

***** Pending *****

COMMITTEE AMENDMENT NO 1 PROPOSED TO

House Bill No. 1181

BY: Committee

**Amend by striking all after the enacting clause and inserting
in lieu thereof the following:**

11 **SECTION 1.** Section 25-11-121, Mississippi Code of 1972, is
12 amended as follows:

13 25-11-121. (1) The board shall, from time to time,
14 determine the current requirements for benefit payments and
15 administrative expense that shall be maintained as a cash working
16 balance, except that the cash working balance shall not exceed at
17 any time an amount necessary to meet the current obligations of
18 the system for a period of ninety (90) days. Any amounts in
19 excess of the cash working balance shall be invested, as follows,
20 at such periodic intervals as the board may determine, * * *
21 however, all purchases shall be made from competitive offerings
22 except short-term obligations referred to in Section 25-11-121(d):

23 (a) Bonds, notes, certificates and other valid general
24 obligations of the State of Mississippi, or of any county, or of
25 any city, or of any supervisors district of any county of the
26 State of Mississippi, or of any school district bonds of the State
27 of Mississippi; notes or certificates of indebtedness issued by
28 the Veterans' Home Purchase Board of Mississippi, provided that
29 those notes or certificates of indebtedness are secured by the

30 pledge of collateral equal to two hundred percent (200%) of the
31 amount of the loan, which collateral is also guaranteed at least
32 for fifty percent (50%) of the face value by the United States
33 government, and provided that not more than five percent (5%) of
34 the total investment holdings of the system shall be in Veterans'
35 Home Purchase Board notes or certificates at any time; real estate
36 mortgage loans one hundred percent (100%) insured by the Federal
37 Housing Administration on single family homes located in the State
38 of Mississippi, where monthly collections and all servicing
39 matters are handled by Federal Housing Administration approved
40 mortgagees authorized to make those loans in the State of
41 Mississippi;

42 (b) State of Mississippi highway bonds;

43 (c) Funds may be deposited in any institution insured
44 by the Federal Deposit Insurance Corporation that maintains a
45 facility that takes deposits in the State of Mississippi or a
46 custodial bank;

47 (d) Corporate bonds and taxable municipal bonds of
48 investment grade as rated by Standard and Poor's or by
49 Moody's Investment Service * * *; or corporate short-term
50 obligations of corporations or of wholly-owned subsidiaries
51 of corporations, whose short-term obligations are rated A-3
52 or better by Standard and Poor's or rated P-3 or better by
53 Moody's Investment Service;

54 (e) Bonds of the Tennessee Valley Authority;

55 (f) Bonds, notes, certificates and other valid
56 obligations of the United States, and other valid obligations of
57 any federal instrumentality that issues securities under authority
58 of an act of Congress and are exempt from registration with the
59 Securities and Exchange Commission;

60 (g) Bonds, notes, debentures and other securities
61 issued by any federal instrumentality and fully guaranteed by the
62 United States;

63 (h) Interest-bearing bonds or notes that are general
64 obligations of any other state in the United States or of any city
65 or county in that state, provided that the city or county had a
66 population as shown by the federal census next preceding the
67 investment of not less than twenty-five thousand (25,000)
68 inhabitants and provided that the state, city or county has not
69 defaulted for a period longer than thirty (30) days in the payment
70 of principal or interest on any of its general obligation
71 indebtedness during a period of ten (10) calendar years
72 immediately preceding the investment;

73 (i) Shares of stocks, common and/or preferred, of
74 corporations created by or existing under the laws of the United
75 States or any state, district or territory of the United States,
76 provided that:

77 (i) The maximum investments in stocks shall not
78 exceed fifty percent (50%) of the book value of the total
79 investment fund of the system;

80 (ii) The stock of that corporation shall:

81 A. Be listed on a national stock exchange; or

82 B. Be traded in the over-the-counter market,

83 provided that price quotations for those over-the-counter stocks

84 are quoted by the National Association of Securities Dealers

85 Automated Quotation System (NASDAQ);

86 (iii) The outstanding shares of that corporation

87 shall have a total market value of not less than Fifty Million

88 Dollars (\$50,000,000.00);

89 (iv) The amount of investment in any one (1)

