

IN THE SENATE

SENATE BILL NO. 1350

BY STATE AFFAIRS COMMITTEE

AN ACT

1 RELATING TO POWERS AND DUTIES OF THE STATE TREASURER; AMENDING CHAPTER 12,
2 TITLE 67, IDAHO CODE, BY THE ADDITION OF NEW SECTIONS 67-1203, 67-1203A
3 AND 67-1203B, IDAHO CODE, TO ESTABLISH A STATE TREASURER INVESTMENT
4 ADVISORY BOARD, TO PROVIDE MEMBERS AND QUALIFICATIONS, TO PROVIDE FOR
5 BOARD MEMBER APPOINTMENT, TERMS AND REMOVAL, BOARD VACANCIES, QUORUM
6 AND MEETINGS, AND BOARD MEMBER COMPENSATION, TO PROVIDE FOR THE RECOM-
7 MENDATION OF TYPES OF INVESTMENTS AND TO PROVIDE FOR REPORTS; AMENDING
8 SECTION 67-1210A, IDAHO CODE, TO REMOVE SECURITIES LENDING AGREEMENTS
9 AS AN ALLOWABLE INVESTMENT OF THE STATE TREASURER; AMENDING CHAPTER
10 12, TITLE 67, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 67-1210B,
11 IDAHO CODE, TO PROVIDE THE TREASURER'S ABILITY TO CONTINUE INVESTMENT
12 OF STATE FUNDS OR ANY OTHER FUNDS IN HIS HANDS UNDER SECURITIES LENDING
13 AGREEMENTS IN PLACE AND TO PROVIDE FOR REPORTS; AND PROVIDING SEVER-
14 ABILITY.
15

16 Be It Enacted by the Legislature of the State of Idaho:

17 SECTION 1. That Chapter 12, Title 67, Idaho Code, be, and the same is
18 hereby amended by the addition thereto of a NEW SECTIONS, to be known and des-
19 ignated as Sections 67-1203, 67-1203A and 67-1203B, Idaho Code, and to read
20 as follows:

21 67-1203. ESTABLISHMENT OF A STATE TREASURER INVESTMENT ADVISORY BOARD
22 -- MEMBERS -- QUALIFICATIONS. There is hereby established in the office
23 of the state treasurer a state treasurer investment advisory board, here-
24 inafter referred to as the "investment board." This investment advisory
25 board shall consist of the state treasurer, who shall act as chairman of the
26 investment board, and members hereinafter designated who shall be appointed
27 by the governor subject to senate confirmation. The members of the invest-
28 ment advisory board subject to appointment shall be: five (5) public members
29 from the citizenry at large who are knowledgeable and experienced in finan-
30 cial matters and in the placement or management of investment assets and have
31 at least ten (10) years experience in such endeavors.

32 67-1203A. BOARD -- APPOINTMENT OF MEMBERS -- TERM -- REMOVAL -- VACAN-
33 CIES -- ORGANIZATION -- QUORUM -- MEETINGS -- COMPENSATION. (1) The members
34 of the board appointed by the governor shall serve for terms of four (4)
35 years, provided that for the first term the governor shall appoint three (3)
36 members who shall serve for a term of two (2) years, and two (2) members who
37 shall serve for a term of four (4) years. Members of the board shall serve
38 until their successors have been selected and qualified.

39 (2) A member of the board appointed by the governor shall not hold an
40 office, position or employment in a political party. An appointed member
41 may be removed from the board for cause by a two-thirds (2/3) vote of the

1 full board. A vacancy in the appointive membership of the board during a
 2 term thereof shall be filled by appointment by the governor for the unex-
 3 pired term. A majority of the members of the board shall constitute a quorum
 4 for the transaction of business. The meetings of the board shall be held at
 5 least quarterly and at other times upon the call of the chairman or a majority
 6 of the board. The board members appointed hereunder shall be compensated as
 7 provided by section 59-509(n), Idaho Code.

