

TRUST AMENDMENTS

2002 GENERAL SESSION

STATE OF UTAH

Sponsor: John L. Valentine

This act modifies the Utah Uniform Probate Code to address issues related to trusts and to make technical changes. This act addresses certain circumstances when a trustee may take action based on investment direction, and the duties and liability of a person that gives investment directions or whose consent or approval is required for investment actions. This act provides a coordination clause.

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

AMENDS:

75-7-302, as repealed and reenacted by Chapter 119, Laws of Utah 1995

75-7-403, as last amended by Chapter 119, Laws of Utah 1995

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

Section 1. Section **75-7-302** is amended to read:

75-7-302. Trustee's standard of care and performance.

(1) For purposes of this section, "investment direction" means a direction to do any of the following with respect to an investment:

(a) retention;

(b) purchase;

(c) sale;

(d) exchange;

(e) tender; or

(f) any other transaction affecting ownership in the investment.

~~[(1)]~~ (2) (a) Except as otherwise provided in Subsection ~~[(2)]~~ (3), a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule as set forth in this section.



28 (b) If a trustee is named on the basis of a trustee's representations of special skills or
29 expertise, the trustee has a duty to use those special skills or expertise.

30 [~~(2)~~] (3) (a) The prudent investor rule, a default rule, may be expanded, restricted,
31 eliminated, or otherwise altered by the provisions of a trust.

32 (b) A trustee is not liable to a beneficiary to the extent that the trustee acted in reasonable
33 reliance on the provisions of the trust.

34 [~~(3)~~] (4) (a) A trustee shall invest and manage trust assets as a prudent investor would, by
35 considering the purposes, terms, distribution requirements, and other circumstances of the trust.

36 (b) In satisfying [~~this~~] the standard stated in Subsection (4)(a), the trustee shall exercise
37 reasonable care, skill, and caution.

38 [~~(4)~~] (5) (a) A trustee's investment and management decisions respecting individual assets
39 [~~must~~] shall be evaluated not in isolation but in the context of the trust portfolio as a whole and
40 as a part of an overall investment strategy having risk and return objectives reasonably suited to
41 the trust.

42 (b) Among circumstances that the trustee shall consider in investing and managing trust
43 assets are [~~such~~] any of the following [~~as~~] that are relevant to the trust or [~~its~~] the trust's
44 beneficiaries:

45 [~~(a)~~] (i) general economic conditions;

46 [~~(b)~~] (ii) the possible effect of inflation or deflation;

47 [~~(c)~~] (iii) the expected tax consequences of investment decisions or strategies;

48 [~~(d)~~] (iv) the role that each investment or course of action plays within the overall trust
49 portfolio, which may include;

50 (A) financial assets[;];

51 (B) interests in closely held enterprises[;];

52 (C) tangible and intangible personal property[;]; and

53 (D) real property;

54 [~~(e)~~] (v) the expected total return from income and the appreciation of capital;

55 [~~(f)~~] (vi) other resources of the beneficiaries;

56 [~~(g)~~] (vii) needs for liquidity, regularity of income, and preservation or appreciation of
57 capital;

58 [~~(h)~~] (viii) the duty to incur only reasonable and appropriate investment costs; and

59 ~~[(i)]~~ (ix) an asset's special relationship or special value, if any, to the purposes of the trust
60 or to one or more of the beneficiaries.

61 ~~[(5)]~~ (6) A trustee shall make a reasonable effort to verify facts relevant to the investment
62 and management of trust assets.

63 ~~[(6)]~~ (7) A trustee may invest in any kind of property or type of investment consistent with
64 the standards of this section.

65 ~~[(7)]~~ (8) A trustee shall diversify the investments of the trust unless, the trustee reasonably
66 determines that, because of special circumstances, the purposes of the trust are better served
67 without diversifying.

68 ~~[(8)]~~ (9) (a) A trustee shall invest and manage the trust assets solely in the interest of the
69 beneficiaries.

70 (b) If a trust has two or more beneficiaries, the trustee shall act impartially in investing and
71 managing the trust assets, taking into account any differing interests of the two or more
72 beneficiaries.

73 ~~[(9)]~~ (10) (a) This section does not require a specific outcome in investing~~[-and~~
74 ~~compliance]~~.

75 (b) Compliance with the prudent investor rule is determined in light of the facts and
76 circumstances existing at the time of a trustee's decision or action and not by hindsight.

77 ~~[(10)]~~ (11) Within a reasonable time after accepting a trusteeship or receiving trust assets,
78 a trustee shall review the trust assets and make and implement decisions concerning the retention
79 and disposition of assets, in order to bring the trust portfolio into compliance with the:

80 (a) purposes, terms, distribution requirements, and other circumstances of the trust~~[-];~~ and
81 ~~[with the]~~

82 (b) requirements of this section.

