

State Bond 1/16/85

Do Pass 2/13/85 (p. 585)

House State Bond 2/1/85

SENATE FILE

27

BY BRUNER

Do Pass 2/12 (p. 802)

Passed Senate, Date 2-25-85 (p. 495) Passed House, Date 4-16-85 (p. 1600)

Vote: Ayes 35 Nays 5 Vote: Ayes 93 Nays 0

Referred Senate

Approved 4-24-85 (p. 1622)
4-5

Approved May 24 1985

Motion to Reconsider (p. 1626)
prevailed 4/17

Repassed House 4-17-85 (p. 1601)
98-0

A BILL FOR

1 An Act relating to the investment policies for funds available
2 to certain state agencies.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 27

1 Section 1. Section 97B.7, subsection 2, paragraph b, Code
2 1985, is amended by striking the paragraph and inserting in
3 lieu thereof the following:

4 b. Invest the portion of the retirement fund as in the
5 judgment of the department is not needed for current payment
6 of benefits under this chapter. The department shall
7 determine the disposition and investment of moneys in the
8 retirement fund. In the investment of the fund, the
9 department shall exercise the judgment and care, under the
10 circumstances then prevailing, which persons of prudence,
11 discretion and intelligence exercise in the management of
12 their own affairs as provided in section 633.123, subsection
13 1.

14 The department shall give appropriate consideration to
15 those facts and circumstances that the department knows or
16 should know are relevant to the particular investment in-
17 volved, including the role the investment plays in the total
18 value of the retirement fund.

19 For the purposes of this paragraph, appropriate con-
20 sideration includes, but is not limited to, a determination by
21 the department that the particular investment is reasonably
22 designed to further the purposes of the retirement system,
23 taking into consideration the risk of loss and the opportunity
24 for gain or other return associated with the investment and
25 consideration of the following factors as they relate to the
26 retirement fund:

27 (1) The composition of the retirement fund with regard to
28 diversification.

29 (2) The liquidity and current return of the investments in
30 the fund relative to the anticipated cash flow requirements of
31 the retirement system.

32 (3) The projected return of the investments relative to
33 the funding objectives of the retirement system.

34 Consistent with this paragraph, investments made under this
35 paragraph shall be made in a manner that will enhance the

1 economy of this state, and in particular, will result in
2 increased employment of the residents of this state.

3 If there is loss on the redemption or sale of securities,
4 where invested as prescribed by law, neither the treasurer nor
5 the department is personally liable, but the loss shall be
6 charged against the retirement fund and there is appropriated
7 from the retirement fund an amount as required for the loss.
8 Expenses incurred in the sale and purchase of securities
9 belonging to the retirement fund shall be charged to the
10 retirement fund and there is appropriated from the retirement
11 fund an amount as required for the expenses incurred.
12 Investment management expenses shall be charged to the
13 investment income of the retirement fund and there is
14 appropriated from the retirement fund an amount as required
15 for the investment management expenses, subject to the
16 limitations stated in this subparagraph. The amount
17 appropriated for a fiscal year under this subparagraph shall
18 not exceed one-half percent of the market value of the
19 retirement fund. The department shall report the investment
20 management expenses for a fiscal year as a percent of the
21 market value of the retirement fund in the annual report to
22 the governor required in section 97B.4.

23 Sec. 2. Section 97B.8, unnumbered paragraph 1, Code 1985,
24 is amended to read as follows:

25 A board is established to be known as the "Advisory
26 Investment Board of the Iowa Public Employees' Retirement
27 System", hereinafter called the "board", whose duties are to
28 advise and confer with the department in matters relating to
29 the investment of the trust funds of the Iowa public
30 employees' retirement system. At least annually the board
31 shall review the investment policies and procedures used by
32 the department under section 97B.7, subsection 2, paragraph
33 "b", and shall hold a public meeting on the investment
34 policies and investment performance of the fund. Following
35 its review and the public meeting, the board shall make recom-

1 recommendations to the department. The powers of the board are
2 advisory and the department is not bound in the making of an
3 investment, or adoption of an investment policy or procedure,
4 by the recommendations of the board.

