

SENATE BILL NO. 76—COMMITTEE ON EDUCATION

(ON BEHALF OF THE STATE TREASURER)

PREFILED NOVEMBER 17, 2016

Referred to Committee on Education

SUMMARY—Revises provisions governing the investment of money held by the State or certain political subdivisions of the State. (BDR 31-431)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to governmental financial administration; authorizing the State Treasurer to invest in certain securities issued or guaranteed by certain supranational organizations or issued by a foreign financial institution, corporation or government; authorizing certain political subdivisions of the State to invest in such securities; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Under existing law, the State Treasurer is responsible for the investment of all money of the State unless a specific statute imposes this responsibility on some other person with respect to particular money. (NRS 226.110) The State Treasurer is also responsible for the investment of certain money that the State holds in trust, such as the money in the Nevada Higher Education Prepaid Tuition Trust Fund. (NRS 353B.160) In addition, existing law authorizes the State Treasurer to invest all money of the State's "General Portfolio" in specified categories of securities. (NRS 355.140) Existing law provides separate authorization for the State Treasurer's investments of money held in certain funds, such as the Nevada Higher Education Prepaid Tuition Trust Fund and the State Permanent School Fund. (NRS 353B.160, 355.060)

Existing law authorizes the governing body of certain local governments to invest their available money only in certain specified securities. (NRS 355.170) Existing law similarly authorizes a board of county commissioners, a board of trustees of a county school district or the governing body of an incorporated city to invest available money in certain securities. (NRS 355.171)

The Board of Trustees of the College Savings Plans of Nevada is required to develop policies for investment to be followed by the State Treasurer in investing



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money in the Nevada Higher Education Prepaid Tuition Trust Fund. (NRS 353B.160) **Section 1** of this bill expands the list of authorized investments for the Fund to include: (1) certain bonds, notes and other obligations that are issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank which are supranational entities; and (2) certain bonds, notes and other obligations, commonly called "Yankee bonds," that are issued by a foreign financial institution, corporation or government. **Sections 2 and 3** of this bill similarly expand the list of authorized investments for money in the State Permanent School Fund and money invested through the General Portfolio. **Section 3** also increases, from 20 to 25 percent, the maximum share of the value of the General Portfolio that is authorized to be invested in the obligations of certain corporations and depository institutions operating in the United States.

Sections 4 and 5 of this bill likewise authorize the governing body of certain local governments, a board of county commissioners, the board of trustees of a county school district or the governing body of an incorporated city to invest in the additional types of securities described above. **Section 6** of this bill makes a conforming change for any money held by a local government pursuant to a deferred compensation plan.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 353B.160 is hereby amended to read as follows:

353B.160 1. The Board shall create a comprehensive plan that specifies the policies for investment which the State Treasurer shall follow in administering the Trust Fund.

2. The Board may authorize the State Treasurer to invest the property of the Trust Fund in:

(a) A bond, note, certificate or other general obligation of the State of Nevada, or of a county, city, general improvement district or school district of the State of Nevada.

(b) A corporate bond of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States with a rating not lower than "A" or its equivalent by a nationally recognized rating service. The total amount invested in such bonds must not exceed 50 percent of the book value of the total fixed income investments of the Trust Fund.

(c) Commercial paper of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States or of a wholly owned subsidiary of such a corporation with a rating not lower than "A-3" or "P-3" by a nationally recognized rating service.

(d) A bond, note, debenture or other valid obligation that is issued by the Treasury of the United States.



(e) A bond, note, debenture or other security that is issued by an agency or instrumentality of the United States or that is fully guaranteed by the United States in:

(1) The Federal Farm Credit ~~Bank;~~ *Banks Funding Corporation;*

(2) The Federal National Mortgage Association;

(3) The Federal Home Loan ~~Bank;~~ *Banks;*

(4) The Federal Home Loan Mortgage Corporation; or

(5) The Government National Mortgage Association.

(f) A bond, note, debenture or other security in the Student Loan Marketing Association, regardless of whether it is guaranteed by the United States.

