

HB0337S01 compared with HB0337

~~text~~ shows text that was in HB0337 but was deleted in HB0337S01.

text shows text that was not in HB0337 but was inserted into HB0337S01.

DISCLAIMER: This document is provided to assist you in your comparison of the two bills. Sometimes this automated comparison will NOT be completely accurate. Therefore, you need to read the actual bills. This automatically generated document could contain inaccuracies caused by: limitations of the compare program; bad input data; or other causes.

Representative Jim Nielson proposes the following substitute bill:

PERMANENT STATE TRUST FUND INVESTMENT

AMENDMENTS

2013 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jim Nielson

Senate Sponsor: _____

LONG TITLE

General Description:

This bill addresses the investment of money in the permanent state trust fund.

Highlighted Provisions:

This bill:

- ▶ repeals a provision relating to the state treasurer's investment of money in the permanent state trust fund and replaces it with other provisions governing the investment of permanent state trust fund money;
- ▶ provides for requirements and criteria for the state treasurer's investment of permanent state trust fund money;
- ▶ requires the state treasurer to invest the money as a prudent investor would and

HB0337S01 compared with HB0337

establishes criteria for determining whether the treasurer has met that prudent investor standard;

- ▶ exempts funds of the permanent state trust fund from the State Money Management Act; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

51-7-2, as last amended by Laws of Utah 2011, Chapter 46

51-9-202, as last amended by Laws of Utah 2011, Chapter 119

ENACTS:

51-7b-101, Utah Code Annotated 1953

51-7b-102, Utah Code Annotated 1953

51-7b-201, Utah Code Annotated 1953

51-7b-202, Utah Code Annotated 1953

REPEALS:

51-7-12.1, as enacted by Laws of Utah 2000, Chapter 351

Be it enacted by the Legislature of the state of Utah:

Section 1. Section 51-7-2 is amended to read:

51-7-2. Exemptions from chapter.

The following funds are exempt from this chapter:

- (1) funds invested in accordance with the participating employees' designation or direction pursuant to a public employees' deferred compensation plan established and operated in compliance with Section 457 of the Internal Revenue Code of 1986, as amended;
- (2) funds of the Workers' Compensation Fund;
- (3) funds of the Utah State Retirement Board;
- (4) funds of the Utah Housing Corporation;

HB0337S01 compared with HB0337

(5) endowment funds of higher education institutions;

(6) permanent and other land grant trust funds established pursuant to the Utah Enabling Act and the Utah Constitution;

(7) the State Post-Retirement Benefits Trust Fund; ~~and~~

(8) the funds of the Utah Educational Savings Plan~~;~~

~~Section 1}~~~~}; and~~

(9) funds of the permanent state trust fund created by and operated under Utah Constitution, Article XXII, Section 4.

Section 2. Section 51-7b-101 is enacted to read:

CHAPTER 7b. INVESTMENT OF PERMANENT STATE TRUST FUND MONEY

Part 1. General Provisions

51-7b-101. Title.

This chapter is known as "Investment of Permanent State Trust Fund Money."

Section ~~{2}~~3. Section 51-7b-102 is enacted to read:

51-7b-102. Definition.

As used in this chapter, "permanent state trust fund" means the permanent state trust fund created by and operated under Utah Constitution Article XXII, Section 4.

Section ~~{3}~~4. Section 51-7b-201 is enacted to read:

Part 2. State Treasurer Investment Duties

51-7b-201. Investment of money in the permanent state trust fund.

(1) The state treasurer shall:

(a) invest money in the permanent state trust fund with the primary goal of providing for the stability, income, and growth of the permanent state trust fund's principal;

(b) in making investment decisions, consider:

(i) general economic conditions;

(ii) the possible effect of inflation and deflation;

(iii) the role that each investment or course of action plays within the overall permanent state trust fund portfolio;

(iv) the expected total return from income and the appreciation of capital; and

(v) needs for liquidity, regularity of income, and preservation or appreciation of capital;

and

HB0337S01 compared with HB0337

(c) diversify the investments of the permanent state trust fund, unless the state treasurer reasonably determines that the purposes of the permanent state trust fund are better served without diversifying.

