

**House State Government Engrossed Substitute for
HB49**



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A BILL
TO BE ENTITLED
AN ACT

Relating to the State Treasurer; to create the Alabama Local Government Investment Pool Program within the Office of the State Treasurer to allow state and local public entities to deposit monies in an investment pool administered by the treasurer; to provide parameters for investments; to authorize the treasurer to take certain actions to administer the program; to establish the Alabama Local Government Investment Advisory Board and provide for its membership and duties; and to provide further for the Office of the State Treasurer's travel expenses.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. As used in this act, the following terms have the following meanings:

(1) BOARD. The Alabama Local Government Advisory Board created pursuant to Section 5.

(2) COVERED PUBLIC ENTITY. A covered public entity as defined in Section 41-14A-2, Code of Alabama 1975.

(3) COVERED PUBLIC OFFICIAL. A covered public official as defined in Section 41-14A-2, Code of Alabama 1975.



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- 29 (4) ELIGIBLE INVESTMENT. Any of the following:
- 30 a. Direct obligations of the United States government.
- 31 b. Obligations fully insured or guaranteed by the
- 32 United States government or a federal agency, including
- 33 collateralized mortgage obligations and mortgage-backed
- 34 securities.
- 35 c. Obligations of any federal government-sponsored
- 36 enterprise (GSE), including collateralized mortgage
- 37 obligations and mortgage-backed securities.
- 38 d. Repurchase agreements that are fully collateralized
- 39 by any security described in paragraphs a. through c.
- 40 e. Commercial paper rated A-1, P-1, or higher at the
- 41 time of purchase.
- 42 f. Money market mutual funds invested in any security
- 43 described in paragraphs a. through e.
- 44 g. Negotiable certificates of deposit denominated in
- 45 United States dollars with an issuer credit rating of at least
- 46 AA1 or Aa3, or its equivalent, by at least two nationally
- 47 recognized statistical ratings organizations.
- 48 h. Certificates of deposit placed in any qualified
- 49 public depository, and secured as such, under Chapter 14A of
- 50 Title 41, Code of Alabama 1975.
- 51 (5) PARTICIPANT. A covered public entity or covered
- 52 public official that is eligible to participate in the
- 53 program.
- 54 (6) POOL. A local government investment pool created
- 55 under the program.
- 56 (7) PROGRAM. The Alabama Local Government Investment



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57 Pool Program.

58 (8) TREASURER. The State Treasurer of Alabama.

59 Section 2. (a) The Alabama Local Government Investment
60 Pool Program is created within the office and custody of the
61 treasurer. The program consists of the aggregate of all funds
62 from participants which are deposited in one or more pools as
63 provided in this act.

64 (b) The purpose of the program is to provide one or
65 more investment pools, each established by the treasurer,
66 which are available to participants for the joint investment
67 of monies held by participants, in order to enhance investment
68 opportunities and earnings while maintaining principal
69 preservation, safety, and liquidity.

70 Section 3. (a) A participant may invest and reinvest
71 any monies subject to the participant's control and
72 jurisdiction in a pool, and the pool is and shall be a
73 permitted investment for such monies. The authority to invest
74 such monies in a pool shall be in addition to any other powers
75 or authority of a participant to invest such monies under
76 state law.

77 (b) Monies deposited in a pool by participants other
78 than the treasurer are not and shall not become part of State
79 Treasury funds.

80 (c) All monies deposited in a pool shall be held in a
81 trust account or accounts, and segregated for custodial,
82 depository, and accounting purposes.

83 (d) A covered public entity may invest into a pool the
84 proceeds from any bonds, warrants, notes, or other securities



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85 or evidences of indebtedness, regardless of when issued or
86 incurred, for purposes of investment or reinvestment of such
87 proceeds, and the pool is and shall be a permitted investment
88 for such proceeds. The authority to invest such proceeds shall
89 be in addition to any other powers or authority of a covered
90 public entity to invest such proceeds under state law.

91 (e) If authorized to do so in writing by a participant,
92 a financial institution, bank, or trustee may undertake pool
93 transactions for, or on behalf of, and otherwise invest funds
94 of, a participant.

95 (f) ~~Specific~~ Absent an order from a court of competent
96 jurisdiction, specific participant information is confidential
97 and shall not be considered a public record for purposes of
98 Article 3 of Chapter 12 of Title 36, Code of Alabama 1975.