(g) *A bond, note or other obligation issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank that:*

(1) Is denominated in United States dollars;

(2) Is a senior unsecured unsubordinated obligation;

(3) Is purchased from a registered broker-dealer;

(4) At the time of purchase has a remaining term to maturity of 5 years or less; and

(5) Is rated by a nationally recognized rating organization as "AA" or its equivalent, or better,

↳ except that investments pursuant to this paragraph may not, in aggregate value, exceed 15 percent of the total par value of the Trust Fund as determined at the time of purchase.

(h) A bond, note or other obligation publicly issued in the United States by a foreign financial institution, corporation or government that:

(1) Is denominated in United States dollars;

(2) Is a senior unsecured unsubordinated obligation;

(3) Is registered with the United States Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933, 15 U.S.C. §§ 77a et seq., as amended;

(4) Is publicly traded;

(5) Is purchased from a registered broker-dealer;

(6) At the time of purchase has a remaining term to maturity of 5 years or less; and

(7) Is rated by a nationally recognized rating organization as "AA" or its equivalent, or better,

↳ except that investments pursuant to this paragraph may not, in aggregate value, exceed 10 percent of the total par value of the Trust Fund as determined at the time of purchase.

(i) Collateralized mortgage obligations that are rated "AAA" or its equivalent by a nationally recognized rating service.



~~(k)~~ (j) Asset-backed securities that are rated “AAA” or its equivalent by a nationally recognized rating service.

~~(k)~~ (k) Money market mutual funds that:

(1) Are registered with the Securities and Exchange Commission;

(2) Are rated by a nationally recognized rating service as “A” or its equivalent, or better; and

(3) Invest only in securities issued by the Federal Government or agencies of the Federal Government or in repurchase agreements fully collateralized by such securities.

➤ The total dollar amount invested in such mutual funds must not exceed 20 percent of the total dollar amount of the Trust Fund that is invested.

~~(k)~~ (l) Common or preferred stock of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States, if:

(1) The stock of the corporation is:

(I) Listed on a national stock exchange; or

(II) Traded in the over-the-counter market, if the price quotations for the over-the-counter stock are quoted by the National Association of Securities Dealers Automated ~~Quotations~~ Quotation System, NASDAQ;

(2) The outstanding shares of the corporation have a total market value of not less than \$50,000,000;

(3) The maximum investment in stock is not greater than 60 percent of the book value of the total investments of the Trust Fund;

(4) Except for investments made pursuant to paragraph ~~(m)~~ (o), the amount of an investment in a single corporation is not greater than 3 percent of the book value of the assets of the Trust Fund; and

(5) Except for investments made pursuant to paragraph ~~(m)~~ (o), the total amount of shares owned by the Trust Fund is not greater than 5 percent of the outstanding stock of a single corporation.

~~(k)~~ (m) A covered call or put option on securities that are traded on one or more of the regulated exchanges in the United States.

~~(k)~~ (n) A pooled or commingled real estate fund or a real estate security that is managed by a corporate trustee or by an investment advisory firm that is registered with the Securities and Exchange Commission, either of which may be retained by the Board as an investment manager. The shares and the pooled or commingled fund must be held in trust. The total book value of an investment made under this paragraph must not at any time be



1 greater than 5 percent of the total book value of all investments of
2 the Trust Fund.

3 ~~[(m)]~~ (o) Mutual funds or common trust funds that consist of
4 any combination of the investments listed in paragraphs (a) to ~~[(4)]~~
5 (n), inclusive.

6 3. The State Treasurer shall exercise the standard of care in
7 investing the property of the Trust Fund that a person of prudence,
8 discretion and intelligence would exercise in the management of his
9 or her own affairs, given the prevailing circumstances, not in regard
10 to speculation but rather to the permanent disposition of the
11 property, considering the potential income from and the probable
12 safety of his or her capital.

13 4. Subject to the terms, conditions, limitations and restrictions
14 set forth in this section, the State Treasurer may sell, assign, transfer
15 or dispose of the property and investments of the Trust Fund upon
16 the approval of a majority of the Board.