8 67-1203B. RECOMMENDATION OF THE TYPES AND KINDS OF INVEST-
 9 MENTS. (1) The investment board shall recommend the types and kinds of
 10 investments that the state treasurer or an investment manager would utilize
 11 to manage the idle funds and such other funds as the treasurer is authorized
 12 to invest pursuant to sections 67-1210 and 67-1210A, Idaho Code.

13 (2) The investment board shall recommend investment policies governing
 14 the investment of idle funds and other funds accepted for investment by the
 15 state treasurer. The recommendations shall pertain to the types, kinds or
 16 nature of investment of any of the funds and any limitations, conditions
 17 or restrictions upon the methods, practices or procedures for investment,
 18 reinvestments, purchases, sales or exchange transactions, provided such
 19 recommendations shall not conflict with nor be in derogation of any Idaho
 20 constitutional provision or of the provisions of this chapter.

21 (3) The investment advisory board, in making recommendations, and the
 22 state treasurer and all investment managers shall be governed by the Idaho
 23 uniform prudent investor act, chapter 5, title 68, Idaho Code. The state
 24 treasurer and any investment manager shall invest and manage the assets of
 25 the respective funds in accordance with that act and the Idaho constitution.

26 SECTION 2. That Section 67-1210A, Idaho Code, be, and the same is hereby
 27 amended to read as follows:

28 67-1210A. ADDITIONAL ALLOWABLE INVESTMENTS BY THE STATE TREASURER. In
 29 addition to investments enumerated in section 67-1210, Idaho Code, the state
 30 treasurer is authorized and empowered to invest state funds or any other
 31 funds in his hands including, but not limited to, funds of any public agency
 32 invested pursuant to joint exercise of powers agreements, in prime banker's
 33 acceptances and prime commercial paper, sales and repurchase of call op-
 34 tions, ~~securities lending agreements,~~ and bonds, debentures or notes of any
 35 corporation organized, controlled and operating within the United States
 36 which have, at the time of their purchase, an A rating or higher by a commonly
 37 known rating service. ~~Such securities lending agreements shall require the~~
 38 ~~borrower to provide and maintain collateral (cash or securities which are~~
 39 ~~authorized investments for the state treasurer) at least equal in value to~~
 40 ~~the value of the securities loaned.~~ The sale (writing) and repurchase of
 41 call options is permitted only when the state treasurer or the joint powers
 42 local government pooled fund own the securities on which the option is writ-
 43 ten.

44 The provisions of this section shall not be construed to enlarge the
 45 powers of other public agencies to invest in prime banker's acceptances,
 46 prime commercial paper, sales and repurchase of call options, ~~securities~~
 47 ~~lending agreements,~~ or bonds, debentures or notes of any corporation unless

1 such investments are made by the state treasurer pursuant to a joint exercise
2 of powers agreement.

3 SECTION 3. That Chapter 12, Title 67, Idaho Code, be, and the same is
4 hereby amended by the addition thereto of a NEW SECTION, to be known and des-
5 ignated as Section 67-1210B, Idaho Code, and to read as follows:

6 67-1210B. ABILITY TO CONTINUE TO INVEST. In addition to investments
7 enumerated in sections 67-1210 and 67-1210A, Idaho Code, the state trea-
8 surer is authorized and empowered to continue investment of state funds or
9 any other funds in his hands under securities lending agreements in place
10 upon the effective date of this section, subject to the provisions of this
11 section. The treasurer shall conduct an orderly program to terminate secu-
12 rities lending. The investment board established by section 67-1203, Idaho
13 Code, may make recommendations for such termination program as set forth in
14 section 67-1203B, Idaho Code. The treasurer shall provide a report to the
15 president pro tempore of the senate and the speaker of the house of repre-
16 sentatives by January 1 of each year summarizing the termination program,
17 recommending whether the program continue for the following fiscal year or
18 conclude, and the legislative action recommended to conclude such program.

19 SECTION 4. SEVERABILITY. The provisions of this act are hereby declared
20 to be severable and if any provision of this act or the application of such
21 provision to any person or circumstance is declared invalid for any reason,
22 such declaration shall not affect the validity of the remaining portions of
23 this act.