99 Section 4. (a) The treasurer shall administer the
100 program on behalf of participants, subject to rules,
101 regulations, and guidelines established by the treasurer. The
102 facilities and resources of the office of the treasurer shall
103 be used and employed in the administration of the program.

104 (b) The treasurer shall do both of the following:

105 (1) Establish and make public all of the following:

106 a. Each pool information statement, which shall
107 include, at a minimum, all of the following:

108 1. Specification of minimum and maximum amounts that
109 may be deposited by participants and minimum periods of time
110 for which deposits shall be retained in the pool.

111 2. Payment of administrative expenses from the earnings
112 of the pool.



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113 3. Distribution of the earnings in excess of
114 administrative expenses, or allocation of losses, to the
115 participants in a manner that equitably reflects the differing
116 amounts and terms of each participant's investment in the
117 pool.

118 4. Description of a reserve, if created.

119 5. Procedures for the deposit and withdrawal of funds.

120 6. A description of participant transaction
121 confirmations and reports showing the activity, performance,
122 and composition of participants' investments.

123 b. Each pool investment policy statement that includes
124 goals and objectives and defines which eligible investments
125 are permitted.

126 c. Participation agreements, and any other procedures,
127 policies, guidelines, and statements necessary and proper for
128 the efficient administration of each pool.

129 d. Subject to Section 3(f), an annual report of the
130 program which includes trust information, in total.

131 (2) Adopt rules and regulations as necessary to
132 implement this act, either with or without compliance with the
133 Alabama Administrative Procedure Act.

134 (c) The treasurer may contract with accountants,
135 attorneys, money managers, program administrators, investment
136 advisors, and other professional service providers to make
137 available program management services, custody services, legal
138 compliance services, accounting services, marketing services,
139 and other services necessary for the administration of the
140 program. All contracts awarded for the administration of the



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141 program may be for periods not exceeding seven years.

142 (d) The treasurer may promote, educate, advertise, and
143 market the program as may be necessary for the performance of
144 the duties required by this act, including the authority to
145 perform incidental actions necessary for educational and
146 promotional purposes.

147 (e) The treasurer may appoint one additional employee
148 in the exempt service to manage the program.

149 Section 5. (a) (1) There is created the Alabama Local
150 Government Investment Advisory Board, consisting of the
151 following members:

152 a. The treasurer, who shall be a standing, permanent
153 member of the board and shall serve as chair.

154 b. Two members who are qualified by training and
155 experience in the field of investment or finance, appointed by
156 the treasurer.

157 c. Four members who are each an employee of a
158 participant that, as of the date of appointment, has funds
159 invested in the program or has adopted an ordinance or
160 resolution to invest its funds in the program, appointed by
161 the treasurer.

162 (2) The treasurer shall stagger the terms of the
163 initial members, but for subsequent appointments, each member
164 shall serve a term of four years and may be eligible for
165 reappointment. Any vacancy occurring other than by expiration
166 of term shall be filled by appointment by the treasurer to
167 serve for the remainder of the unexpired term.

168 (3) When appointing employees of participants to the



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169 board, the treasurer shall consider factors that reflect the
170 racial, gender, geographic, urban, rural, and economic
171 diversity of the state.

172 (4) Members of the board shall serve without
173 compensation, but may be reimbursed for each days' official
174 duties of the board at the same per diem and travel rate as is
175 paid employees of the state.

176 (b) The board's primary purpose is in an advisory
177 capacity to the treasurer to provide recommendations and
178 information, and to review rules, policies, and agreements
179 related to the program, and advise therein as the board
180 considers necessary or desirable. The board may consult the
181 treasurer on any matter relating to the investment of monies
182 in the program. The board shall assist in offering the program
183 to participants through publications and other appropriate
184 means.

185 (c) (1) Board meetings may be held quarterly, or as
186 called by the chair.

187 (2) The board and all board proceedings shall be
188 subject to the Alabama Open Meetings Act, except that any
189 member of the board or of a committee who participates in a
190 meeting by telephone conference, video conference, or similar
191 communications equipment shall be considered present for
192 purposes of a quorum, regardless of the number of members
193 physically present at the meeting.

194 (d) The treasurer may appoint to the board such
195 officers as he or she deems necessary.

196 Section 6. Individuals traveling in the state to



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197 promote or market any program that is administered by the
198 Office of the Treasurer shall be allowed all of their actual
199 and necessary expenses, in addition to the actual expenses for
200 transportation.

201 Section 7. This act shall become effective immediately
202 following its passage and approval by the Governor, or its
203 otherwise becoming law.