17 5. The assets of the Trust Fund:

18 (a) Must be maintained, invested and expended solely for the
19 purposes of NRS 353B.010 to 353B.190, inclusive; and

20 (b) Must not be loaned, transferred or otherwise used for a
21 purpose other than the purposes of NRS 353B.010 to 353B.190,
22 inclusive.

23 6. The State Treasurer shall credit any income derived from an
24 investment or a gain from a sale or exchange of an investment to the
25 Trust Fund.

26 7. The State Treasurer shall acquire each investment for the
27 Trust Fund at a price not to exceed the prevailing market value for
28 such an investment.

29 8. Each investment in the Trust Fund must be clearly marked to
30 indicate ownership by the Trust Fund.

31 9. The State Treasurer, an employee of the State Treasurer, or a
32 member or employee of the Board shall not:

33 (a) Have a direct or indirect interest in the income, gain or profit
34 of an investment that the State Treasurer makes;

35 (b) Receive pay or emolument for his or her services in
36 connection with an investment that the State Treasurer makes; or

37 (c) Become an endorser, surety or obligor for money that is
38 borrowed from the Trust Fund.

39 10. If the annual actuarial study performed pursuant to NRS
40 353B.190 reveals that there is insufficient money to ensure the
41 actuarial soundness of the Trust Fund, the Board shall modify the
42 terms of subsequent prepaid tuition contracts.

43 11. The terms, conditions, limitations and restrictions regarding
44 investments of the Trust Fund listed in this section apply only at the



1 time an investment is originally acquired and must not be construed
2 to require the liquidation of an investment at any time.

3 **Sec. 2.** NRS 355.060 is hereby amended to read as follows:

4 355.060 1. The State Controller shall notify the State
5 Treasurer monthly of the amount of uninvested money in the State
6 Permanent School Fund.

7 2. Whenever there is a sufficient amount of money for
8 investment in the State Permanent School Fund, the State Treasurer
9 shall proceed to negotiate for the investment of the money in:

10 (a) United States bonds.

11 (b) *A bond, note or other obligation issued or unconditionally*
12 *guaranteed by the International Bank for Reconstruction and*
13 *Development, International Finance Corporation or Inter-*
14 *American Development Bank that:*

15 (1) *Is denominated in United States dollars;*

16 (2) *Is a senior unsecured unsubordinated obligation;*

17 (3) *Is purchased from a registered broker-dealer;*

18 (4) *At the time of purchase has a remaining term to*
19 *maturity of 5 years or less; and*

20 (5) *Is rated by a nationally recognized rating organization*
21 *as "AA" or its equivalent, or better,*

22 *↪ except that investments pursuant to this paragraph may not, in*
23 *aggregate value, exceed 15 percent of the total par value of the*
24 *portfolio as determined at the time of purchase.*

25 (c) *A bond, note or other obligation publicly issued in the*
26 *United States by a foreign financial institution, corporation or*
27 *government that:*

28 (1) *Is denominated in United States dollars;*

29 (2) *Is a senior unsecured unsubordinated obligation;*

30 (3) *Is registered with the United States Securities and*
31 *Exchange Commission in accordance with the provisions of the*
32 *Securities Act of 1933, 15 U.S.C. §§ 77a et seq., as amended;*

33 (4) *Is publicly traded;*

34 (5) *Is purchased from a registered broker-dealer;*

35 (6) *At the time of purchase has a remaining term to*
36 *maturity of 5 years or less; and*

37 (7) *Is rated by a nationally recognized rating organization*
38 *as "AA" or its equivalent, or better,*

39 *↪ except that investments pursuant to this paragraph may not, in*
40 *aggregate value, exceed 10 percent of the total par value of the*
41 *portfolio as determined at the time of purchase.*

42 (d) Obligations or certificates of the Federal National Mortgage
43 Association, the Federal Home Loan Banks, the Federal Home Loan
44 Mortgage Corporation, the Federal Farm Credit Banks Funding



1 Corporation or the Student Loan Marketing Association, whether or
2 not guaranteed by the United States.

3 ~~[(e)]~~ (e) Bonds of this state or of other states.

4 ~~[(d)]~~ (f) Bonds of any county of the State of Nevada.

5 ~~[(e)]~~ (g) United States treasury notes.

