

March 27, 1967
Passed on File

Consolidated Official, Pass 4/15

Senate File 650

By LEGISLATIVE RESEARCH
COMMITTEE
(Kluever, Dunton, Tieden,
Knight, Doderer, Baringer,
Vetter, Lipsky, Petersen
of Dallas, Reed, Gannon,
Conklin, Steffen, Miller
of Des Moines, Bailey, Smith,
Shaw, Millen, Franklin,
Waugh, Miller of Page,
Harbor, Hanson of Benton,
Sorg, Hicklin, Radl,
O'Malley, Koch, Mensing
and Curran)

Passed Senate, Date 5-15-67

Passed House, Date 6-30-67

Vote: Ayes 48 Nays 3

Vote: Ayes 73 Nays 3

*Revised to
Pass 5-15
52-2*

Approved _____

A BILL FOR

An Act relating to investments of the Iowa public employees retirement fund.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. Section ninety-seven B point seven (97B.7),
2 subsection two (2), paragraph b, Code 1966, is hereby amended
3 as follows:

4 1. By inserting in line eleven (11) after the word "state"
5 the following:

6 "including common stocks issued or guaranteed by a corpora-
7 tion created or existing under the laws of the United States
8 or any state, district, or territory thereof subject to the
9 following restrictions:

10 "(1) That for a period of five (5) fiscal years for which
11 the necessary statistical data are available next preceding
12 the date of investment, the corporation had an average annual
13 net income plus fixed charges, or in the case of consolidated

14 earnings statements of parent and subsidiary corporations such
15 corporations had an average annual net income plus fixed charges
16 and the preferred dividend requirement, if any, of the sub-
17 sidiarics, at least equal to one and one-half (1 1/2) times the
18 sum of the corporation's average annual dividend requirement
19 for preferred stock and the average annual fixed charges for
20 the same period; provided, during neither of the last two (2)
21 years of such period shall the sum of the corporation's annual
22 net income and annual fixed charges have been less than one
23 and one-half (1 1/2) times the sum of the corporation's divi-
24 dend requirements for preferred stock and fixed charges for
25 the same period. Fixed charges mean interest on funded or
26 unfunded debt, contingent interest charges, amortization of
27 debt discount, and expenses and rentals for leased property.

28 "(2) That the corporation has no arrears of dividends on
29 preferred stock.

30 "(3) That the common stock is registered on a national
31 securities exchange as provided in the 'Securities Exchange
32 Act of 1934,' 48 Stat. 881, 15 U.S.C. 77b, as amended through
33 December 31, 1966, but such registration shall not be re-
34 quired of the common stock of a bank which is a member of
35 the federal deposit insurance corporation and has capital
36 funds, represented by capital, surplus, and undivided profits,
37 of at least twenty (20) million dollars, the common stock of
38 a life insurance company which has capital funds, represented
39 by capital, special surplus funds, and unassigned surplus,
40 of at least fifty (50) million dollars, or the common stock
41 of a fire or casualty insurance company, or a combination
42 thereof, which has capital funds represented by capital, net
43 surplus, and voluntary reserves, of at least fifty (50)
44 million dollars.

45 "(4) That the corporation, having no preferred stock out-
46 standing, had earnings for the five (5) fiscal years next
47 preceding the date of investment of at least twice the inter-

48 est on all mortgages, bonds, debentures, and funded debts, if
49 any, after deduction of the proper charges for replacements,
50 depreciation, and obsolescence.

51 "(5) That the corporation paid a cash dividend on issued
52 common stock in each year of the ten (10) year period next
53 preceding the date of investment and the aggregate net earnings
54 available for dividends on the common stock of such corporation
55 for the whole of such period were at least equal to the amount
56 of dividends paid.

57 "(6) That in applying the earnings test under this division
58 to any issuing, assuming, or guaranteeing corporation, where
59 such corporation acquired all or any substantial part of the
60 property held by the corporation within a five (5) year period
61 immediately preceding the date of investment by consolidation,
62 merger, or by the purchase of all or a substantial portion of
63 the property of any other corporation or corporations, or
64 acquired the assets of any unincorporated business enterprise
65 by purchase or otherwise, net income, fixed charges, and pre-
66 ferred dividends of the several predecessor or constituent cor-
67 porations or enterprises shall be consolidated and adjusted so
68 as to ascertain whether or not compliance has been made with
69 the applicable requirements of this section.

