

Bill No.: HB0060 **Effective:** Immediately
LSO No.: 17LSO-0174
Enrolled Act No.: HEA No. 0035
Chapter No.: 69
Prime Sponsor: Select Committee on Capital Financing & Investments
Catch Title: State investment policy.
Subject: State investment policy.

Summary/Major Elements:

- Existing law authorizes the State Treasurer or his designee to invest the State's permanent funds in securities, but provides that not more than 55% of the monies shall be invested in common stock. This act amends that provision and specifies that up to 70% of the permanent funds may be invested in equities, including stocks of corporations.
- This act also:
 - Requires an evaluation of the risk of investments of the State using a strategy based on the principles of the capital market theory. This strategy includes a consideration of the following:
 - Risks shall be mitigated through diversification of asset classes and investment approaches and through diversification of individual securities;
 - Prudent risk taking is a necessary element of long-term investing and is needed to achieve the long-term objectives of a fund.
 - Specifies that the State investment policy statements shall include two risk mitigation metrics for managing and mitigating the risks of investments. One metric shall specify the maximum percentage of monies in the state fund or state funds that may be invested in securities and one metric shall measure risk in the state fund or state funds using a risk measurement technique;
 - Requires the State Loan and Investment Board to procure the services of a qualified entity to evaluate at least annually, or when market conditions warrant, a change or reallocation of investments and the risks of investing state funds using the metrics in the investment policy statements.

Comments:

- Requires annual reporting by the State Treasurer to the Select Committee on Capital Financing and Investments and the Joint Appropriations Committee on the evaluation of the risk of investments and the risk mitigation metrics.

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