

12B.10 Public funds investment standards.

1. a. In addition to investment standards and requirements otherwise provided by law, the investment of public funds by the treasurer of state, state agencies authorized to invest funds, and political subdivisions of this state, shall comply with this section, except where otherwise provided by another statute specifically referring to this section.

b. The treasurer of state and the treasurer of each political subdivision shall at all times keep funds coming into their possession as public money in a vault or safe to be provided for that purpose or in one or more depositories approved pursuant to chapter 12C. However, the treasurer of state, state agencies authorized to invest public funds, and political subdivisions shall invest, unless otherwise provided, any public funds not currently needed in investments authorized by this section.

2. The treasurer of state, state agencies authorized to invest funds, and political subdivisions of this state, when investing or depositing public funds, shall exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to attain the goals of this subsection. This standard requires that when making investment decisions, a public entity shall consider the role that the investment or deposit plays within the portfolio of assets of the public entity and the goals of this subsection. The primary goals of investment prudence shall be based in the following order of priority:

a. Safety of principal is the first priority.

b. Maintaining the necessary liquidity to match expected liabilities is the second priority.

c. Obtaining a reasonable return is the third priority.

3. Investments of public funds shall be made in accordance with written policies. A written investment policy shall address the goals set out in subsection 2 and shall also address, but is not limited to, compliance with state law, diversification, maturity, quality, and capability of investment management.

The trading of securities in which any public funds are invested for the purpose of speculation and the realization of short-term trading profits is prohibited.

Investments by a political subdivision must have maturities that are consistent with the needs and use of that political subdivision or agency.

4. a. The treasurer of state and all other state agencies authorized to invest funds shall only purchase and invest in the following:

(1) Obligations of the United States government, its agencies, and instrumentalities.

(2) Certificates of deposit and other evidences of deposit at federally insured depository institutions approved pursuant to chapter 12C.

(3) Prime bankers' acceptances that mature within two hundred seventy days and that are eligible for purchase by a federal reserve bank, provided that at the time of purchase no more than thirty percent of the investment portfolio of the treasurer of state or any other state agency shall be in investments authorized by this subparagraph and that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

(4) Commercial paper or other short-term corporate debt that matures within two hundred seventy days and that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the superintendent of banking by rule adopted pursuant to chapter 17A, provided that at the time of purchase no more than five percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification, and provided further that at the time of purchase no more than thirty percent of the investment portfolio of the treasurer of state or any other state agency shall be in investments authorized by this subparagraph and that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

(5) Repurchase agreements whose underlying collateral consists of the investments set out in subparagraphs (1) through (4) if the treasurer of state or state agency takes delivery of the collateral either directly or through an authorized custodian. Repurchase agreements do not include reverse repurchase agreements.

(6) Investments authorized for the Iowa public employees' retirement system in section 97B.7A, except that investment in common stocks is not permitted.

(7) An open-end management investment company organized in trust form registered with the federal securities and exchange commission under the federal Investment Company Act of 1940, 15 U.S.C. § 80a, and operated in accordance with 17 C.F.R. § 270.2a-7.

(8) Investments authorized under subsection 7.

(9) Obligations of the Iowa finance authority issued pursuant to chapter 16, bearing interest at market rates, provided that at the time of purchase the Iowa finance authority has an issuer credit rating within the two highest classifications or the obligations to be purchased are rated within the two highest classifications, as established by at least one of the standard rating services approved by the superintendent of banking by rule adopted pursuant to chapter 17A.

b. Futures and options contracts are not permissible investments.

5. a. Political subdivisions of this state, including entities organized pursuant to chapter 28E whose primary function is other than to jointly invest public funds, shall purchase and invest only in the following:

(1) Obligations of the United States government, its agencies, and instrumentalities.

(2) Certificates of deposit and other evidences of deposit at federally insured depository institutions approved pursuant to chapter 12C.

(3) Prime bankers' acceptances that mature within two hundred seventy days and that are eligible for purchase by a federal reserve bank, provided that at the time of purchase no more than ten percent of the investment portfolio shall be in investments authorized by this subparagraph and that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

(4) Commercial paper or other short-term corporate debt that matures within two hundred seventy days and that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the superintendent of banking by rule adopted pursuant to chapter 17A, provided that at the time of purchase no more than five percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification, and provided further that at the time of purchase no more than ten percent of the investment portfolio shall be in investments authorized by this subparagraph and that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

(5) Repurchase agreements whose underlying collateral consists of the investments set out in subparagraph (1) if the political subdivision takes delivery of the collateral either directly or through an authorized custodian. Repurchase agreements do not include reverse repurchase agreements.