6 ~~[(f)]~~ (h) Farm mortgage loans fully insured and guaranteed by
7 the Farm Service Agency of the United States Department of
8 Agriculture.

9 ~~[(g)]~~ (i) Loans at a rate of interest of not less than 6 percent per
10 annum, secured by mortgage on agricultural lands in this state of not
11 less than three times the value of the amount loaned, exclusive of
12 perishable improvements, of unexceptional title and free from all
13 encumbrances.

14 ~~[(h)]~~ (j) Money market mutual funds that:

15 (1) Are registered with the Securities and Exchange
16 Commission;

17 (2) Are rated by a nationally recognized rating service as
18 "AAA" or its equivalent; and

19 (3) Invest only in securities issued or guaranteed as to
20 payment of principal and interest by the Federal Government, or its
21 agencies or instrumentalities, or in repurchase agreements that are
22 fully collateralized by such securities.

23 ~~[(i)]~~ (k) Common or preferred stock of a corporation created by
24 or existing under the laws of the United States or of a state, district
25 or territory of the United States, if:

26 (1) The stock of the corporation is:

27 (I) Listed on a national stock exchange; or

28 (II) Traded in the over-the-counter market, if the price
29 quotations for the over-the-counter stock are quoted by the National
30 Association of Securities Dealers Automated ~~[(Quotations)]~~
31 Quotation System (NASDAQ);

32 (2) The outstanding shares of the corporation have a total
33 market value of not less than \$50,000,000;

34 (3) The maximum investment in stock is not greater than 50
35 percent of the book value of the total investments of the State
36 Permanent School Fund;

37 (4) Except for investments made pursuant to paragraph ~~[(k)]~~
38 (m), the amount of an investment in a single corporation is not
39 greater than 3 percent of the book value of the assets of the State
40 Permanent School Fund; and

41 (5) Except for investments made pursuant to paragraph ~~[(k)]~~
42 (m), the total amount of shares owned by the State Permanent
43 School Fund is not greater than 5 percent of the outstanding stock of
44 a single corporation.



~~(i)~~ (l) A pooled or commingled real estate fund or a real estate security that is managed by a corporate trustee or by an investment advisory firm that is registered with the Securities and Exchange Commission, either of which may be retained by the State Treasurer as an investment manager. The shares and the pooled or commingled fund must be held in trust. The total book value of an investment made under this paragraph must not at any time be greater than 5 percent of the total book value of all investments of the State Permanent School Fund.

~~(k)~~ (m) Mutual funds or common trust funds that consist of any combination of the investments listed in paragraphs (a) to ~~(j)~~ (l), inclusive.

~~(i)~~ (n) The limited partnerships or limited-liability companies described in NRS 355.280.

3. The State Treasurer shall not invest any money in the State Permanent School Fund pursuant to paragraph ~~(i), (j) or~~ (k), (l) or (m) of subsection 2 unless the State Treasurer obtains a judicial determination that the proposed investment or category of investments will not violate the provisions of Section 9 of Article 8 of the Constitution of the State of Nevada. The State Treasurer shall contract for the services of independent contractors to manage any investments of the State Treasurer made pursuant to paragraph ~~(i), (j) or~~ (k), (l) or (m) of subsection 2. The State Treasurer shall establish such criteria for the qualifications of such an independent contractor as are appropriate to ensure that each independent contractor has expertise in the management of such investments.

4. In addition to the investments authorized by subsection 2, the State Treasurer may make loans of money from the State Permanent School Fund to school districts pursuant to NRS 387.526.

5. No part of the State Permanent School Fund may be invested pursuant to a reverse-repurchase agreement.

Sec. 3. NRS 355.140 is hereby amended to read as follows:

355.140 1. In addition to other investments provided for by a specific statute, the following bonds and other securities are proper and lawful investments of any of the money of this state, of its various departments, institutions and agencies, and of the State Insurance Fund:

(a) Bonds and certificates of the United States;

(b) Bonds, notes, debentures and loans if they are underwritten by or their payment is guaranteed by the United States;

(c) Obligations or certificates of the United States Postal Service, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Agricultural Mortgage Corporation, the Federal Home Loan Banks,



