

Senate Study Bill 1179 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON BROWN)

A BILL FOR

1 An Act relating to bonding requirements for certain public
2 entities and public fund investment requirements.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 12.8, subsection 1, Code 2023, is amended
2 to read as follows:

3 1. The treasurer of state shall invest or deposit, subject
4 to chapters 12F, 12H, and 12J, and 12K and as provided by law,
5 any of the public funds not currently needed for operating
6 expenses and shall do so upon receipt of monthly notice from
7 the director of the department of administrative services of
8 the amount not so needed. In the event of loss on redemption
9 or sale of securities invested as prescribed by law, and if
10 the transaction is reported to the executive council, neither
11 the treasurer nor director of the department of administrative
12 services is personally liable but the loss shall be charged
13 against the funds which would have received the profits or
14 interest of the investment and there is appropriated from the
15 funds the amount so required.

16 Sec. 2. NEW SECTION. **12.30A Bonding requirements.**

17 1. As used in this section, unless the context otherwise
18 requires:

19 *a. "Issuing authority"* means an authority as defined in
20 section 12.30, the state board of regents, and the Iowa finance
21 authority.

22 *b. "Obligations"* means notes, bonds, including refunding
23 bonds, and other evidences of indebtedness of an issuing
24 authority.

25 2. The documents or instruments necessary to effectuate
26 issuance of an obligation by an issuing authority shall not
27 include any of the following provisions:

28 *a.* A provision that would require or forbid the state of
29 the issuing authority to enact, adopt, execute, or implement
30 any policy, whether by law, rule, order, or other action
31 except with respect to a policy directly affecting the
32 creditworthiness of the state or issuing authority.

33 *b.* A provision obliging, promoting, forbidding, or impeding
34 any action by the issuing authority except where such action
35 would have a direct and material effect on the financial risk

1 to a lender of a loan to the issuing authority, or the return
2 to the lender on any such loan.

3 Sec. 3. NEW SECTION. 12K.1 **Definition.**

4 As used in this chapter, unless the context otherwise
5 requires, "*public fund*" means the treasurer of state, the state
6 board of regents, the public safety peace officers' retirement
7 system created in chapter 97A, the Iowa public employees'
8 retirement system created in chapter 97B, the statewide fire
9 and police retirement system created in chapter 411, or the
10 judicial retirement system created in chapter 602.

11 Sec. 4. NEW SECTION. 12K.2 **Public fund investment**
12 **requirements.**

13 1. A public fund shall exercise any voting rights of
14 securities held in any separate account, or in any collective,
15 common, or pooled fund, of the public fund. Each public fund
16 casting such a vote shall file a written report, quarterly,
17 with the governor and the treasurer of state stating, for all
18 votes cast in the preceding quarter, the substance of the
19 question voted on, the vote cast, the date of the vote, and
20 number of shares voted.

21 2. An investment manager for a public fund shall not
22 undertake any transaction on behalf of such public fund for
23 any reason other than to maximize investment return, unless
24 the investment manager provides written notice of the proposed
25 action, including the reasons therefor, to the public fund and
26 has received written authorization from the public fund for
27 the proposed transaction. This subsection does not apply to
28 a transaction taken in conformity with the requirements of
29 chapters 12F, 12H, or 12J.

30 Sec. 5. Section 35A.13, subsection 4, paragraph a, Code
31 2023, is amended to read as follows:

32 a. Notwithstanding [subsection 5](#), moneys in the fund, except
33 so much of the fund as may be necessary to be kept on hand
34 for the making of disbursements under [this section](#), shall
35 be invested by the treasurer of state, in consultation with

1 the commission and the public retirement systems committee
2 established by [section 97D.4](#), in any investments authorized for
3 the Iowa public employees' retirement system in [section 97B.7A](#),
4 including common stock, and subject to the requirements of
5 chapters [12F](#), [12H](#), and [12J](#), and [12K](#), and the earnings therefrom
6 shall be credited to the fund. The treasurer of state may
7 execute contracts and agreements with investment advisors,
8 consultants, and investment management and benefit consultant
9 firms in the administration of investments of moneys in the
10 fund.