(6) An open-end management investment company registered with the federal securities and exchange commission under the federal Investment Company Act of 1940, 15 U.S.C. § 80a, and operated in accordance with 17 C.F.R. § 270.2a-7.

(7) A joint investment trust organized pursuant to chapter 28E prior to and existing in good standing on the effective date of this Act or a joint investment trust organized pursuant to chapter 28E after April 28, 1992, provided that the joint investment trust shall either be rated within the two highest classifications by at least one of the standard rating services approved by the superintendent of banking by rule adopted pursuant to chapter 17A and operated in accordance with 17 C.F.R. § 270.2a-7, or be registered with the federal securities and exchange commission under the federal Investment Company Act of 1940, 15 U.S.C. § 80a, and operated in accordance with 17 C.F.R. § 270.2a-7. The manager or investment advisor of the joint investment trust shall be registered with the federal securities and exchange commission under the Investment Advisor Act of 1940, 15 U.S.C. § 80b.

(8) Warrants or improvement certificates of a levee or drainage district.

(9) Investments authorized under subsection 7.

b. Futures and options contracts are not permissible investments.

6. The following investments are not subject to this section:

a. Investments by the public safety peace officers' retirement system governed by chapter 97A.

b. Investments by the Iowa public employees' retirement system governed by chapter 97B.

c. Investments by the Iowa finance authority governed by chapter 16.

d. Investments by the state board of regents. However, investments by the state board of regents or institutions governed by the state board of regents are limited to the following:

(1) Those investments set out in subsection 4.

(2) The common fund for nonprofit organizations.

(3) Common stocks.

(4) For investments of short-term operating funds, the funds shall not be invested in investments having effective maturities exceeding sixty-three months.

e. A pension and annuity retirement system governed by chapter 294.

f. Investments by the statewide fire and police retirement system governed by chapter 411.

g. Investments by the judicial retirement system governed by chapter 602, article 9.

h. Investments under the deferred compensation plan established by the executive council pursuant to section 509A.12.

i. Investments made by city hospitals as provided in section 392.6. However, investments by city hospitals are limited to the following:

(1) The same types of investments as the treasurer of state and other state agencies may make under this section.

(2) Investment in common stocks.

j. Investments by the tobacco settlement authority governed by chapter 12E.

k. Investments by municipal utility retirement systems governed under chapter 412.

l. Investments in a qualified trust established pursuant to governmental accounting standards board statement number forty-three that is governed by a board of trustees of a joint investment trust organized pursuant to chapter 28E and that is registered with the federal securities and exchange commission under the federal Investment Company Act of 1940, 15 U.S.C. § 80a.

7. Notwithstanding sections 12C.2, 12C.4, 12C.6, 12C.6A, and any other provision of law relating to the deposits of public funds, if public funds are deposited in a depository, as defined in section 12C.1, any uninsured portion of the public funds invested through the depository may be invested in certificates of deposit arranged by the depository that are issued by one or more federally insured banks or savings associations regardless of location for the account of the public funds depositor if all of the following requirements are satisfied:

a. The full amount of the principal and any accrued interest of each certificate of deposit issued shall be covered by federal deposit insurance.

b. The depository, either directly or through an agent or subcustodian, shall act as custodian of the certificates of deposit.

c. The day the certificates of deposit are issued, the depository shall have received deposits in an amount eligible for federal deposit insurance from, and issued certificates of deposit to, customers of other financial institutions wherever located that are equal to or greater than the amount of public funds invested under this subsection by the public funds depositor through the depository.

8. As used in this section, "*public funds*" means the same as defined in section 12C.1, subsection 2.

[R60, §804; C73, §918; C97, §1462; S13, §1462; C24, 27, 31, 35, 39, §7412; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §452.10]

84 Acts, ch 1194, §1; 84 Acts, ch 1230, §4; 85 Acts, ch 194, §1; 87 Acts, ch 105, §3; 88 Acts, ch 1027, §1; 88 Acts, ch 1187, §1; 90 Acts, ch 1233, §30; 91 Acts, ch 249, §1; 92 Acts, ch 1156, §16 C93, §12B.10

94 Acts, ch 1012, §1; 96 Acts, ch 1187, §75; 97 Acts, ch 185, §1; 2000 Acts, ch 1156, §1; 2000 Acts, ch 1208, §20, 25; 2001 Acts, ch 68, §2, 24; 2001 Acts, ch 102, §1; 2003 Acts, ch 179, §91; 2006 Acts, ch 1023, § 1 – 4; 2008 Acts, ch 1075, §1; 2011 Acts, ch 55, §1

[T] Subsection 6, NEW paragraph 1