1 the Federal Home Loan Mortgage Corporation or the Student Loan
2 Marketing Association, whether or not guaranteed by the United
3 States;

4 (d) Bonds of this state or other states of the Union;

5 (e) Bonds of any county of this state or of other states;

6 (f) Bonds of incorporated cities in this state or in other states of
7 the Union, including special assessment district bonds if those bonds
8 provide that any deficiencies in the proceeds to pay the bonds are to
9 be paid from the general fund of the incorporated city;

10 (g) General obligation bonds of irrigation districts and drainage
11 districts in this state which are liens upon the property within those
12 districts, if the value of the property is found by the board or
13 commission making the investments to render the bonds financially
14 sound over all other obligations of the districts;

15 (h) Bonds of school districts within this state;

16 (i) Bonds of any general improvement district whose population
17 is 200,000 or more and which is situated in two or more counties of
18 this state or of any other state, if:

19 (1) The bonds are general obligation bonds and constitute a
20 lien upon the property within the district which is subject to
21 taxation; and

22 (2) That property is of an assessed valuation of not less than
23 five times the amount of the bonded indebtedness of the district;

24 (j) Medium-term obligations for counties, cities and school
25 districts authorized pursuant to chapter 350 of NRS;

26 (k) Loans bearing interest at a rate determined by the State
27 Board of Finance when secured by first mortgages on agricultural
28 lands in this state of not less than three times the value of the
29 amount loaned, exclusive of perishable improvements, and of
30 unexceptional title and free from all encumbrances;

31 (l) Farm loan bonds, consolidated farm loan bonds, debentures,
32 consolidated debentures and other obligations issued by federal land
33 banks and federal intermediate credit banks under the authority of
34 the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012,
35 inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act
36 of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds,
37 debentures, consolidated debentures and other obligations issued by
38 banks for cooperatives under the authority of the Farm Credit Act of
39 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm
40 Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, excluding
41 such money thereof as has been received or which may be received
42 hereafter from the Federal Government or received pursuant to some
43 federal law which governs the investment thereof;

44 (m) Negotiable certificates of deposit issued by commercial
45 banks, insured credit unions or savings and loan associations;



(n) Bankers' acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve banks or trust companies which are members of the Federal Reserve System, except that acceptances may not exceed 180 days' maturity, and may not, in aggregate value, exceed 20 percent of the total par value of the portfolio as determined on the date of purchase;

(o) Commercial paper issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States that:

(1) At the time of purchase has a remaining term to maturity of not more than 270 days; and

(2) Is rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,

➔ except that investments pursuant to this paragraph may not, in aggregate value, exceed 20 percent of the total par value of the portfolio as determined on the date of purchase, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible;

(p) Notes, bonds and other unconditional obligations for the payment of money, except certificates of deposit that do not qualify pursuant to paragraph (m), issued by corporations organized and operating in the United States or by depository institutions licensed by the United States or any state and operating in the United States that:

(1) Are purchased from a registered broker-dealer;

(2) At the time of purchase have a remaining term to maturity of not more than 5 years; and

(3) Are rated by a nationally recognized rating service as "A" or its equivalent, or better,

➔ except that investments pursuant to this paragraph may not, in aggregate value, exceed ~~20~~ 25 percent of the total par value of the portfolio, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible;

(q) *A bond, note or other obligation issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank that:*

(1) Is denominated in United States dollars;

(2) Is a senior unsecured unsubordinated obligation;

(3) Is purchased from a registered broker-dealer;

(4) At the time of purchase has a remaining term to maturity of 5 years or less; and



(5) *Is rated by a nationally recognized rating organization as "AA" or its equivalent, or better,*

↳ except that investments pursuant to this paragraph may not, in aggregate value, exceed 15 percent of the total par value of the portfolio as determined at the time of purchase.

