

1 **CHANGES TO INVESTMENT ADVISORY**

2 **COMMITTEE**

3 2004 GENERAL SESSION

4 STATE OF UTAH

5 **Sponsor: David Clark**

7 **LONG TITLE**

8 **General Description:**

9 This bill modifies provisions governing membership and meetings of the investment
10 advisory committee for investment of permanent land grant trust funds.

11 **Highlighted Provisions:**

12 This bill:

- 13 ▶ adds a member appointed by the Board of Trustees of the School and Institutional
14 Trust Lands Administration to the committee;
- 15 ▶ requires that the investment advisory committee meet at least quarterly; and
- 16 ▶ makes technical corrections.

17 **Monies Appropriated in this Bill:**

18 None

19 **Other Special Clauses:**

20 None

21 **Utah Code Sections Affected:**

22 **AMENDS:**

23 **51-7-12**, as last amended by Chapter 237, Laws of Utah 2000

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

26 Section 1. Section **51-7-12** is amended to read:

27 **51-7-12. Deposit or investment of permanent land grant trust funds -- Authorized**



28 **deposits and investments -- Asset manager -- Investment Advisory Committee.**

29 (1) The principal of the permanent land grant trust funds established pursuant to the
30 Utah Enabling Act and the Utah Constitution shall be deposited or invested only in the
31 following:

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

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

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

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

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

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

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

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

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

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

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

58 (iv) the dollar-weighted average maturity of fixed-income securities acquired under

59 Subsection (1)(c) may not exceed ten years;

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

63 (e) shares of an open-end diversified management investment company established
64 under the Investment Companies Act of 1940; and

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

66 (2) (a) No more than 80% of the total fund assets of any of these funds, on a cost basis,
67 may be invested in common or preferred stocks at any one time.

68 (b) At least 20% of the total assets of these funds shall be invested in fixed-income
69 securities authorized by Subsections (1)(a), (c), and (d).

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

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

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

77 (5) This section applies only to permanent trust funds in which the principal is
78 prudently invested and held by the state in perpetuity.

79 (6) (a) There is established an investment advisory committee to give suggestions,
80 advice, and opinions to the state treasurer in regard to this section.

81 (b) The committee shall consist of the following:

82 (i) one member appointed by the president of the University of Utah;

83 (ii) one member appointed by the president of Utah State University;

84 (iii) one member appointed by the state superintendent of public instruction;

85 (iv) one member appointed by the president of the Utah Education Association;

86 (v) one member appointed by the president of the Utah Parent Teachers Association;

87 [~~and~~]

88 (vi) one member appointed by the director of the Department of Human Services[-];

89 and

90 (vii) one member appointed by the Board of Trustees of the School and Institutional
91 Trust Lands Administration.

92 (c) (i) Except as required by Subsection (6)(c)(ii), as terms of current committee
93 members expire, the appointing authority shall appoint each new member or reappointed
94 member to a four-year term.

95 (ii) Notwithstanding the requirements of Subsection (6)(c)(i), the appointing authority
96 shall, at the time of appointment or reappointment, adjust the length of terms to ensure that the
97 terms of committee members are staggered so that approximately half of the committee is
98 appointed every two years.

99 (d) When a vacancy occurs in the membership for any reason, the replacement shall be
100 appointed for the unexpired term.

101 (e) The investment advisory committee shall meet at least [~~annually~~] quarterly and
102 review investment reports prepared by the state treasurer, including information on portfolio
103 composition and investment performance.

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

108 (ii) Members may decline to receive per diem and expenses for their service.

109 (b) (i) State government officer and employee members who do not receive salary, per
110 diem, or expenses from their agency for their service may receive per diem and expenses
111 incurred in the performance of their official duties from the committee at the rates established
112 by the Division of Finance under Sections 63A-3-106 and 63A-3-107.

113 (ii) A state government member who is a member because of their state government
114 position may not receive per diem or expenses for their service.

115 (iii) State government officer and employee members may decline to receive per diem
116 and expenses for their service.

117 (c) (i) Local government members who do not receive salary, per diem, or expenses
118 from the entity that they represent for their service may receive per diem and expenses incurred
119 in the performance of their official duties at the rates established by the Division of Finance
120 under Sections 63A-3-106 and 63A-3-107.

121 (ii) Local government members may decline to receive per diem and expenses for their
122 service.

Legislative Review Note
as of 1-9-04 1:33 PM

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

Office of Legislative Research and General Counsel

Fiscal Note**Changes to Investment Advisory Committee***21-Jan-04***Bill Number HB0213***2:55 PM*

State Impact

It is estimated that provisions of this bill can be implemented with existing resources.

Individual and Business Impact

No fiscal impact.

Office of the Legislative Fiscal Analyst