(2) Nothing in this section requires a specific outcome in investing.

(3) The state treasurer may deduct any administrative costs incurred in managing permanent state trust fund assets from earnings before distributing them.

(4) (a) The state treasurer may employ professional asset managers to assist in the investment of assets of the permanent state trust fund.

(b) The treasurer may provide compensation to asset managers only from earnings generated by the permanent state trust fund's investments.

Section ~~{4}~~5. Section **51-7b-202** is enacted to read:

51-7b-202. Prudent investor standard -- Determining whether standard met.

(1) The state treasurer shall invest and manage the permanent state trust fund assets as a prudent investor would, by:

(a) considering the purposes, terms, distribution requirements, and other circumstances of the permanent state trust fund; and

(b) exercising reasonable care, skill, and caution in order to meet the standard of care of a prudent investor.

(2) In determining whether the state treasurer has met the standard of care of a prudent investor, a finder of fact shall:

(a) consider the state treasurer's investment decision or action in light of the facts and circumstances existing at the time of the decision or action, and not by hindsight; and

(b) evaluate the state treasurer's investment and management decisions respecting individual assets:

(i) not in isolation, but in the context of the permanent state trust fund portfolio as a whole; and

(ii) as a part of an overall investment strategy that has risk and return objectives reasonably suited to the permanent state trust fund.

Section ~~{5}~~6. Section **51-9-202** is amended to read:

51-9-202. Permanent state trust fund.

(1) Until July 1, 2003, 50% of all funds of every kind that are received by the state that

HB0337S01 compared with HB0337

are related to the settlement agreement that the state entered into with leading tobacco manufacturers on November 23, 1998, shall be deposited into the permanent state trust fund created by and operated under Utah Constitution Article XXII, Section 4.

(2) On and after July 1, 2003 and until July 1, 2004 20% of the funds of any kind received by the state that are related to the settlement agreement that the state entered into with leading tobacco manufacturers shall be deposited into the permanent state trust fund created by and operated under Utah Constitution Article XXII, Section 4.

(3) On and after July 1, 2004 and until July 1, 2005, 30% of all funds of any kind received by the state that are related to the settlement agreement that the state entered into with leading tobacco manufacturers shall be deposited into the General Fund Budget Reserve Account created in Section 63J-1-312.

(4) On and after July 1, 2005 and until July 1, 2007, 25% of all funds of any kind received by the state that are related to the settlement agreement that the state entered into with leading tobacco manufacturers shall be deposited into the permanent state trust fund created by and operated under Utah Constitution Article XXII, Section 4.

(5) On and after July 1, 2007, 40% of all funds of every kind that are received by the state that are related to the settlement agreement that the state entered into with leading tobacco manufacturers on November 23, 1998, shall be deposited into the General Fund and the remaining funds deposited as directed.

(6) Funds in the permanent state trust fund shall be deposited or invested pursuant to ~~[Section 51-7-12.1]~~ Chapter 7b, Investment of Permanent State Trust Fund Money.

(7) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and dividends earned annually from the permanent state trust fund shall be deposited in the General Fund. There shall be transferred on an ongoing basis from the General Fund to the permanent state trust fund created under Utah Constitution Article XXII, Section 4, an amount equal to 50% of the interest and dividends earned annually from the permanent state trust fund. The amount transferred into the fund under this Subsection (7)(a) shall be treated as principal.

(b) Any annual interest or dividends earned from the permanent state trust fund that remain in the General Fund after Subsection (7)(a) may be appropriated by the Legislature.

(c) Any realized or unrealized gains or losses on investments in the permanent state trust fund shall remain in the permanent state trust fund.

HB0337S01 compared with HB0337

(8) This section does not apply to funds deposited under Chapter 9, Part 3, Infrastructure and Economic Diversification Investment Account and Deposit of Certain Severance Taxes into Permanent State Trust Fund Act, into the permanent state trust fund.

Section ~~6~~7. Repealer.

This bill repeals:

Section **51-7-12.1, Deposit or investment of Tobacco Settlement Endowment -- Authorized deposits and investments -- Asset manager.**

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Legislative Review Note

~~as of 1-25-13 1:06 PM~~

~~Office of Legislative Research and General Counsel~~