(r) *A bond, note or other obligation publicly issued in the United States by a foreign financial institution, corporation or government that:*

(1) Is denominated in United States dollars;

(2) Is a senior unsecured unsubordinated obligation;

(3) Is registered with the United States Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933, 15 U.S.C. §§ 77a et seq., as amended;

(4) Is publicly traded;

(5) Is purchased from a registered broker-dealer;

(6) At the time of purchase has a remaining term to maturity of 5 years or less; and

(7) Is rated by a nationally recognized rating organization as "AA" or its equivalent, or better,

↳ except that investments pursuant to this paragraph may not, in aggregate value, exceed 10 percent of the total par value of the portfolio as determined at the time of purchase.

(s) *Money market mutual funds which:*

(1) Are registered with the Securities and Exchange Commission;

(2) Are rated by a nationally recognized rating service as "AAA" or its equivalent; and

(3) Invest only in securities issued by the Federal Government or agencies of the Federal Government or in repurchase agreements fully collateralized by such securities;

~~(t)~~ *(t) Collateralized mortgage obligations that are rated by a nationally recognized rating service as "AAA" or its equivalent; and*

~~(u)~~ *(u) Asset-backed securities that are rated by a nationally recognized rating service as "AAA" or its equivalent.*

2. Repurchase agreements are proper and lawful investments of money of the State and the State Insurance Fund for the purchase or sale of securities which are negotiable and of the types listed in subsection 1 if made in accordance with the following conditions:

(a) The State Treasurer shall designate in advance and thereafter maintain a list of qualified counterparties which:

(1) Regularly provide audited and, if available, unaudited financial statements to the State Treasurer;

(2) The State Treasurer has determined to have adequate capitalization and earnings and appropriate assets to be highly credit worthy; and



(3) Have executed a written master repurchase agreement in a form satisfactory to the State Treasurer and the State Board of Finance pursuant to which all repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the State Treasurer and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the Federal Bankruptcy Act, 11 U.S.C. §§ 101 et seq.

(b) In all repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of the appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian;

(2) The State must enter into a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for repurchase agreements only upon receipt of the underlying securities;

(II) Notify the State when the securities are marked to the market if the required margin on the agreement is not maintained;

(III) Hold the securities separate from the assets of the custodian; and

(IV) Report periodically to the State concerning the market value of the securities;

(3) The market value of the purchased securities must exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly;

(4) The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase; and

(5) The purchased securities must not have a term to maturity at the time of purchase in excess of 10 years.

3. As used in subsection 2:

(a) "Counterparty" means a bank organized and operating or licensed to operate in the United States pursuant to federal or state law or a securities dealer which is:

(1) A registered broker-dealer;

(2) Designated by the Federal Reserve Bank of New York as a "primary" dealer in United States government securities; and

(3) In full compliance with all applicable capital requirements.

(b) "Repurchase agreement" means a purchase of securities by the State or State Insurance Fund from a counterparty which commits to repurchase those securities or securities of the same



1 issuer, description, issue date and maturity on or before a specified
2 date for a specified price.

3 4. No money of this state may be invested pursuant to a
4 reverse-repurchase agreement, except money invested pursuant to
5 chapter 286 of NRS.

6 **Sec. 4.** NRS 355.170 is hereby amended to read as follows:

7 355.170 1. Except as otherwise provided in this section and
8 NRS 354.750 and 355.171, the governing body of a local
9 government may purchase for investment the following securities
10 and no others:

11 (a) Bonds and debentures of the United States, the maturity
12 dates of which do not extend more than 10 years after the date of
13 purchase.

14 (b) *A bond, note or other obligation issued or unconditionally*
15 *guaranteed by the International Bank for Reconstruction and*
16 *Development, International Finance Corporation or Inter-*
17 *American Development Bank that:*

18 (1) *Is denominated in United States dollars;*

19 (2) *Is a senior unsecured unsubordinated obligation;*

20 (3) *Is purchased from a registered broker-dealer;*

21 (4) *At the time of purchase has a remaining term to*
22 *maturity of 5 years or less; and*

23 (5) *Is rated by a nationally recognized rating organization*
24 *as "AA" or its equivalent, or better,*

25 *↳ except that investments pursuant to this paragraph may not, in*
26 *aggregate value, exceed 15 percent of the total par value of the*
27 *portfolio as determined at the time of purchase.*

