An Act To Amend the Laws Governing the State's Cash Investment Policies

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 5 MRSA §135, first ¶, as amended by PL 2005, c. 386, Pt. CC, §2, is further amended to read:

The Treasurer of State may deposit the money, including trust funds of the State, in any national bank or in any banking institution, trust company, state or federal savings and loan association or mutual savings bank organized under the laws of this State or having a location in the State except as provided in chapter 161. Before making a deposit, the Treasurer of State must consider the rating of the banking institution, trust company, state or federal savings and loan association or mutual savings bank on its most recent assessment conducted pursuant to the federal Community Reinvestment Act, 12 United States Code, Section 2901. The Treasurer of State may transfer funds into and out of the respective funds in the cash pool as circumstances may require to meet current obligations and shall request the State Controller to effect such transfers by journal entry as set forth in section 131-B. When there is excess money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may invest, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, those amounts in bonds, notes, certificates of indebtedness or other obligations of the United States ~~and its agencies and instrumentalities that mature not more than 36 months from the date of investment or in repurchase agreements that mature within the succeeding 12 months that are secured by obligations of the United States and its agencies and instrumentalities, prime commercial paper, tax-exempt obligations and corporate bonds rated "AAA" that mature not more than 36 months from the date of investment, banker's acceptances or so-called "no-load" shares of any investment company registered under the federal Investment Company Act of 1940, as amended, that complies with Rule 2a-7 guidelines and maintains a constant share price~~. <u>The primary purposes of investments made by the Treasurer of State are the preservation of capital and the maintenance of maximum liquidity. At least 95% of investments made by the Treasurer of State must be in instruments with maturities of 9 months or less and may not be subject to a call option. Not more than 5% of investments made by the Treasurer of State may be in instruments with maturities that exceed 9 months and may be subject to a call option. Investment decisions may be made by an employee of the Treasurer of State or by a person pursuant to a contract with the Treasurer of State, subject to oversight by the Treasurer of State, but such an employee or person shall demonstrate to the satisfaction of the Treasurer of State sufficient investment experience and professional skills and qualifications suitable to make such decisions. The Treasurer of State and a person who makes investment decisions shall identify an appropriate index to track and compare investment performance. A contract for investment advisory services entered into by the Treasurer of State may not exceed a term of 3 years and is subject to termination at the discretion of the Treasurer of State.</u> The Treasurer of State may participate in the securities loan market by loaning state-owned bonds, notes or certificates of indebtedness of the Federal Government, only if loans are fully collateralized by treasury bills or cash. The Treasurer of State shall seek competitive bids for investments except when, after a reasonable investigation, it appears that an investment of the desired maturity is procurable by the State from only one source. Interest earned on those investments of money must be credited to the respective funds, except that interest earned on investments of special revenue funds must be credited to the General Fund of the State. Effective July 1, 1995, interest earned on investments of the Highway Fund must be credited to the Highway Fund. Interest earned on funds of the Department of Inland Fisheries and Wildlife must be credited to the General Fund. Interest earned on funds of the Baxter State Park Authority must be credited to the Baxter State Park Fund. This section does not prevent the deposit for safekeeping or custodial care of the securities of the several funds of the State in banks or safe deposit companies in this State or any other state, nor the deposit of state funds required by the terms of custodial contracts or agreements negotiated in accordance with the laws of this State. All custodial contracts and agreements are subject to the approval of the Governor.

Sec. 2. 5 MRSA §135, 3rd ¶, as enacted by PL 1985, c. 757, is repealed.

SUMMARY

This bill makes the following changes to the laws governing investments made by the Treasurer of State.

1. It limits the Treasurer of State to investing money in the cash pool in bonds, notes, certificates of indebtedness or other obligations of the United States.

2. It provides that the primary purposes of investments made by the Treasurer of State are the preservation of capital and the maintenance of maximum liquidity.

3. It provides that at least 95% of investments made by the Treasurer of State must be in instruments with maturities of 9 months or less and may not be subject to a call option. Not more than 5% of investments made by the Treasurer of State may be in instruments with maturities that exceed 9 months and may be subject to a call option.

4. It provides that investment decisions may be made by an employee of the Treasurer of State or by a person pursuant to a contract with the Treasurer of State, subject to oversight by the Treasurer of State, but such an employee or person shall demonstrate to the satisfaction of the Treasurer of State sufficient investment experience and professional skills and qualifications suitable to make such decisions.

5. It provides that the Treasurer of State and a person who makes investment decisions shall identify an appropriate index to track and compare investment performance.

6. It provides that a contract for investment advisory services entered into by the Treasurer of State may not exceed a term of 3 years and is subject to termination at the discretion of the Treasurer of State.