11 Sec. 6. Section 97A.7, subsection 1, Code 2023, is amended
12 to read as follows:

13 1. The board of trustees shall be the trustees of the
14 retirement fund created by [this chapter](#) as provided in section
15 97A.8 and shall have full power to invest and reinvest funds
16 subject to the terms, conditions, limitations, and restrictions
17 imposed by [subsection 2](#) and [chapters 12F](#), [12H](#), and [12J](#), and
18 [12K](#) and subject to like terms, conditions, limitations, and
19 restrictions said trustees shall have full power to hold,
20 purchase, sell, assign, transfer, or dispose of any of the
21 securities and investments of the retirement fund which have
22 been invested, as well as of the proceeds of said investments
23 and any moneys belonging to the retirement fund. The board
24 of trustees may authorize the treasurer of state to exercise
25 any of the duties of [this section](#). When so authorized the
26 treasurer of state shall report any transactions to the board
27 of trustees at its next monthly meeting.

28 Sec. 7. Section 97B.4, subsection 5, Code 2023, is amended
29 to read as follows:

30 5. *Investments.* The system, through the chief investment
31 officer, shall invest, subject to [chapters 12F](#), [12H](#), and [12J](#),
32 and [12K](#) and in accordance with the investment policy and
33 goal statement established by the board, the portion of the
34 retirement fund which, in the judgment of the system, is not
35 needed for current payment of benefits under [this chapter](#)

1 subject to the requirements of [section 97B.7A](#).

2 Sec. 8. Section 262.14, unnumbered paragraph 1, Code 2023,
3 is amended to read as follows:

4 The board may invest funds belonging to the institutions,
5 subject to [chapters 12F, 12H, and 12J](#), and 12K and the
6 following regulations:

7 Sec. 9. Section 411.7, subsection 1, Code 2023, is amended
8 to read as follows:

9 1. The board of trustees is the trustee of the fire
10 and police retirement fund created in [section 411.8](#) and
11 shall annually establish an investment policy to govern the
12 investment and reinvestment of the moneys in the fund, subject
13 to the terms, conditions, limitations, and restrictions
14 imposed by [subsection 2](#) and [chapters 12F, 12H, and 12J](#), and
15 12K. Subject to like terms, conditions, limitations, and
16 restrictions the system has full power to hold, purchase, sell,
17 assign, transfer, or dispose of any of the securities and
18 investments in which the fund has been invested, as well as of
19 the proceeds of the investments and any moneys belonging to the
20 fund.

21 Sec. 10. Section 602.9111, subsection 1, Code 2023, is
22 amended to read as follows:

23 1. So much of the judicial retirement fund as may not be
24 necessary to be kept on hand for the making of disbursements
25 under [this article](#) shall be invested by the treasurer of
26 state in any investments authorized for the Iowa public
27 employees' retirement system in [section 97B.7A](#) and subject to
28 the requirements of [chapters 12F, 12H, and 12J](#), and 12K, and
29 the earnings therefrom shall be credited to the fund. The
30 treasurer of state may execute contracts and agreements with
31 investment advisors, consultants, and investment management and
32 benefit consultant firms in the administration of the judicial
33 retirement fund.

34

EXPLANATION

35 The inclusion of this explanation does not constitute agreement with

1 the explanation's substance by the members of the general assembly.

2 This bill concerns bonding requirements for certain public
3 entities and public fund investment requirements.

4 New Code section 12.30A requires an authority, as defined in
5 Code section 12.30, the state board of regents, and the Iowa
6 finance authority, to not include in any document or instrument
7 necessary to effectuate issuance of a debt obligation by
8 the issuer any provision requiring any action by the state
9 or issuing entity except an action directly affecting the
10 creditworthiness of the state or authority or an action that
11 would have a direct and material effect on the financial risk
12 or return to a lender.

13 The bill also creates new Code chapter 12K, which imposes
14 certain investment restrictions on public funds, defined as
15 the treasurer of state, the state board of regents, the Iowa
16 public employees' retirement system (IPERS), the public safety
17 peace officers' retirement system, the statewide fire and
18 police retirement system, and the judicial retirement system.
19 The bill requires public funds to exercise any voting rights
20 of securities held by the public fund and to file a written
21 report, quarterly, with the governor and the treasurer of
22 state concerning each vote taken, to include the substance of
23 the question voted on, the vote cast, the date of the vote,
24 and number of shares voted. The bill also provides that an
25 investment manager for a public fund shall not undertake any
26 transaction on behalf of such public fund for any reason other
27 than to maximize investment return, unless the investment
28 manager provides written notice of the proposed transaction and
29 receives written authorization from the public fund for the
30 proposed transaction. The bill provides that this restriction
31 does not apply to transactions taken in conformity with the
32 divestment and other requirements of Code chapter 12F, 12H, or
33 12J. The bill makes conforming changes to Code sections 12.8,
34 35A.13, 97A.7, 97B.4, 262.14, 411.7, and 602.9111.