5 Sec. 3. Section 97B.57, Code 1985, is amended by adding
6 the following new unnumbered paragraph:

7 NEW UNNUMBERED PARAGRAPH. The information provided under
8 this section shall include information on the investment
9 policies and investment performance of the retirement fund.
10 In providing this information, to the extent possible, the
11 department shall include the total investment return for the
12 entire fund, for portions of the fund managed by investment
13 managers, and for internally-managed portions of the fund.
14 The performance shall be based upon market as well as book
15 value, and shall be contrasted with relevant market indices
16 and with performances of pension funds with similar investment
17 policies and characteristics. This information shall be
18 prepared and available to employees at least on an annual
19 basis.

20 Sec. 4. Section 262.14, subsection 3, Code 1985, is
21 amended by striking the subsection and inserting in lieu
22 thereof the following:

23 3. Any portion of the funds may be invested by the board.
24 In the investment of the funds, the board shall exercise the
25 judgment and care, under the circumstances then prevailing,
26 which persons of prudence, discretion and intelligence
27 exercise in their own affairs as provided in section 633.123,
28 subsection 1.

29 The board shall give appropriate consideration to those
30 facts and circumstances that the board knows or should know
31 are relevant to the particular investment involved, including
32 the role the investment plays in the total value of the
33 board's funds.

34 For the purposes of this subsection, appropriate con-
35 sideration includes, but is not limited to, a determination by

1 the board that the particular investment is reasonably
2 designed to further the purposes prescribed by law to the
3 board, taking into consideration the risk of loss and the
4 opportunity for gain or other return associated with the
5 investment and consideration of the following factors as they
6 relate to the funds of the board:

7 a. The composition of the funds of the board with regard
8 to diversification.

9 b. The liquidity and current return of the investments
10 relative to the anticipated cash flow requirements.

11 c. The projected return of the investments relative to the
12 funding objectives of the board.

13 Consistent with this subsection, investments made under
14 this subsection shall be made in a manner that will enhance
15 the economy of this state, and in particular, will result in
16 increased employment of the residents of this state.

17 EXPLANATION

18 This bill strikes the restrictions on investment of funds
19 in the Iowa public employees' retirement system and funds of
20 the state board of regents and substitutes language about the
21 use of prudence and discretion in making investments. It also
22 adds language from the federal law governing investment of
23 retirement funds in the private sector. The bill also
24 prescribes that, if possible, investments enhance the Iowa
25 economy.

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SENATE FILE 27

H-3367

1 Amend Senate File 27, as passed by the Senate, as
2 follows:

3 1. Page 3, line 13, by inserting after the word
4 "fund" the following: ", and the cost of managing the
5 fund per thousand dollars of assets".

H-3367 FILED MARCH 18, 1985 BY O'KANE of Woodbury

Adopted 4/16/85 (p. 1599)

SENATE FILE 27

H-3414

1 Amend Senate File 27 as follows:

2 1. Page 4, by inserting after line 16 the fol-
3 lowing:

4 "Sec. ____ . Section 633.123, subsection 1, Code
5 1985, is amended to read as follows:

6 1. INVESTMENTS BY FIDUCIARIES. In acquiring,
7 investing, reinvesting, exchanging, retaining, selling
8 and managing property for the benefit of another, a
9 fiduciary shall exercise the judgment and care under
10 the circumstances then prevailing, which persons of
11 prudence, discretion and intelligence exercise in the
12 management of their own affairs, not for the purpose
13 of speculation, but with regard to the permanent
14 disposition of their funds, considering the probable
15 income, as well as the probable safety, of their
16 capital. Within the limitations of the foregoing
17 standards, a fiduciary is authorized to acquire and
18 retain every kind of property and every kind of
19 investment, specifically including, but not by way of
20 limitation, bonds, debentures, and other corporate
21 obligations, and stocks and shares, preferred or
22 common, pass through or trust certificates, real
23 estate mortgages and mortgage participation interests,
24 which persons of prudence, discretion and intelligence
25 acquire or retain for their own account."

26 2. Page 4, by inserting after line 16 the fol-
27 lowing:

28 "Sec. ____ . This Act, being deemed of immediate
29 importance, takes effect from and after its
30 publication in The Jefferson Bee, a newspaper
31 published in Jefferson, Iowa, and in the Sigourney
32 News-Review, a newspaper published in Sigourney,
33 Iowa."

