

1 AN ACT relating to the State Investment Commission.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 42.500 is amended to read as follows:

4 (1) There shall be a State Investment Commission composed of~~the Governor who~~
5 ~~shall be chairman;~~ the State Treasurer who shall be~~vice~~ chairman~~and serve as~~
6 ~~chairman in the absence of the Governor~~; the secretary of the Finance and
7 Administration Cabinet; **the state controller**; and two (2) persons appointed by the
8 Governor.

9 (2) The individuals appointed by the Governor shall be selected as follows: one (1) to
10 be selected from a list of five (5) submitted to the Governor by the Kentucky
11 Bankers Association, and one (1) to be selected from a list of five (5) submitted to
12 the Governor by the Independent Community Bankers Association.

13 (3) The State Investment Commission shall meet at least quarterly to review investment
14 performance and conduct other business. This provision shall not prohibit the
15 commission from meeting more frequently as the need arises.

16 (4) The~~Governor,~~ State Treasurer~~,~~ and secretary of the Finance and Administration
17 Cabinet shall each have the authority to designate, by an instrument in writing over
18 his or her signature and filed with the secretary of the commission as a public record
19 of the commission, an alternate with full authority to:

20 (a) Attend in the member's absence, for any reason, any properly convened
21 meeting of the commission; and

22 (b) Participate in the consideration of, and vote upon, business and transactions of
23 the commission.

24 Each alternate shall be a person on the staff of the appointing member or in the
25 employ of the appointing member's state agency or department.

26 (5) Any designation of an alternate may, at the appointing member's direction:

27 (a) Be limited upon the face of the appointing instrument to be effective for only

- 1 a specific meeting or specified business;
- 2 (b) Be shown on the face of the appointing instrument to be a continuing
- 3 designation, for a period of no more than four (4) years, whenever the
- 4 appointing member is unable to attend; or
- 5 (c) Be revoked at any time by the appointing member in an instrument in writing,
- 6 over his or her signature, filed with the secretary of the commission as a
- 7 public record of the commission.
- 8 (6) Any person transacting business with, or materially affected by, the business of the
- 9 commission may accept and rely upon a joint certificate of the secretary of the
- 10 commission and any member of the commission concerning the designation of any
- 11 alternate, the time and scope of the designation, and, if it is of a continuing nature,
- 12 whether and when the designation has been revoked. The joint certificate shall be
- 13 made and delivered to the person requesting it within a reasonable time after it has
- 14 been requested in writing, with acceptable identification of the business or
- 15 transaction to which it refers and the requesting person's interest in the business or
- 16 transaction.
- 17 (7) Any three (3) persons who are members of the commission or alternates authorized
- 18 under subsections (4) and (5) of this section shall constitute a quorum and may, by
- 19 majority vote, transact any business of the commission. Any three (3) members of
- 20 the commission may call a meeting.
- 21 (8) The provisions of KRS 61.070 shall not apply to members of the commission.
- 22 (9) The commission shall have authority and may, if in its opinion the cash in the State
- 23 Treasury is in excess of the amount required to meet current expenditures, invest
- 24 any and all of the excess cash in:
- 25 (a) Obligations and contracts for future delivery of obligations backed by the full
- 26 faith and credit of the United States or a United States government agency,
- 27 including but not limited to:

- 1 1. United States Treasury;
- 2 2. Export-Import Bank of the United States;
- 3 3. Farmers Home Administration;
- 4 4. Government National Mortgage Corporation; and
- 5 5. Merchant Marine bonds;
- 6 (b) Obligations of any corporation of the United States government or
- 7 government-sponsored enterprise, including but not limited to:
- 8 1. Federal Home Loan Mortgage Corporation;
- 9 2. Federal Farm Credit Banks:
- 10 a. Bank for Cooperatives;
- 11 b. Federal Intermediate Credit Banks; and
- 12 c. Federal Land Banks;
- 13 3. Federal Home Loan Banks;
- 14 4. Federal National Mortgage Association; and
- 15 5. Tennessee Valley Authority obligations;
- 16 (c) Collateralized or uncollateralized certificates of deposit, issued by banks rated
- 17 in one (1) of the three (3) highest categories by a nationally recognized
- 18 statistical rating organization or other interest-bearing accounts in depository
- 19 institutions chartered by this state or by the United States, except for shares in
- 20 mutual savings banks;
- 21 (d) Bankers acceptances for banks rated in the highest short-term category by a
- 22 nationally recognized statistical rating organization;
- 23 (e) Commercial paper rated in the highest short-term category by a nationally
- 24 recognized statistical rating organization;
- 25 (f) Securities issued by a state or local government, or any instrumentality or
- 26 agency thereof, in the United States, and rated in one (1) of the three (3)
- 27 highest long-term categories by a nationally recognized statistical rating

