 paid from income otherwise receivable from the pooled  
11 investment fund, and the amounts required for this purpose  
12 shall be appropriated by the legislature from the respective  
13 investment funds.\*

14 Section 2. Section 17-6-211, MCA, is amended to read:

15 \*17-6-211. Permissible investments. (1) The following  
16 securities are permissible investments for all investment  
17 funds referred to in 17-6-203, except as indicated:

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

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

1 congress; provided that all investments under this  
2 subsection (b) must be rated by one nationally recognized  
3 rating agency among the top third of their quality  
4 categories, not applicable to defaulted bonds;

5 (c) commercial paper of prime quality, as defined by  
6 one nationally recognized rating agency, issued by any  
7 corporation organized and operating in any state of the  
8 United States, provided that:

9 (i) such securities mature in 270 days or less;  
10 (ii) the issuing corporation or the parent company of a  
11 finance subsidiary issuing commercial paper, at the time of  
12 the last financial reporting period, had a ratio of current  
13 assets to current liabilities, including among current  
14 liabilities long-term debt maturing within 1 year, of at  
15 least 1 1/2 to 1 and had received net income averaging \$1  
16 million or more annually for the preceding 5 years; and

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

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

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

8 (f) unencumbered real property, first mortgages, and  
 9 participations in first mortgages on unencumbered real  
 10 property, provided that:

11 (i) no such mortgage or mortgage participation may be  
 12 purchased unless:

13 (A) the principal amount of the loan secured by the  
 14 mortgage or mortgage participation is 80% or less of the  
 15 appraised value of the property;

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

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

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

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

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

12 (3) Retirement funds ~~and the fund provided for in~~  
 13 ~~17-6-203, subsection (4)~~ may be invested in preferred and  
 14 common stocks of any corporation organized and operating in  
 15 any state of the United States provided that:

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

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

25 ~~(c) if the investment is common stock~~

1       ~~(i) the stock has paid cash dividends in each of at~~  
 2 ~~least 5 years immediately before it is purchased;~~  
 3       ~~(ii) the aggregate earnings of the corporation during~~  
 4 ~~this period which were available for payment of dividends on~~  
 5 ~~common stock were at least equal to the aggregate of the~~  
 6 ~~cash dividends paid thereon; and~~  
 7       ~~(iii) not more than 2% of the assets of any retirement~~  
 8 ~~fund may be invested in common stocks or in fixed income~~  
 9 ~~securities convertible into common stock not conforming to~~  
 10 ~~the dividend and earnings standards stated in subsections~~  
 11 ~~(3)(c)(i) and (3)(c)(ii) above, so long as the corporation~~  
 12 ~~maintains the asset value required in subsection (3)(a) and~~  
 13 ~~evidences appropriate growth potential and probable earnings~~  
 14 ~~gain; and~~  
 15       ~~(d)(c)~~ no investment may be made at any time under  
 16 subsection (3) which would cause the book value of such  
 17 investments in any retirement fund to exceed ~~20%~~ 50% of the  
 18 book value of such fund or would cause the stock of one  
 19 corporation to exceed ~~1%~~ 2% of the book value of such  
 20 retirement fund;  
 21       ~~(e)(d)~~ ~~subsections~~ subsection (c)(iii) and (d) herein  
 22 do does not apply to funds provided for in 17-6-203(4).  
 23       (4) The board of investments shall endeavor to direct  
 24 the state's investment business to those investment firms  
 25 and/or banks which maintain offices in the state and thereby

1       make contributions to the state economy. Further, due  
 2 consideration shall be given to investments which will  
 3 benefit the smaller communities in the state. The state's  
 4 investment business will be directed to out-of-state firms  
 5 only when there is a distinct economic advantage to the  
 6 state of Montana."

7       Section 3. Section 19-10-203, MCA, is amended to read:  
 8       "19-10-203. Investment of fund. (1) All money in the  
 9 fund in excess of such an amount as is considered necessary  
 10 from time to time to meet current payments to retired police  
 11 officers shall be invested as hereinafter provided. All  
 12 interest on money belonging to the fund from any source  
 13 belongs to and must be paid into the fund.