90 corporation shall not exceed three percent (3%) of the book value

91 of the assets of the system; and

92 (v) The shares of any one (1) corporation owned by
93 the system shall not exceed five percent (5%) of that
94 corporation's outstanding stock;

95 (j) Bonds rated Single A or better, stocks and
96 convertible securities of established non-United States companies,
97 which companies are listed on only primary national stock
98 exchanges of foreign nations; and in foreign government securities
99 rated Single A or better by a recognized rating agency; however,
100 the total book value of investments under this paragraph shall at
101 no time exceed thirty percent (30%) of the total book value of all
102 investments of the system. The board may take requisite action to
103 effectuate or hedge such transactions through foreign banks,
104 including the purchase and sale, transfer, exchange, or otherwise
105 disposal of, and generally deal in foreign exchange through the
106 use of foreign currency, interbank forward contracts, futures
107 contracts, options contracts, swaps and other related derivative
108 instruments, notwithstanding any other provisions of this article
109 to the contrary;

110 (k) Covered call and put options on securities traded
111 on one or more of the regulated exchanges;

112 (l) Pooled or commingled funds managed by a corporate
113 trustee or by a Securities and Exchange Commission registered
114 investment advisory firm retained as an investment manager by the
115 board of trustees, and shares of investment companies and unit
116 investment trusts registered under the Investment Company Act of
117 1940, where those pooled or commingled funds or shares are
118 comprised of common or preferred stocks, bonds, money market
119 instruments or other investments authorized under this section.
120 That investment in commingled funds or shares shall be held in
121 trust; however, the total book value of investments under this
122 paragraph shall at no time exceed five percent (5%) of the total
123 book value of all investments of the system. Any investment

124 manager approved by the board of trustees shall invest those
125 commingled funds or shares as a fiduciary;

126 (m) Pooled or commingled real estate funds or real
127 estate securities managed by a corporate trustee or by a
128 Securities and Exchange Commission registered investment advisory
129 firm retained as an investment manager by the board of trustees.
130 That investment in commingled funds or shares shall be held in
131 trust; however, that the total book value of investments under
132 this paragraph shall at no time exceed ten percent (10%) of the
133 total book value of all investments of the system. Any investment
134 manager approved by the board of trustees shall invest those
135 commingled funds or shares as a fiduciary. The ten percent (10%)
136 limitation in this subsection shall not be subject to the five
137 percent (5%) limitation in paragraph (1) of this subsection.

138 (2) All investments shall be acquired by the board at prices
139 not exceeding the prevailing market values for those securities.

140 (3) Any limitations * * * set forth in this section shall be
141 applicable only at the time of purchase and shall not require the
142 liquidation of any investment at any time. All investments shall
143 be clearly marked to indicate ownership by the system and, to the
144 extent possible, shall be registered in the name of the system.

145 (4) Subject to the above terms, conditions, limitations and
146 restrictions, the board shall have power to sell, assign, transfer
147 and dispose of any of the securities and investments of the
148 system, provided that the sale, assignment or transfer has the
149 majority approval of the entire board. The board may employ or
150 contract with investment managers, evaluation services or other
151 such services as determined by the board to be necessary for the
152 effective and efficient operation of the system.

153 (5) Except as otherwise provided in this section, no trustee
154 and no employee of the board shall have any direct or indirect
155 interest in the income, gains or profits of any investment made by

156 the board, nor shall any such person receive any pay or emolument
157 for his services in connection with any investment made by the
158 board. No trustee or employee of the board shall become an
159 endorser or surety, or in any manner an obligor for money loaned
160 by or borrowed from the system.

161 (6) All interest derived from investments and any gains from
162 the sale or exchange of investments shall be credited by the board
163 to the account of the system.