83 ~~[(11)]~~ (12) (a) A trustee may delegate investment and management functions that a prudent
84 trustee of comparable skills could properly delegate under the circumstances. The trustee shall
85 exercise reasonable care, skill, and caution in:

86 (i) selecting the agent;

87 (ii) establishing the scope and terms of the delegation consistent with the purposes of the
88 trust; and

89 (iii) periodically reviewing the agent's actions to monitor the agent's performance and

90 compliance with the terms of the delegation.

91 (b) In performing a delegated function, an agent has a duty to the trust to exercise
92 reasonable care to comply with the terms of the delegation.

93 (c) A trustee who complies with the requirements of Subsection (11)(a) is not liable to the
94 beneficiaries or to the trust for the decisions or actions of the agent to whom the function was
95 delegated.

96 (13) (a) During the time period that a trust is revocable, the trustee may follow any
97 investment direction of the settlor, including an investment direction that:

98 (i) is manifestly contrary to the terms of the trust; or

99 (ii) seriously breaches a fiduciary duty to the beneficiaries.

100 (b) The trustee is not liable for any loss resulting from following an investment direction
101 described in Subsection (13)(a).

102 (14) If the terms of a trust authorize a person to give investment direction to the trustee,
103 the person authorized to give investment direction:

104 (a) is presumptively a fiduciary;

105 (b) is required to act in good faith with regard to:

106 (i) the purposes of the trust; and

107 (ii) the interests of the beneficiaries; and

108 (c) is liable for any loss that results from breach of the fiduciary duty.

109 (15) Except in cases of willful misconduct, a trustee is not liable for any loss that results
110 from following an investment direction if:

111 (a) the terms of a trust authorizes a person to give the investment direction to the trustee;
112 and

113 (b) the trustee acts in accordance with the investment direction given by a person described
114 in Subsection (15)(a).

115 (16) If the terms of a trust require another person's approval or consent to an investment
116 decision of the trustee:

117 (a) the person from whom approval or consent is required:

118 (i) is presumptively a fiduciary;

119 (ii) is required to act in good faith with regard to:

120 (A) the purposes of the trust; and

121 (B) the interests of the beneficiaries; and
 122 (iii) is liable for any loss that results from breach of the fiduciary duty; and
 123 (b) except in cases of willful misconduct, the trustee is not liable for any loss resulting
 124 from any act ~~§ [taken or]~~ § not taken as a result of the person's failure to respond to a request for
 125 approval or consent.

126 ~~[(12)]~~ (17) The following terms or comparable language in the provisions of a trust, unless
 127 otherwise limited or modified, authorizes any investment or strategy permitted under this section:

128 (a) "investments permissible by law for investment of trust funds[;]";

129 (b) "legal investments[;]";

130 (c) "authorized investments[;]";

131 (d) "using the judgment and care under the circumstances then prevailing that persons of
 132 prudence, discretion, and intelligence exercise in the management of their own affairs, not in
 133 regard to the speculation but in regard to the permanent disposition of their funds, considering the
 134 probable income as well as the probable safety of their capital[;]";

135 (e) "prudent man rule[;]";

136 (f) "prudent trustee rule[;]";

137 (g) "prudent person rule[;]"; and

138 (h) "prudent investor rule."

139 ~~[(13) This]~~ (18) (a) (i) Except as provided in Subsection (18)(b), this section applies to
 140 trusts existing on and created after July 1, 1995.

141 (ii) As applied to trusts existing on July 1, 1995, this section governs only decisions or
 142 actions occurring after July 1, 1995.

143 (b) (i) The amendment to this section in S.B.117, 2002 Annual General Session, applies
 144 to a trust:

145 (A) existing on May 6, 2002; or

146 (B) created on or after May 6, 2002.

147 (ii) As applied to a trust existing on May 6, 2002, this section only governs a decision or
 148 action occurring after May 6, 2002.

149 Section 2. Section ~~75-7-403~~ is amended to read:

150 **75-7-403. Trustee's office not transferable -- Transactions excepted.**

151 (1) The trustee shall not transfer his office to another or delegate the entire administration

152 of the trust to a co-trustee or another.

153 (2) Subsection (1) does not apply to any transaction permitted under Section 7-5-14 or
154 Subsection 75-7-302[~~(11)~~] (12).

155 Section 3. **Coordination clause.**

156 It is the intent of the Legislature that, in preparing the Utah Code Database for publication,
157 the Office of Legislative Research and General Counsel shall replace the reference in Subsection
158 75-7-302(18)(b)(i) from S.B. 117, 2002 Annual General Session, to its designated chapter number
159 in the Laws of Utah.

Legislative Review Note
as of 1-14-02 10:42 AM

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

Office of Legislative Research and General Counsel