14       (2) Whenever the money in the police retirement fund  
 15 exceeds the greater of the following amounts, the city  
 16 treasurer shall remit the excess to the state treasurer, who  
 17 shall invest the remittances under the direction of the  
 18 board of investments as provided in 17-6-204:

19       (a) 1 1/2 times the monthly benefit paid in the  
 20 preceding month; or

21       (b) \$5,000.

22       (3) The funds deposited in the police retirement fund  
 23 of a city or town after July 1, 1977, are limited to the  
 24 investments in 17-6-211~~1~~ 2 ~~except that the funds may not be~~  
 25 ~~invested in common stocks.~~ However, these funds may be

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1 invested under the provisions of 17-6-204."

-End-

HB 481

Approved by Committee  
on State Administration

1                                    HOUSE      BILL NO. 481  
2    INTRODUCED BY Worthwell

3  
4    A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE  
5    GUIDELINES FOR THE STATE BOARD OF INVESTMENTS; AND AMENDING  
6    SECTIONS 17-6-201, 17-6-211, AND 19-10-203, MCA."

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

9            Section 1. Section 17-6-201, MCA, is amended to read:

10           "17-6-201. Unified investment program -- general  
11    provisions. (1) The uniform investment program directed by  
12    Article VIII, section 13, of the 1972 Montana constitution  
13    to be provided for public funds shall be administered by the  
14    board of investments in accordance with the rules provided  
15    in this chapter and with that degree of judgment and care,  
16    under circumstances from time to time prevailing, which men  
17    of prudence, discretion, and intelligence exercise in the  
18    management of their own affairs, not for speculation but for  
19    investment, considering the probable safety of their capital  
20    as well as the probable income to be derived, and  
21    preservation of purchasing power of capital during periods  
22    of sustained high monetary inflation.

23           (2) All state funds shall be invested and reinvested  
24    in securities enumerated in 17-6-211 to the maximum extent  
25    consistent with this policy and with the need and timing of

1    cash expenditures for particular purposes.

2           (3) The board of investments has the sole authority to  
3    invest state funds. No other agency may invest state funds.  
4    The board shall direct the investment of state funds in  
5    accordance with the laws and constitution of this state. The  
6    board has the power to veto any investments made under its  
7    general supervision.

8           (4) The board shall:

- 9           (a) assist agencies with public money to determine if,
- 10          when, and how much surplus cash is available for investment;
- 11          (b) determine the amount of surplus treasury cash to
- 12          be invested;
- 13          (c) determine the type of investment to be made; and
- 14          (d) prepare the claim to pay for the investment.

15           (5) The board of investments may:

- 16          (a) execute deeds of conveyance transferring all real
- 17          property obtained through foreclosure of any investments
- 18          purchased under the provisions of 17-6-211 when full payment
- 19          has been received therefor;
- 20          (b) direct the withdrawal of any funds deposited by or
- 21          for the state treasurer pursuant to 17-6-101 and 17-6-105;
- 22          (c) direct the sale of any securities in the program
- 23          at their full and true value when found necessary to raise
- 24          money for payments due from the treasury funds for which the
- 25          securities have been purchased.



1 (6) The state treasurer shall keep an account of the  
2 total of each investment fund and of all the investments  
3 belonging to such fund and of the participation of each  
4 treasury fund account therein and shall make from time to  
5 time such reports with reference thereto as may be directed  
6 by the board of investments.

7 (7) The cost of administering and accounting for each  
8 investment fund shall be deducted from the income therefrom,  
9 except that such costs of the trust and legacy fund shall be  
10 paid from income otherwise receivable from the pooled  
11 investment fund, and the amounts required for this purpose  
12 shall be appropriated by the legislature from the respective  
13 investment funds."

