

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 Ward

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."

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--(f)~~ 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 ~~if--the--investment--is--common--stocks~~

1 ~~if~~--the--stock--has--paid--cash--dividends--in--each--of--at
 2 least--5--years--immediately--before--it--is--purchased
 3 ~~if~~--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 ~~if~~--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)(1)~~--and--~~(3)(c)(2)~~--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 ~~if~~--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~~ ~~2%~~ of the book value of such
 20 retirement fund;
 21 ~~if~~--subsection (c)--~~and~~--~~if~~--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~~a~~ except that the funds may not be
 25 invested in common stocks. However, these funds may be

LC 0812/01

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 Woodruff

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."

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

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;

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.

SECOND READING

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 (f)~~ 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 gains--and
 15 (d) if 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) if subsection (c)(ii) --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 17-6-211va except that the funds may not be
 25 invested in common stocks. However, these funds may be

LC 0812/01

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

-End-

-9- HB 481

1 HOUSE BILL NO. 481
2 INTRODUCED BY Endreht

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."

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.

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;

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-f4~~ 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 end

25 ~~(e)--if--the--investment--is--common--stocks~~

1 ~~if~~--the--stock--has--paid--cash--dividends--in--each--of--at
 2 least--5--years--immediately--before--it--is--purchased
 3 ~~(iii)~~--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 ~~(iv)~~--not--more--than--25--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)(ii)~~--and--~~(3)(c)(iii)~~--above,--so--long--as--the--corporation
 12 maintains--the--asset--value--required--in--subsection--~~(3)(c)~~--and
 13 evidences--appropriate--growth--potential--and--probable--earnings
 14 going--end

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~~ 25 of the book value of such
 20 retirement fund;

21 ~~(e)(1)(ii)~~ subsection ~~(c)(ii)~~--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~~ya~~ except that the funds may not be
 25 invested in common stocks. However, these funds may be

LC 0812/01

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

-End-

-9-

HB 481

HOUSE BILL NO. 481
INTRODUCED BY NORDTVEDT

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."

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 fc7--if-the-investment-is-common-stock+
2 tt7--the-stock-has-paid-cash-dividends-in--each--of--at
3 tost-5-years-immediately-before-it-is-purchased+
4 tt7--the--aggregate--earnings-of-the-corporation-during
5 this-period-which-were-available-for-payment-of-dividends-on
6 common-stock-were-at-least-equal-to--the--aggregate--of--the
7 cash-dividends-paid-thereon-and

8 ffff-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 f3ffff--and--f3ffff--above--so--long--as--the--corporation
13 maintains--the--asset--value--required--in--subsection--f3f8--and
14 evidences--appropriate--growth--potential--and--probable--earnings
15 against--and

16 ~~fdt(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 ~~for(d) subsectionssubsection (c)ffff-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.

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 17-6-211v₂ except that the funds may not be

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