164 (7) The board of trustees annually shall credit regular
165 interest on the mean amount for the preceding year in each of the
166 reserves maintained by the board, with the exception of the
167 expense account. This credit shall be made annually from interest
168 and other earnings on the invested assets of the system. Any
169 additional amount required to meet the regular interest on the
170 funds of the system shall be charged to the employer's
171 accumulation account, and any excess of earnings over the regular
172 interest required shall be credited to the employer's accumulation
173 account. Regular interest shall mean such per centum rate to be
174 compounded annually as * * * determined by the board of trustees
175 on the basis of the interest earnings of the system for the
176 preceding year.

177 (8) The board of trustees shall be the custodian of the
178 funds of the system. All expense vouchers and retirement
179 allowance payrolls shall be certified by the executive director,
180 who shall furnish the board a surety bond in a company authorized
181 to do business in Mississippi in such an amount as * * * required
182 by the board, the premium to be paid by the board from the expense
183 account.

184 (9) For the purpose of meeting disbursements for retirement
185 allowances, annuities and other payments, cash may be kept
186 available, not exceeding the requirements of the system for a
187 period of ninety (90) days, on deposit in one or more banks or

188 trust companies organized under the laws of the State of
189 Mississippi or the laws of the United States, provided that the
190 sum on deposit in any one (1) bank or trust company shall not
191 exceed thirty-five percent (35%) of the paid-up capital and
192 regular surplus of the bank or trust company.

193 (10) Except as otherwise provided, the monies or properties
194 of the Public Employees' Retirement System of Mississippi
195 deposited in any bank or banks of the United States shall, where
196 possible, be safeguarded and guaranteed by the posting as security
197 by the depository of bonds, notes and other securities purchasable
198 by the system, as provided elsewhere in this section. The bonds,
199 notes and other securities offered as security shall be posted to
200 the credit of the system by the depository with the board or with
201 an unaffiliated bank or trust company domiciled within the United
202 States or the State of Mississippi acceptable to both the board
203 and to the fiscal agent bank. If the board and the fiscal agent
204 bank cannot reach an agreement, the bonds, notes and other
205 securities shall be deposited in a bank or trust company
206 designated by the State Commissioner of Banking and Consumer
207 Finance. * * * However, * * * bonds or notes of the United States
208 government owned by the system may be deposited for safekeeping in
209 any federal reserve bank.

210 (11) The board of trustees shall determine the degree of
211 collateralization necessary for both foreign and domestic demand
212 deposit accounts in addition to that which is guaranteed by the
213 Federal Deposit Insurance Corporation or such other federal
214 insurance program as may be in effect.

215 (12) The board, the executive director and employees shall
216 discharge their duties with respect to the investments of the
217 system solely for the interest of the system with the care, skill,
218 prudence and diligence under the circumstances then prevailing
219 that a prudent person acting in a like capacity and familiar with

220 those matters would use in the conduct of an enterprise of a like
221 character and with like aims, including diversifying the
222 investments of the system so as to minimize the risk of large
223 losses, unless under the circumstances it is clearly prudent not
224 to do so.

225 **SECTION 2.** This act shall take effect and be in force from
226 and after July 1, 2004.

**Further, amend by striking the title in its entirety and
inserting in lieu thereof the following:**

1 AN ACT TO AMEND SECTION 25-11-121, MISSISSIPPI CODE OF 1972,
2 TO PROVIDE THAT FUNDS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
3 MAY BE DEPOSITED IN ANY INSTITUTION INSURED BY THE FEDERAL DEPOSIT
4 INSURANCE CORPORATION THAT MAINTAINS A FACILITY THAT TAKES
5 DEPOSITS IN THE STATE OF MISSISSIPPI; TO DELETE THE PERCENTAGE
6 LIMITATION ON INVESTMENTS BY THE SYSTEM IN BONDS HAVING CERTAIN
7 RATINGS; TO INCREASE THE AMOUNT OF THE FUNDS OF THE SYSTEM THAT
8 MAY BE INVESTED IN CERTAIN POOLED OR COMMINGLED REAL ESTATE FUNDS
9 OR REAL ESTATE SECURITIES; AND FOR RELATED PURPOSES.