14 Section 2. Section 17-6-211, MCA, is amended to read:

15 "17-6-211. Permissible investments. (1) The following  
16 securities are permissible investments for all investment  
17 funds referred to in 17-6-203, except as indicated:

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19 deposits of public funds under 17-6-103;

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

1 congress; provided that all investments under this  
2 subsection (b) must be rated by one nationally recognized  
3 rating agency among the top third of their quality  
4 categories, not applicable to defaulted bonds;

5 (c) commercial paper of prime quality, as defined by  
6 one nationally recognized rating agency, issued by any  
7 corporation organized and operating in any state of the  
8 United States, provided that:

9 (i) such securities mature in 270 days or less;  
10 (ii) the issuing corporation or the parent company of a  
11 finance subsidiary issuing commercial paper, at the time of  
12 the last financial reporting period, had a ratio of current  
13 assets to current liabilities, including among current  
14 liabilities long-term debt maturing within 1 year, of at  
15 least 1 1/2 to 1 and had received net income averaging \$1  
16 million or more annually for the preceding 5 years; and

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

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

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

8 (f) unencumbered real property, first mortgages, and  
 9 participations in first mortgages on unencumbered real  
 10 property, provided that:

11 (i) no such mortgage or mortgage participation may be  
 12 purchased unless:

13 (A) the principal amount of the loan secured by the  
 14 mortgage or mortgage participation is 80% or less of the  
 15 appraised value of the property;

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

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

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

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

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

12 (3) Retirement funds ~~and the fund provided for in~~  
 13 ~~17-6-203, subsection (4)~~ may be invested in preferred and  
 14 common stocks of any corporation organized and operating in  
 15 any state of the United States provided that:

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

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

25 ~~(c) if the investment is common stocks~~

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

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

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

15 ~~(d)(c) no investment may be made at any time under~~  
16 ~~subsection (3) which would cause the book value of such~~  
17 ~~investments in any retirement fund to exceed 20% 50% of the~~  
18 ~~book value of such fund or would cause the stock of one~~  
19 ~~corporation to exceed 1% 2% of the book value of such~~  
20 ~~retirement fund;~~

21 ~~(e)(d) subsections subsection (c)(iii) and (d) herein~~  
22 ~~do not apply to funds provided for in 17-6-203(4).~~

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

1 make contributions to the state economy. Further, due  
2 consideration shall be given to investments which will  
3 benefit the smaller communities in the state. The state's  
4 investment business will be directed to out-of-state firms  
5 only when there is a distinct economic advantage to the  
6 state of Montana."

7 Section 3. Section 19-10-203, MCA, is amended to read:

8 "19-10-203. Investment of fund. (1) All money in the  
9 fund in excess of such an amount as is considered necessary  
10 from time to time to meet current payments to retired police  
11 officers shall be invested as hereinafter provided. All  
12 interest on money belonging to the fund from any source  
13 belongs to and must be paid into the fund.

14 (2) Whenever the money in the police retirement fund  
15 exceeds the greater of the following amounts, the city  
16 treasurer shall remit the excess to the state treasurer, who  
17 shall invest the remittances under the direction of the  
18 board of investments as provided in 17-6-204:

19 (a) 1 1/2 times the monthly benefit paid in the  
20 preceding month; or

21 (b) \$5,000.

22 (3) The funds deposited in the police retirement fund  
23 of a city or town after July 1, 1977, are limited to the  
24 investments in 17-6-211, ~~except that the funds may not be~~  
25 ~~invested in common stocks.~~ However, these funds may be

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1 invested under the provisions of 17-6-204.\*

-End-

1 HOUSE BILL NO. 481  
2 INTRODUCED BY Worthred

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE  
5 GUIDELINES FOR THE STATE BOARD OF INVESTMENTS; AND AMENDING  
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8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9 Section 1. Section 17-6-201, MCA, is amended to read:

10 "17-6-201. Unified investment program -- general  
11 provisions. (1) The uniform investment program directed by  
12 Article VIII, section 13, of the 1972 Montana constitution  
13 to be provided for public funds shall be administered by the  
14 board of investments in accordance with the rules provided  
15 in this chapter and with that degree of judgment and care,  
16 under circumstances from time to time prevailing, which men  
17 of prudence, discretion, and intelligence exercise in the  
18 management of their own affairs, not for speculation but for  
19 investment, considering the probable safety of their capital  
20 as well as the probable income to be derived, and  
21 preservation of purchasing power of capital during periods  
22 of sustained high monetary inflation.

23 (2) All state funds shall be invested and reinvested  
24 in securities enumerated in 17-6-211 to the maximum extent  
25 consistent with this policy and with the need and timing of

1 cash expenditures for particular purposes.

