

- Record retention requirements.
- Financial reporting requirements.
- Policies regarding the misuse of material nonpublic information.
- Policies regarding conflicts of interest, including prohibited conflicts.
- Prohibit acts practices.
- Disclosure requirements.
- Any policies, practices, and internal controls required by the national entity.
- Standards of training, experience, and competence for credit analyst.

For invested funds managed by a professional investment advisor:

- HB 75 HCS requires the professional investment manager be regulated by a federal regulatory agency. The individual equity securities that are managed by the professional investment advisor shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent of the equity allocation.
- HB 75 HCS expands the list of eligible investments to include funds invested in high-quality corporate bonds issued, assumed, or guaranteed by a solvent institution, have a standard maturity of no more than ten years, and are rated in the three highest rating categories by at least two competent credit rating agencies.

HB 75 HCS puts a five percent limit on the money local governments may invest in any one issuer unless the issuer is the United States government, an instrumentality thereof, a certificate of deposit issued by any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation, or is guaranteed by the United States government.

HB 75 HCS adds an additional limitation that the amount of money invested in shares of mutual funds and exchange traded funds; individual equity securities; or individual high-quality corporate bonds at any one time by a local government shall not, aggregately, exceed forty percent of the total money invested.

HB 75 HCS has no direct fiscal impact on local governments. It is intended to promote sound investment strategy and policy.

This proposal promotes diversification within the entire investment portfolio of a local government. Any impact is subject to the continued investment decisions of the local government.

Part III: Differences to Local Government Mandate Statement from Prior Versions

The Local Government Mandate to HB 75 HCS changes the LM to HB 75 as introduced by:

- Removing the requirement that individual equities within mutual funds, closed-end funds, and exchange-traded funds managed by a professional investment advisor can comprise no more than seven percent of the total portfolio.

- Changes the maturity date for high-quality corporate bonds from no more than five years to no more than ten years.
- Changes the requirement that corporate bonds be rated in the two highest rating categories by at least one competent rating agency to be rated in the three highest rating categories by at least two competent credit rating agencies.
- Expands the exemptions to the requirement that no more than five percent of the total amount of money invested by a local government.
- Adds the requirement that the amount of money invested at any one time by a local government in government issued securities, mutual funds, or exchange traded funded funds, individual equity securities or corporate bonds shall not aggregately exceed forty percent of the total money invested.

Data Source(s): LRC Staff

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