

**REPEAL OF INVESTMENT ADVISORY
COMMITTEE**

2002 GENERAL SESSION
STATE OF UTAH

Sponsor: Bradley A. Winn

This act modifies the Public Funds and Accounts title by eliminating the Investment Advisory Committee.

This act affects sections of Utah Code Annotated 1953 as follows:

AMENDS:

51-7-12.5, as last amended by Chapter 375, Laws of Utah 1997

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

Section 1. Section **51-7-12.5** is amended to read:

51-7-12.5. Deposit or investment of the Employers' Reinsurance Fund and Uninsured Employers' Fund -- Authorized deposits and investments -- Asset manager.

(1) The principal of the Employers' Reinsurance Fund created in Section 34A-2-702, and the Uninsured Employers' Fund created in Section 34A-2-704 shall be deposited or invested only in the following:

(a) any deposit or investment authorized by Section 51-7-11;

(b) equity securities, including common and preferred stock issued by corporations listed on a major securities exchange, in accordance with the following criteria applied at the time of investment:

(i) the treasurer may not invest more than 5%, determined on a cost basis, of the total fund assets in the securities of any one issuer;

(ii) the treasurer may not invest more than 25%, determined on a cost basis, of total fund assets in a particular industry;

(iii) the treasurer may not invest more than 5%, determined on a cost basis, of the total fund assets in securities of corporations that have been in continuous operation for less than three



28 years;

29 (iv) the fund may not hold in excess of 5% of the outstanding voting securities of any one
30 corporation; and

31 (v) at least 75% of the corporations in which investments are made under Subsection (1)(b)
32 must appear on the Standard and Poor's 500 Composite Stock Price Index;

33 (c) fixed-income securities, including bonds, notes, mortgage securities, zero coupon
34 securities and convertible securities issued by domestic corporations rated "A" or higher by
35 Moody's Investors Service, Inc. or by Standard and Poor's Corporation in accordance with the
36 following criteria applied at the time of investment:

37 (i) the treasurer may not invest more than 5%, determined on a cost basis, of the total fund
38 assets in the securities of any one issuer;

39 (ii) the treasurer may not invest more than 25%, determined on a cost basis, of the total
40 fund assets in a particular industry;

41 (iii) the treasurer may not invest more than 5%, determined on a cost basis, of the total
42 fund assets in securities of corporations that have been in continuous operation for less than three
43 years; and

44 (iv) the dollar-weighted average maturity of fixed-income securities acquired under
45 Subsection (1)(c) may not exceed ten years;

46 (d) fixed-income securities issued by agencies of the United States and
47 government-sponsored organizations, including mortgage-backed pass-through certificates and
48 mortgage-backed bonds;

49 (e) shares of an open-end diversified management investment company established under
50 the Investment Companies Act of 1940; or

51 (f) shares of or deposits in a pooled-investment program.

52 (2) (a) No more than 65% of the total fund assets of any of these funds, on a cost basis,
53 may be invested in common or preferred stocks at any one time.

54 (b) At least 35% of the total assets of these funds shall be invested in fixed-income
55 securities authorized by Section 51-7-11 and Subsections (1)(c) and (d).

56 (3) The state treasurer shall use appropriate investment strategies to protect the principal
57 of the funds administered under this section during periods of financial market volatility.

58 (4) (a) The state treasurer may employ professional asset managers to assist in the

59 investment of assets of the funds.

60 (b) The treasurer may provide compensation to asset managers from earnings generated
61 by the funds' investments.

62 ~~[(5) (a) There is established an advisory committee of at least seven members to give
63 suggestions, advice, and opinions to the state treasurer in regard to this section.]~~

64 ~~[(b) The commissioner of the Labor Commission and the insurance commissioner shall
65 be members of the committee with all other members being appointed by the governor to four-year
66 terms.]~~

67 ~~[(c) Notwithstanding the requirements of Subsection (5)(b), the governor shall, at the time
68 of appointment or reappointment, adjust the length of terms to ensure that the terms of committee
69 members are staggered so that approximately half of the committee is appointed every two years.]~~

70 ~~[(d) When a vacancy occurs in the membership for any reason, the replacement shall be
71 appointed for the unexpired term.]~~

72 ~~[(e) The committee shall meet at least annually and review investment reports prepared
73 by the state treasurer, including information on portfolio composition and investment
74 performance.]~~

75 ~~[(f) (i) Members who are not government employees shall receive no compensation or
76 benefits for their services, but may receive per diem and expenses incurred in the performance of
77 the member's official duties at the rates established by the Division of Finance under Sections
78 63A-3-106 and 63A-3-107.]~~

79 ~~[(ii) Members may decline to receive per diem and expenses for their service.]~~

80 ~~[(g) (i) State government officer and employee members who do not receive salary, per
81 diem, or expenses from their agency for their service may receive per diem and expenses incurred
82 in the performance of their official duties from the committee at the rates established by the
83 Division of Finance under Sections 63A-3-106 and 63A-3-107.]~~

84 ~~[(ii) State government officer and employee members may decline to receive per diem and
85 expenses for their service.]~~

Legislative Review Note
as of 10-24-01 12:09 PM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel

Committee Note

The Government Operations Interim Committee recommended this bill.