2 (3) The board of investments has the sole authority to  
3 invest state funds. No other agency may invest state funds.  
4 The board shall direct the investment of state funds in  
5 accordance with the laws and constitution of this state. The  
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10 when, and how much surplus cash is available for investment;  
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12 be invested;

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20 (b) direct the withdrawal of any funds deposited by or  
21 for the state treasurer pursuant to 17-6-101 and 17-6-105;

22 (c) direct the sale of any securities in the program  
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24 money for payments due from the treasury funds for which the  
25 securities have been purchased.

1 (6) The state treasurer shall keep an account of the  
2 total of each investment fund and of all the investments  
3 belonging to such fund and of the participation of each  
4 treasury fund account therein and shall make from time to  
5 time such reports with reference thereto as may be directed  
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16 securities are permissible investments for all investment  
17 funds referred to in 17-6-203, except as indicated:

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19 deposits of public funds under 17-6-103;

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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

1 congress; provided that all investments under this  
2 subsection (b) must be rated by one nationally recognized  
3 rating agency among the top third of their quality  
4 categories, not applicable to defaulted bonds;

5 (c) commercial paper of prime quality, as defined by  
6 one nationally recognized rating agency, issued by any  
7 corporation organized and operating in any state of the  
8 United States, provided that:

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

10 (ii) the issuing corporation or the parent company of a  
11 finance subsidiary issuing commercial paper, at the time of  
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13 assets to current liabilities, including among current  
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23 (d) bankers' acceptances guaranteed by any bank having  
24 its principal office in any state of the United States and  
25 having deposits in excess of \$500 million;

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 2 loan associations, and savings and loan associations located  
 3 in Montana, provided, however, that the board of investments  
 4 shall require pledged securities as specified in 17-6-102  
 5 (interest on said deposits shall not be less than the  
 6 prevailing rate of interest being paid on deposits of  
 7 private funds);

8 (f) unencumbered real property, first mortgages, and  
 9 participations in first mortgages on unencumbered real  
 10 property, provided that:

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13 (A) the principal amount of the loan secured by the  
 14 mortgage or mortgage participation is 80% or less of the  
 15 appraised value of the property;

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

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

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

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

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

12 (3) Retirement funds ~~and the fund provided for in~~  
 13 ~~17-6-203, subsection (4)~~ may be invested in preferred and  
 14 common stocks of any corporation organized and operating in  
 15 any state of the United States provided that:

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

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

25 ~~(e) if the investment is common stock~~

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

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

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

15 ~~(d)(1) no investment may be made at any time under~~  
16 ~~subsection (3) which would cause the book value of such~~  
17 ~~investments in any retirement fund to exceed 20% 50% of the~~  
18 ~~book value of such fund or would cause the stock of one~~  
19 ~~corporation to exceed 1% 2% of the book value of such~~  
20 ~~retirement fund;~~

21 ~~(e)(d) subsections subsection (c)(iii) and (d) herein~~  
22 ~~do ~~not~~ apply to funds provided for in 17-6-203(4).~~

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

1 make contributions to the state economy. Further, due  
2 consideration shall be given to investments which will  
3 benefit the smaller communities in the state. The state's  
4 investment business will be directed to out-of-state firms  
5 only when there is a distinct economic advantage to the  
6 state of Montana."

7 Section 3. Section 19-10-203, MCA, is amended to read:

8 "19-10-203. Investment of fund. (1) All money in the  
9 fund in excess of such an amount as is considered necessary  
10 from time to time to meet current payments to retired police  
11 officers shall be invested as hereinafter provided. All  
12 interest on money belonging to the fund from any source  
13 belongs to and must be paid into the fund.

14 (2) Whenever the money in the police retirement fund  
15 exceeds the greater of the following amounts, the city  
16 treasurer shall remit the excess to the state treasurer, who  
17 shall invest the remittances under the direction of the  
18 board of investments as provided in 17-6-204:

19 (a) 1 1/2 times the monthly benefit paid in the  
20 preceding month; or

21 (b) \$5,000.

22 (3) The funds deposited in the police retirement fund  
23 of a city or town after July 1, 1977, are limited to the  
24 investments in 17-6-211~~7~~~~2~~ except that the funds may not be  
25 invested in common stocks. However, these funds may be



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1 invested under the provisions of 17-6-204."

