

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997
4

As Engrossed: S3/14/97 S3/24/97 S3/25/97

A Bill

SENATE BILL 734

5 By: Senators Everett and Edwards
6 By: Representatives Malone and Faris
7

For An Act To Be Entitled

9 "AN ACT TO EMPOWER THE STATE TREASURER TO INVEST MONEYS OF
10 THE STATE TREASURY MONEY MANAGEMENT TRUST FUND; AND FOR
11 OTHER PURPOSES."

12

Subtitle

14 "TO CREATE THE STATE TREASURY MONEY
15 MANAGEMENT TRUST FUND"
16

17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
18

19 SECTION 1. Title. This subchapter may be cited as the "State Treasury
20 Money Management Trust Act."
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22 SECTION 2. Purpose. The purpose of this subchapter is to create the
23 State Treasury Money Trust Management Fund (the "Fund") administered by the
24 State Treasurer for the deposit of moneys not currently needed in order to
25 permit the joint investment of participants money so as to enhance investment
26 opportunities and earnings.
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28 SECTION 3. Arkansas Code Annotated § 19-4-803(a) is amended to read as
29 follows:

30 "(a) Funds required by the terms of a bond indenture to be held by
31 paying agents for the payment of interest and principal on such bonds; petty
32 cash funds held by the various state agencies; memorials, endowments,
33 bequests, gifts, and donations made to any state agency other than for normal
34 operation of the agency; canteen funds of state agencies other than
35 institutions of higher learning, wherein the profits earned are used for the
36 benefit of the people served by that agency through the purchase of services

1 or goods other than normal salary or maintenance expenses of the agency; the
2 Social Security Contribution Bank Fund administered by the Arkansas Public
3 Employees' Retirement System; the Benefit Fund of the Arkansas Employment
4 Security Department; the Bond Guaranty Reserve Account of the Arkansas
5 Industrial Development Commission; the Illegal Drug Purchase Account and the
6 Confidential Accounts of the Department of Arkansas State Police; patient
7 funds, where the institution is acting in a trust capacity or the funds are
8 utilized for patient activities other than normal agency-provided services;
9 the State Treasury Money Management Trust Fund; and any other funds determined
10 by the Chief Fiscal Officer of the State or the General Assembly, to be held
11 in trust, and on deposit in a financial institution other than the State
12 Treasury shall be exempt from the provisions of this subchapter."

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14 SECTION 4. Definitions. Any entity listed below may deposit money to
15 the Fund for the purpose of investment:

16 (1) State Agency's Cash Funds as defined in Arkansas Code Annotated
17 § 19-4-801.

18 (2) Local governments:

19 (A) Any city, county, school district, or community college
20 district of this state.

21 (B) Any department, instrumentality, or agency of these entities.

22 (3) The State Treasurer may invest in the Fund to the extent Treasury
23 funds are not being utilized for certificates of deposit under the State
24 Treasurer's Certificate of Deposit Investment Program or for trust
25 certificates of deposit pursuant to the State Treasury Management Law.

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27 SECTION 5. Provisions.

28 (a) The State Treasurer shall establish regulations in the form of an
29 investment policy to be approved by the State Board of Finance to carry out
30 the provisions of this section to invest fund moneys.

31 (b) The State Treasurer may invest funds in securities as authorized in
32 Arkansas Code Annotated § 19-3-518. Funds invested will be collateralized to
33 one hundred two percent (102%) with cash or obligations of the United States
34 Government.

35 (c) Moneys deposited into the Fund shall not become part of State
36 Treasury Funds. Participants will be able to deposit at will and obtain

1 moneys upon demand of the Treasurer.

2 (d) Each participant who elects to deposit money in the Money
3 Management Fund must:

4 (1) Inform the State Treasurer upon deposit how long a period the
5 money is expected to be available for investment.

6 (2) Notify the State Treasurer, in writing, whether it wishes to
7 extend the period.

8 (e) If a participant wishes to withdraw any of its money before the end
9 of the period of investment, it must make a written request to the State
10 Treasurer. Any penalties or loss of interest incurred due to the early
11 withdrawal of funds must be charged against the participant requesting the
12 early withdrawal.

13 (f) The State Treasurer may assess reasonable charges against the fund
14 for reimbursement of the expenses incurred in administering the fund, as well
15 as charges for fund management. Charges incurred for fund management will be
16 deposited into State Treasury for credit of the Securities Reserve Fund.

17 (g) All interest and earnings received on the money of the fund shall
18 be credited back to the fund.

19 (h) The State Treasurer shall:

20 (1) Compute the proportion of the total deposits in the fund
21 which were attributable to each participant;

22 (2) Apply that proportion to the total amount of interest
23 received during the month on invested money of the fund; and

24 (3) Pay to each participant or reinvest upon its instructions its
25 proportionate share of the interest, less its proportionate share of any
26 assessments for the expenses of administration.

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28 SECTION 6. Prudent investor rule. The State Treasurer shall apply the
29 prudent investor rule while serving in a fiduciary capacity for fund
30 participants. The prudent investor rule means that, in making investments,
31 the fiduciaries shall exercise the judgment and care under the prevailing
32 circumstances that an institutional investor of ordinary prudence, discretion,
33 and intelligence exercises in the management of large investments entrusted to
34 it, not for speculation but for investment, considering the permanent
35 disposition of funds, and the probable safety of capital as well as probable
36 income.

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2 SECTION 7. Loan of securities.

3 (a) In order to increase investment income with minimal risk, the State
4 Treasurer may loan securities held by the Money Management Fund, but only if,
5 at the time the loan is executed, at least one hundred two percent (102%) of
6 the full market value of the security loaned is collateralized by cash or
7 securities guaranteed by the United States Government or an agency thereof.

8 (b) At all times during the term of the loan, the collateral shall be
9 equal to not less than ninety-eight percent (98%) of the full market value
10 calculated on the total value of all securities on loan.

11 (c) For purposes of this section, the value of the collateral shall be
12 determined on a daily basis.

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14 SECTION 8. Arkansas Code Annotated § 11-9-301(d) is amended to read as
15 follows:

16 "(d) All incomes derived through investment of the Workers
17 Compensation Fund, the Second Injury Trust Fund, and the Death and Permanent
18 Total Disability Trust Fund shall be credited, as investment income, to the
19 fund which participated in the investment. For the purpose of investment,
20 Workers Compensation Fund moneys ~~invested and interest earned thereon shall be~~
21 ~~administered as trust funds pursuant to the provisions of § 19-3-219(a), in~~
22 ~~its present form on March 10, 1983~~ shall be invested in accordance with the
23 State Treasury Management Law."

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25 SECTION 9. All provisions of this act of a general and permanent nature
26 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
27 Revision Commission shall incorporate the same in the Code.

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29 SECTION 10. If any provision of this act or the application thereof to
30 any person or circumstance is held invalid, such invalidity shall not affect
31 other provisions or applications of the act which can be given effect without
32 the invalid provision or application, and to this end the provisions of this
33 act are declared to be severable.

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35 SECTION 11. All laws and parts of laws in conflict with this act are
36 hereby repealed.

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/s/Everett et al