- 1 organization;
- 2 (g) United States denominated corporate, Yankee, and Eurodollar securities,
- 3 excluding corporate stocks, issued by foreign and domestic issuers, including
- 4 sovereign and supranational governments, rated in one (1) of the three (3)
- 5 highest long-term categories by a nationally recognized statistical rating
- 6 organization;
- 7 (h) Asset-backed securities rated in the highest category by a nationally
- 8 recognized statistical rating organization; and
- 9 (i) Shares of mutual funds, each of which shall have the following characteristics:
- 10 1. The mutual fund shall be an open-end diversified investment company
- 11 registered under Federal Investment Company Act of 1940, as amended;
- 12 2. The management company of the investment company shall have been
- 13 in operation for at least five (5) years;
- 14 3. The mutual fund shall be rated in the highest category by a nationally
- 15 recognized statistical rating organization;
- 16 4. All of the securities in the mutual fund shall be eligible investments
- 17 pursuant to this section; and
- 18 (j) State and local delinquent property tax claims which upon purchase shall
- 19 become certificates of delinquency secured by interests in real property not to
- 20 exceed twenty-five million dollars (\$25,000,000) in the aggregate. For any
- 21 certificates of delinquency that have been exonerated pursuant to KRS
- 22 132.220(5), the Department of Revenue shall offset the loss suffered by the
- 23 Finance and Administration Cabinet against subsequent local distributions to
- 24 the affected taxing districts as shown on the certificate of delinquency.
- 25 (10) The State Investment Commission shall promulgate administrative regulations for
- 26 the investment and reinvestment of state funds in shares of mutual funds, and the
- 27 regulations shall specify:

- 1 (a) The long and short term goals of any investment;
- 2 (b) The specification of moneys to be invested;
- 3 (c) The amount of funds which may be invested per instrument;
- 4 (d) The qualifications of instruments; and
- 5 (e) The acceptable maturity of investments.
- 6 (11) Any investment in obligations and securities pursuant to subsection (9) of this
- 7 section shall satisfy this section if these obligations are subject to repurchase
- 8 agreements, provided that delivery of these obligations is taken either directly or
- 9 through an authorized custodian.
- 10 (12) (a) Income earned from investments made pursuant to this section shall accrue to
- 11 the credit of the investment income account of the general fund, except that
- 12 interest from investments of excess cash in the road fund shall be credited to
- 13 the surplus account of the road fund and interest from investments of excess
- 14 cash in the game and fish fund shall be credited to the game and fish fund,
- 15 interest earned from investments of imprest cash funds and funds in the trust
- 16 and revolving fund for each state public university shall be credited to the
- 17 appropriate institutional account, and interest earned from the investment of
- 18 funds accumulated solely by means of contributions and gifts shall not be
- 19 diverted to any purpose other than that stipulated by the donor, when the
- 20 donor shall have designated the use to which the interest shall be placed.
- 21 (b) Except as otherwise provided by law, or by the obligations and covenants
- 22 contained in resolutions and trust indentures adopted or entered into for state
- 23 bond issues, interest earned from the investment of moneys appropriated to
- 24 the capital construction accounts, trust and agency accounts, and trust and
- 25 agency revolving accounts shall accrue to the capital construction investment
- 26 income account.
- 27 (c) If there is a revenue shortfall, as defined in KRS 48.010, of five percent (5%)

1 or less, the secretary of the Finance and Administration Cabinet, upon the
2 recommendation of the state budget director, may direct the transfer of excess
3 unappropriated capital construction investment income to the general fund
4 investment income account. The amount of the transfer shall not exceed the
5 amount of the shortfall in general fund revenues.

6 (d) If the capital construction investment income is less than that amount
7 appropriated by the General Assembly, the secretary of the Finance and
8 Administration Cabinet may, upon recommendation of the state budget
9 director, direct the transfer of excess unappropriated general fund investment
10 income to the capital construction investment income account. The transfer of
11 general fund investment income revenues to the capital construction
12 investment income account shall be made only when the actual general fund
13 revenues are in excess of the enacted estimates under KRS 48.120 and shall be
14 limited to the amount of the excess general fund revenues. The amount of the
15 transfer shall not exceed the amount of the shortfall in the capital construction
16 fund revenues.

17 (13) The authority granted by this section to the State Investment Commission shall not
18 extend to any funds that are specifically provided by law to be invested by some
19 other officer or agency of the state government.

20 (14) The authority granted by this section to the State Investment Commission shall only
21 be exercised pursuant to the administrative regulations mandated by KRS 42.525.

22 (15) Each member of the State Investment Commission~~[, with the exception of the~~
23 ~~Governor,]~~ shall post bond for his acts or omissions as a member thereof identical
24 in amount and kind to that posted by the State Treasurer.