-End-

-9-

HB 481

## 1 HOUSE BILL NO. 481

2 INTRODUCED BY NORDTVEDT

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE  
5 GUIDELINES FOR THE STATE BOARD OF INVESTMENTS; AND AMENDING  
6 SECTIONS 17-6-201, 17-6-211, AND 19-10-203, MCA."  
7

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

9 Section 1. Section 17-6-201, MCA, is amended to read:

10 "17-6-201. Unified investment program -- general  
11 provisions. (1) The uniform investment program directed by  
12 Article VIII, section 13, of the 1972 Montana constitution  
13 to be provided for public funds shall be administered by the  
14 board of investments in accordance with the rules provided  
15 in this chapter and with that degree of judgment and care,  
16 under circumstances from time to time prevailing, which men  
17 of prudence, discretion, and intelligence exercise in the  
18 management of their own affairs, not for speculation but for  
19 investment, considering the probable safety of their capital  
20 as well as the probable income to be derived, and  
21 preservation of purchasing power of capital during periods  
22 of sustained high monetary inflation.

23 (2) All state funds shall be invested and reinvested  
24 in securities enumerated in 17-6-211 to the maximum extent  
25 consistent with this policy and with the need and timing of

1 cash expenditures for particular purposes.

2 (3) The board of investments has the sole authority to  
3 invest state funds. No other agency may invest state funds.  
4 The board shall direct the investment of state funds in  
5 accordance with the laws and constitution of this state. The  
6 board has the power to veto any investments made under its  
7 general supervision.

8 (4) The board shall:

9 (a) assist agencies with public money to determine if,  
10 when, and how much surplus cash is available for investment;

11 (b) determine the amount of surplus treasury cash to  
12 be invested;

13 (c) determine the type of investment to be made; and

14 (d) prepare the claim to pay for the investment.

15 (5) The board of investments may:

16 (a) execute deeds of conveyance transferring all real  
17 property obtained through foreclosure of any investments  
18 purchased under the provisions of 17-6-211 when full payment  
19 has been received therefor;

20 (b) direct the withdrawal of any funds deposited by or  
21 for the state treasurer pursuant to 17-6-101 and 17-6-105;

22 (c) direct the sale of any securities in the program  
23 at their full and true value when found necessary to raise  
24 money for payments due from the treasury funds for which the  
25 securities have been purchased.

1 (6) The state treasurer shall keep an account of the  
 2 total of each investment fund and of all the investments  
 3 belonging to such fund and of the participation of each  
 4 treasury fund account therein and shall make from time to  
 5 time such reports with reference thereto as may be directed  
 6 by the board of investments.

7 (7) The cost of administering and accounting for each  
 8 investment fund shall be deducted from the income therefrom,  
 9 except that such costs of the trust and legacy fund shall be  
 10 paid from income otherwise receivable from the pooled  
 11 investment fund, and the amounts required for this purpose  
 12 shall be appropriated by the legislature from the respective  
 13 investment funds."

14 Section 2. Section 17-6-211, MCA, is amended to read:  
 15 "17-6-211. Permissible investments. (1) The following  
 16 securities are permissible investments for all investment  
 17 funds referred to in 17-6-203, except as indicated:

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

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

1 congress; provided that all investments under this  
 2 subsection (b) must be rated by one nationally recognized  
 3 rating agency among the top third of their quality  
 4 categories, not applicable to defaulted bonds;

5 (c) commercial paper of prime quality, as defined by  
 6 one nationally recognized rating agency, issued by any  
 7 corporation organized and operating in any state of the  
 8 United States, provided that:

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

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

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

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

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

8 (f) unencumbered real property, first mortgages, and  
 9 participations in first mortgages on unencumbered real  
 10 property, provided that:

11 (i) no such mortgage or mortgage participation may be  
 12 purchased unless:

13 (A) the principal amount of the loan secured by the  
 14 mortgage or mortgage participation is 80% or less of the  
 15 appraised value of the property;