28 (c) *A bond, note or other obligation publicly issued in the*
29 *United States by a foreign financial institution, corporation or*
30 *government that:*

31 (1) *Is denominated in United States dollars;*

32 (2) *Is a senior unsecured unsubordinated obligation;*

33 (3) *Is registered with the United States Securities and*
34 *Exchange Commission in accordance with the provisions of the*
35 *Securities Act of 1933, 15 U.S.C. §§ 77a et seq., as amended;*

36 (4) *Is publicly traded;*

37 (5) *Is purchased from a registered broker-dealer;*

38 (6) *At the time of purchase has a remaining term to*
39 *maturity of 5 years or less; and*

40 (7) *Is rated by a nationally recognized rating organization*
41 *as "AA" or its equivalent, or better,*

42 *↳ except that investments pursuant to this paragraph may not, in*
43 *aggregate value, exceed 10 percent of the total par value of the*
44 *portfolio as determined at the time of purchase.*



(d) Farm loan bonds, consolidated farm loan bonds, debentures, consolidated debentures and other obligations issued by federal land banks and federal intermediate credit banks under the authority of the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds, debentures, consolidated debentures and other obligations issued by banks for cooperatives under the authority of the Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive.

~~(e)~~ (e) Bills and notes of the United States Treasury, the maturity date of which is not more than 10 years after the date of purchase.

~~(f)~~ (f) Obligations of an agency or instrumentality of the United States of America or a corporation sponsored by the government, the maturity date of which is not more than 10 years after the date of purchase.

~~(g)~~ (g) Negotiable certificates of deposit issued by commercial banks, insured credit unions or savings and loan associations.

~~(h)~~ (h) Securities which have been expressly authorized as investments for local governments by any provision of Nevada Revised Statutes or by any special law.

~~(i)~~ (i) Nonnegotiable certificates of deposit issued by insured commercial banks, insured credit unions or insured savings and loan associations, except certificates that are not within the limits of insurance provided by an instrumentality of the United States, unless those certificates are collateralized in the same manner as is required for uninsured deposits by a county treasurer pursuant to NRS 356.133. For the purposes of this paragraph, any reference in NRS 356.133 to a "county treasurer" or "board of county commissioners" shall be deemed to refer to the appropriate financial officer or governing body of the local government purchasing the certificates.

~~(j)~~ (j) Subject to the limitations contained in NRS 355.177, negotiable notes or medium-term obligations issued by local governments of the State of Nevada pursuant to NRS 350.087 to 350.095, inclusive.

~~(k)~~ (k) Bankers' acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve Banks, and generally accepted by banks or trust companies which are members of the Federal Reserve System. Eligible bankers' acceptances may not exceed 180 days' maturity. Purchases of bankers' acceptances may not exceed 20 percent of the money available to a local government for investment as determined on the date of purchase.

~~(l)~~ (l) Obligations of state and local governments:



(1) If:

(I) The interest on the obligation is exempt from gross income for federal income tax purposes; and

(II) The obligation has been rated "A" or higher by one or more nationally recognized bond credit rating agencies; or

(2) If the obligation is secured by the proceeds that are paid into the tax increment account of a tax increment area created by a municipality pursuant to NRS 278C.220.

~~(k)~~ (m) Commercial paper issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States that:

(1) Is purchased from a registered broker-dealer;

(2) At the time of purchase has a remaining term to maturity of no more than 270 days; and

(3) Is rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,

➔ except that investments pursuant to this paragraph may not, in aggregate value, exceed 20 percent of the total portfolio as determined on the date of purchase, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible.

~~(h)~~ (n) Money market mutual funds which:

(1) Are registered with the Securities and Exchange Commission;

(2) Are rated by a nationally recognized rating service as "AAA" or its equivalent; and

(3) Invest only in:

(I) Securities issued by the Federal Government or agencies of the Federal Government;

(II) Master notes, bank notes or other short-term commercial paper rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better, issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States; or

(III) Repurchase agreements that are fully collateralized by the obligations described in sub-subparagraphs (I) and (II).

~~(m)~~ (o) Obligations of the Federal Agricultural Mortgage Corporation.