70 "(7) The total value of common stocks held by the retirement
71 fund shall not exceed ten (10) percent of the total value of
72 the retirement fund. Not more than one and one-half (1 1/2)
73 percent of the total value of the retirement fund may be in-
74 vested in the common stock of one (1) corporation. Not more than
75 five (5) percent of the issued stock of any one (1) corpora-
76 tion may be owned by the fund. For purposes of this Act value
77 consists of cash, the par value or unpaid balance of all un-
78 maturated or unpaid investments requiring the payment of a fixed
79 amount at payment date, and the cost price of all other in-
80 vestments. The total cost of common stocks purchased during
81 any year shall not exceed twenty-five (25) percent of all

82 moneys collected under chapter ninety-seven B (97B) of the
 83 Code together with investment income received by the system
 84 during that year".

85 2. By inserting in line eighteen (18) after the word
 86 "required." the following sentence:

87 "Expenses incurred in the sale and purchase of securities
 88 belonging to the retirement fund shall be charged to the re-
 89 tirement fund and investment income thereon and there is
 90 hereby appropriated from such fund an amount as may be so
 91 required."

1 Senate File 650 is hereby amended by striking lines four
 2 (4) through six (6) and inserting in lieu thereof the following:
 3 "1. By striking line eleven (11) and inserting in lieu
 4 thereof the following:
 5 'thorized for life insurance companies in this state
 6 including common stocks issued or guaranteed by a corpora-'."

Filed - *Adopted as amended 5-12-67*
 May 11, 1967 *Reconsidered and adopted 5-15* By FROMMELT

1 Amend Senate File 650 by inserting after line three (3),
 2 Section 1, the following new Subsection 1 and renumbering the
 3 remaining subsections:
 4 1. By inserting after the comma (,) in line ten (10) thereof
 5 the following:
 6 "or in one or more appropriate group annuity contracts (with
 7 or without a separate account feature) issued by an insurance
 8 company or companies licensed to do business in the State of
 9 Iowa, consideration for which contract will not be subject to
 10 premium tax under the provisions of Section four hundred thirty-
 11 two point one (432.1)".

Filed - *Withdrawn 5-15*
 May 11, 1967

By BENDA

1 Amend Senate File 650 by striking in Section one (1),
2 subsection seven (7), line seventy (70) the word "value"
3 and inserting in lieu thereof the words "cost price".

Filed and adopted
May 15, 1967

By RIGLER

1 Amend Senate File 650 as follows:
2 Section 1, sub-section 7 line 70 strike "value"
3 and insert in lieu thereof "acquisition cost".

Filed and withdrawn
May 15, 1967

By KOSEK

1 Senate File 650, section one (1), is hereby amended as
2 follows:
3 1. By striking lines fifty-one (51) through fifty-six
4 (56).
5 2. By renumbering the remaining paragraphs in subsection
6 one (1) of such section in accordance with this amendment.

Filed
June 14, 1967

By LISLE

1 Senate File 650 is hereby amended as follows:
2 1. By inserting in line seventy (70) after the word } Div.
3 "total" the word "book". I
4 2. By striking from line eighty-nine (89) the words "and
5 investment income thereon".
6 3. By inserting in line ninety-one (91) after the word } Div.
7 "required" the following: II
8 "and investment management expenses shall be charged to
9 the investment income of the retirement fund and such expense
10 shall otherwise be budgeted and appropriated in the same
11 manner as administrative expenses for the rest of the system"

Filed - *Div. II adopted 5-12-67*
May 11, 1967 *Div. I withdrawn 5-15*

By FROMMELT

1 Amend Senate File 650 as follows:
2 1. By striking from section one (1) all after the
3 period (.) in line seventy-two (72), all of line
4 seventy-three (73) and all before the period (.) in
5 line seventy-four (74) and inserting the following:
6 "The book value of stock investments in any one
7 corporation shall not exceed five (5) percent of the
8 maximum amount which may be invested in stocks"

Filed - *Adopted as amended 5-15-67*
May 12, 1967

By KYHL

1 Amend the Frommelt amendment to Senate File 650, filed
2 May 11, 1967, as follows:
3 1. By striking from line three (3) the double quotation marks.
4 2. By striking from line five (5) the single quotation marks
5 and by inserting in lieu thereof double quotation marks.
6 3. By striking from line six (6) the word "corpora-" and
7 by inserting in lieu thereof the word "corporation".

Filed and adopted *Reconsidered and
withdrawn 5-15*
May 12, 1967

By FROMMELT

1 Amend Senate File 650 as follows:
2 1. Amend the Kyhl amendment to Senate File 650,
3 filed May 12, by striking from line six (6) the words
4 "book value" and inserting in lieu thereof the words
5 "cost price".

Filed and adopted
May 15, 1967

By KYHL