H-3414 FILED MARCH 22, 1985 BY BLANSHAN of Greene

w/d 4/16 (p. 1599)

SENATE FILE 27

H-3734

1 Amend Senate File 27 as passed by the Senate as
2 follows:
3 1. Page 4, by inserting after line 16 the
4 following:
5 "Sec. ____ . Section 633.123, subsection 1, Code
6 1985, is amended to read as follows:
7 1. Investments by fiduciaries. In acquiring,
8 investing, reinvesting, exchanging, retaining, selling
9 and managing property for the benefit of another, a
10 fiduciary shall exercise the judgment and care under
11 the circumstances then prevailing, which persons of
12 prudence, discretion and intelligence exercise in the
13 management of their own affairs, not for the purpose
14 of speculation, but with regard to the permanent
15 disposition of their funds, considering the probable
16 income, as well as the probable safety, of their
17 capital. Within the limitations of the foregoing
18 standards, a fiduciary is authorized to acquire and
19 retain every kind of property and every kind of
20 investment, ~~specifically including, but not by way of~~
21 ~~limitation, bonds, debentures, and other corporate~~
22 ~~obligations, and stocks and shares, preferred or~~
23 ~~common,~~ which persons of prudence, discretion and
24 intelligence acquire or retain for their own account."

BY BLANSHAN of Greene

H-3734 FILED APRIL 10, 1985

SWEARINGEN of Keokuk

Adopted 4/16/85 (p. 1600)

SENATE FILE 27

H-3785

1 Amend Senate File 27 as passed by the Senate as
2 follows:
3 1. Page 2, line 22, by inserting after the figure
4 "97B.4." the following: "A person who has signed a
5 contract with the department for investment management
6 purposes shall maintain an office in this state during
7 the duration of the contract."

H-3785 FILED APRIL 15, 1985 BY PARKER of Jasper

Adopted 4/16 (p. 1599)

Adopted as amended by 3837 4/17

SENATE FILE 27

H-3837

1 Amend amendment H-3785 to Senate File 27 as passed
2 by the Senate as follows:
3 1. Page 1, by striking lines 6 and 7 and
4 inserting the following: "purposes shall meet the
5 requirements for doing business in Iowa sufficient to
6 be subject to tax under rules of the department of
7 revenue.""

BY PARKER of Jasper

H-3837 FILED APRIL 16, 1985

STROMER of Hancock

Adopted 4/17 (p. 1601)

HOUSE AMENDMENT TO
SENATE FILE 27

1 Amend Senate File 27 as passed by the Senate as
2 follows:

3 1. Page 2, line 22, by inserting after the figure
4 "97B.4." the following: "A person who has signed a
5 contract with the department for investment management
6 purposes shall meet the requirements for doing
7 business in Iowa sufficient to be subject to tax under
8 rules of the department of revenue."

9 2. Page 3, line 13, by inserting after the word
10 "fund" the following: ", and the cost of managing the
11 fund per thousand dollars of assets".

12 3. Page 4, by inserting after line 16 the
13 following:

14 "Sec. ____ . Section 633.123, subsection 1, Code
15 1985, is amended to read as follows:

16 1. Investments by fiduciaries. In acquiring,
17 investing, reinvesting, exchanging, retaining, selling
18 and managing property for the benefit of another, a
19 fiduciary shall exercise the judgment and care under
20 the circumstances then prevailing, which persons of
21 prudence, discretion and intelligence exercise in the
22 management of their own affairs, not for the purpose
23 of speculation, but with regard to the permanent
24 disposition of their funds, considering the probable
25 income, as well as the probable safety, of their
26 capital. Within the limitations of the foregoing
27 standards, a fiduciary is authorized to acquire and
28 retain every kind of property and every kind of
29 investment, ~~specifically including, but not by way of~~
30 ~~limitation, bonds, debentures, and other corporate~~
31 ~~obligations, and stocks and shares, preferred or~~
32 ~~common, which persons of prudence, discretion and~~
33 intelligence acquire or retain for their own account."

34 4. By renumbering, relettering, or redesignating
35 and correcting internal references as necessary.

SENATE FILE 27

AN ACT

RELATING TO THE INVESTMENT POLICIES FOR FUNDS AVAILABLE TO
CERTAIN STATE AGENCIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 97B.7, subsection 2, paragraph b, Code 1985, is amended by striking the paragraph and inserting in lieu thereof the following:

b. Invest the portion of the retirement fund as in the judgment of the department is not needed for current payment of benefits under this chapter. The department shall determine the disposition and investment of moneys in the retirement fund. In the investment of the fund, the department shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs as provided in section 633.173, subsection 1.

The department shall give appropriate consideration to those facts and circumstances that the department knows or should know are relevant to the particular investment involved, including the role the investment plays in the total value of the retirement fund.