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

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

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

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

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

12 (3) Retirement funds ~~and the fund provided for in~~  
 13 ~~17-6-203, subsection (4) AND THE FUND PROVIDED FOR IN~~  
 14 17-6-203, SUBSECTION (4) may be invested in preferred and  
 15 common stocks of any corporation organized and operating in  
 16 any state of the United States provided that:

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

19 (b) if the investment is preferred stock, the  
 20 corporation's aggregate earnings available for payment of  
 21 interest and preferred dividends, for a period of 5  
 22 consecutive years immediately before the date of investment,  
 23 have been at least 1 1/2 times the aggregate of interest and  
 24 preferred dividends required to be paid during this period;  
 25 and

1       ~~(c)--if-the-investment-is-common-stock+~~  
 2       ~~(i)--the-stock-has-paid-cash-dividends-in--each--of--at~~  
 3       ~~least-5-years-immediately-before-it-is-purchased;~~  
 4       ~~(ii)--the--aggregate--earnings-of-the-corporation-during~~  
 5       ~~this-period-which-were-avoidable-for-payment-of-dividends-on~~  
 6       ~~common-stock-were-at-least-equal-to--the--aggregate--of--the~~  
 7       ~~cash-dividends-paid-thereon;and~~  
 8       ~~(iii)--not--more--than--2%--of--the--assets--of--any--retirement~~  
 9       ~~fund-may-be-invested-in-common-stocks--or--in--fixed--income~~  
 10       ~~securities--convertible--into-common-stock-not-conforming-to~~  
 11       ~~the-dividend-and-earnings-standards--stated--in--subsections~~  
 12       ~~(3)(c)(i)--and--(3)(c)(ii)-above,so-long-as-the-corporation~~  
 13       ~~maintains-the-asset-value-required-in-subsection-(3)(a)--and~~  
 14       ~~evidences-appropriate-growth-potential-and-probable-earnings~~  
 15       ~~gains;and~~  
 16       ~~(d)(c) no investment may be made at any time under~~  
 17       ~~subsection (3) which would cause the book value of such~~  
 18       ~~investments in any retirement fund to exceed 20% 50% of the~~  
 19       ~~book value of such fund or would cause the stock of one~~  
 20       ~~corporation to exceed ~~1%~~ 2% of the book value of such~~  
 21       ~~retirement fund;~~  
 22       ~~(e)(d) subsections subsection (c)(iii) and--(d)--herein~~  
 23       ~~do does not apply to funds provided for in 17-6-203(4).~~  
 24       (4) The board of investments shall endeavor to direct  
 25       the state's investment business to those investment firms

1       and/or banks which maintain offices in the state and thereby  
 2       make contributions to the state economy. Further, due  
 3       consideration shall be given to investments which will  
 4       benefit the smaller communities in the state. The state's  
 5       investment business will be directed to out-of-state firms  
 6       only when there is a distinct economic advantage to the  
 7       state of Montana."

8       Section 3. Section 19-10-203, MCA, is amended to read:  
 9       "19-10-203. Investment of fund. (1) All money in the  
 10       fund in excess of such an amount as is considered necessary  
 11       from time to time to meet current payments to retired police  
 12       officers shall be invested as hereinafter provided. All  
 13       interest on money belonging to the fund from any source  
 14       belongs to and must be paid into the fund.

15       (2) Whenever the money in the police retirement fund  
 16       exceeds the greater of the following amounts, the city  
 17       treasurer shall remit the excess to the state treasurer, who  
 18       shall invest the remittances under the direction of the  
 19       board of investments as provided in 17-6-204:

20       (a) 1 1/2 times the monthly benefit paid in the  
 21       preceding month; or

22       (b) \$5,000.

23       (3) The funds deposited in the police retirement fund  
 24       of a city or town after July 1, 1977, are limited to the  
 25       investments in 17-6-211y<sub>2</sub> ~~except-that-the-funds-may-not-be~~

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- 1 ~~invested-in-common--stocks.~~ However, these funds may be
- 2 invested under the provisions of 17-6-204."

-End-

March 11, 1981

SENATE STANDING COMMITTEE REPORT  
(State Administration)

That House Bill No. 481 be amended as follows:

1. Page 6, lines 12 and 13  
Following: "funds"  
Insert: all stricken material