

House Study Bill 650

Conference Committee Text

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1 1 Section 1. Section [412.4](#), Code 1995, is amended to read as
1 2 follows:

1 3 412.4 LEGAL RESERVE INSURANCE.

1 4 The council, board of waterworks trustees, or other board
1 5 or commission, whichever is authorized by law to manage and
1 6 operate any such waterworks, or other municipally owned and
1 7 operated public utility, shall have the right and power to
1 8 contract with any legal reserve insurance company, authorized
1 9 to conduct its business in the state, or any bank located in
1 10 Iowa having trust powers for the investment of funds
1 11 contributed to an annuity or pension system, for the payment
1 12 of the pensions or annuities provided in such pension or
1 13 annuity retirement system, and may pay the premiums or make
1 14 the contribution of such contract out of the fund provided in
1 15 section 412.2. Funds contributed to a bank pursuant to such a
1 16 contract shall be invested in the manner prescribed in section
1 17 633.123 or [633.123A](#), and may be commingled with and invested
1 18 as a part of a common or master fund managed for the benefit
1 19 of more than one public utility.

1 20 Sec. 2. Section 633.123, subsection 2, unnumbered
1 21 paragraphs 3 and 4, Code 1995, are amended by striking the
1 22 paragraphs.

1 23 Sec. 3. NEW SECTION. 633.123A INVESTMENTS IN INVESTMENT
1 24 COMPANIES AND INVESTMENT TRUSTS.

1 25 1. Notwithstanding any other provision of law, a bank or
1 26 trust company acting as a fiduciary, in addition to other
1 27 investments authorized by law for the investment of funds by a
1 28 fiduciary or by the instrument governing the fiduciary and in
1 29 the exercise of its investment discretion or at the direction
1 30 of another person authorized to direct investment of funds
1 31 held by the fiduciary, may invest and reinvest such funds in
1 32 the securities of an open-end or closed-end management
1 33 investment company or investment trust registered under the
1 34 federal Investment Company Act of 1940, 15 U.S.C. } 80a-1 et
1 35 seq. Investment and reinvestment under this section is
2 1 allowed as long as the portfolio of such investment company or
2 2 investment trust consists substantially of investments not
2 3 otherwise prohibited by section 633.123 or by the governing
2 4 instrument.

2 5 Investment and reinvestment under this section is not
2 6 precluded merely because the bank or trust company or an
2 7 affiliate of the bank or trust company provides the services
2 8 of an investment advisor, custodian, transfer agent,
2 9 registrar, sponsor, distributor, or manager to the investment
2 10 company or investment trust and receives a reasonable fee for
2 11 the services.

2 12 2. This section is applicable to all fiduciaries whether
2 13 the will, agreement, or other instrument under which they are
2 14 acting now exists on or before the effective date of this
2 15 section.

2 16 EXPLANATION

2 17 This bill creates a new section 633.123A which provides
2 18 that all fiduciaries may invest and reinvest in open-end and
2 19 closed-end management investment companies and investment
2 20 trusts registered under the federal Investment Company Act of
2 21 1940. Investment and reinvestment under this section is

2 22 allowed so long as the portfolio of such investment company or
2 23 investment trust consists substantially of investments not
2 24 otherwise prohibited by section 633.123 or by the governing
2 25 instrument. Currently, such authority is provided in section
2 26 633.123, the model Prudent Person Investment Act, and is
2 27 limited to fiduciaries acting under the jurisdiction of the
2 28 court.
2 29 Section 412.4 is amended to conform with the creation of
2 30 the new section.
2 31 LSB 4228HC 76
2 32 mj/cf/24