For the purposes of this paragraph, appropriate consideration includes, but is not limited to, a determination by the department that the particular investment is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment and consideration of the following factors as they relate to the retirement fund:

(1) The composition of the retirement fund with regard to diversification.

(2) The liquidity and current return of the investments in the fund relative to the anticipated cash flow requirements of the retirement system.

(3) The projected return of the investments relative to the funding objectives of the retirement system.

Consistent with this paragraph, investments made under this paragraph shall be made in a manner that will enhance the economy of this state, and in particular, will result in increased employment of the residents of this state.

If there is loss on the redemption or sale of securities, where invested as prescribed by law, neither the treasurer nor the department is personally liable, but the loss shall be charged against the retirement fund and there is appropriated from the retirement fund an amount as required for the loss. Expenses incurred in the sale and purchase of securities belonging to the retirement fund shall be charged to the retirement fund and there is appropriated from the retirement fund an amount as required for the expenses incurred. Investment management expenses shall be charged to the investment income of the retirement fund and there is appropriated from the retirement fund an amount as required for the investment management expenses, subject to the limitations stated in this subparagraph. The amount appropriated for a fiscal year under this subparagraph shall not exceed one-half percent of the market value of the retirement fund. The department shall report the investment management expenses for a fiscal year as a percent of the market value of the retirement fund in the annual report to the governor required in section 97B.4. A person who has signed a contract with the department for investment management purposes shall meet the requirements for doing business in Iowa sufficient to be subject to tax under rules of the department of revenue.

Sec. 2. Section 97B.8, unnumbered paragraph 1, Code 1985, is amended to read as follows:

A board is established to be known as the "Advisory Investment Board of the Iowa Public Employees' Retirement System", hereinafter called the "board", whose duties are to advise and confer with the department in matters relating to the investment of the trust funds of the Iowa public employees' retirement system. At least annually the board shall review the investment policies and procedures used by the department under section 97B.7, subsection 2, paragraph "b", and shall hold a public meeting on the investment policies and investment performance of the fund. Following its review and the public meeting, the board shall make recommendations to the department. The powers of the board are advisory and the department is not bound in the making of an investment, or adoption of an investment policy or procedure, by the recommendations of the board.

Sec. 3. Section 97B.57, Code 1985, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The information provided under this section shall include information on the investment policies and investment performance of the retirement fund. In providing this information, to the extent possible, the department shall include the total investment return for the entire fund, for portions of the fund managed by investment managers, and for internally-managed portions of the fund, and the cost of managing the fund per thousand dollars of assets. The performance shall be based upon market as well as book value, and shall be contrasted with relevant market indices and with performances of pension funds with similar investment policies and characteristics. This information shall be prepared and available to employees at least on an annual basis.

Sec. 4. Section 262.14, subsection 3, Code 1985, is amended by striking the subsection and inserting in lieu thereof the following:

3. Any portion of the funds may be invested by the board. In the investment of the funds, the board shall exercise the

judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in their own affairs as provided in section 633.123, subsection 1.

The board shall give appropriate consideration to those facts and circumstances that the board knows or should know are relevant to the particular investment involved, including the role the investment plays in the total value of the board's funds.

For the purposes of this subsection, appropriate consideration includes, but is not limited to, a determination by the board that the particular investment is reasonably designed to further the purposes prescribed by law to the board, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment and consideration of the following factors as they relate to the funds of the board:

- a. The composition of the funds of the board with regard to diversification.
- b. The liquidity and current return of the investments relative to the anticipated cash flow requirements.
- c. The projected return of the investments relative to the funding objectives of the board.

Consistent with this subsection, investments made under this subsection shall be made in a manner that will enhance the economy of this state, and in particular, will result in increased employment of the residents of this state.

Sec. 5. Section 633.123, subsection 1, Code 1985, is amended to read as follows:

1. Investments by fiduciaries. In acquiring, investing, reinvesting, exchanging, retaining, selling and managing property for the benefit of another, a fiduciary shall exercise the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for the purpose of speculation, but with regard to the

permanent disposition of their funds, considering the probable income, as well as the probable safety, of their capital. Within the limitations of the foregoing standards, a fiduciary is authorized to acquire and retain every kind of property and every kind of investment, ~~specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks and shares, preferred or common,~~ which persons of prudence, discretion and intelligence acquire or retain for their own account.

ROBERT T. ANDERSON
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 27, Seventy-first General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved May 24, 1985

TERRY E. BRANSTAD
Governor