2. Repurchase agreements are proper and lawful investments of money of a governing body of a local government for the purchase or sale of securities which are negotiable and of the types listed in subsection 1 if made in accordance with the following conditions:



(a) The governing body of the local government shall designate in advance and thereafter maintain a list of qualified counterparties which:

(1) Regularly provide audited and, if available, unaudited financial statements;

(2) The governing body of the local government has determined to have adequate capitalization and earnings and appropriate assets to be highly creditworthy; and

(3) Have executed a written master repurchase agreement in a form satisfactory to the governing body of the local government pursuant to which all repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the governing body of the local government and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the Federal Bankruptcy Act.

(b) In all repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of the appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian;

(2) The governing body of the local government must enter a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for repurchase agreements only upon receipt of the underlying securities;

(II) Notify the governing body of the local government when the securities are marked to the market if the required margin on the agreement is not maintained;

(III) Hold the securities separate from the assets of the custodian; and

(IV) Report periodically to the governing body of the local government concerning the market value of the securities;

(3) The market value of the purchased securities must exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly;

(4) The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase; and

(5) The purchased securities must not have a term to maturity at the time of purchase in excess of 10 years.

3. The securities described in paragraphs (a), ~~[(b) and (c)]~~ (d) and (e) of subsection 1 and the repurchase agreements described in subsection 2 may be purchased when, in the opinion of the



governing body of the local government, there is sufficient money in any fund of the local government to purchase those securities and the purchase will not result in the impairment of the fund for the purposes for which it was created.

4. When the governing body of the local government has determined that there is available money in any fund or funds for the purchase of bonds as set out in subsection 1 or 2, those purchases may be made and the bonds paid for out of any one or more of the funds, but the bonds must be credited to the funds in the amounts purchased, and the money received from the redemption of the bonds, as and when redeemed, must go back into the fund or funds from which the purchase money was taken originally.

5. Any interest earned on money invested pursuant to subsection 3, may, at the discretion of the governing body of the local government, be credited to the fund from which the principal was taken or to the general fund of the local government.

6. The governing body of a local government may invest any money apportioned into funds and not invested pursuant to subsection 3 and any money not apportioned into funds in bills and notes of the United States Treasury, the maturity date of which is not more than 1 year after the date of investment. These investments must be considered as cash for accounting purposes, and all the interest earned on them must be credited to the general fund of the local government.

7. This section does not authorize the investment of money administered pursuant to a contract, debenture agreement or grant in a manner not authorized by the terms of the contract, agreement or grant.

8. As used in this section:

(a) "Counterparty" means a bank organized and operating or licensed to operate in the United States pursuant to federal or state law or a securities dealer which is:

(1) A registered broker-dealer;

(2) Designated by the Federal Reserve Bank of New York as a "primary" dealer in United States government securities; and

(3) In full compliance with all applicable capital requirements.

(b) "Local government" has the meaning ascribed to it in NRS 354.474.

(c) "Repurchase agreement" means a purchase of securities by the governing body of a local government from a counterparty which commits to repurchase those securities or securities of the same issuer, description, issue date and maturity on or before a specified date for a specified price.



Sec. 5. NRS 355.171 is hereby amended to read as follows:

355.171 1. Except as otherwise provided in this section, a board of county commissioners, a board of trustees of a county school district or the governing body of an incorporated city may purchase for investment:

(a) Notes, bonds and other unconditional obligations for the payment of money issued by corporations organized and operating in the United States that:

(1) Are purchased from a registered broker-dealer;

(2) At the time of purchase have a remaining term to maturity of no more than 5 years; and

(3) Are rated by a nationally recognized rating service as "A" or its equivalent, or better.

(b) *A bond, note or other obligation issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank that:*

(1) Is denominated in United States dollars;

(2) Is a senior unsecured unsubordinated obligation;

(3) Is purchased from a registered broker-dealer;

(4) At the time of purchase has a remaining term to maturity of 5 years or less; and

(5) Is rated by a nationally recognized rating organization as "AA" or its equivalent, or better,

↳ except that investments pursuant to this paragraph may not, in aggregate value, exceed 15 percent of the total par value of the portfolio as determined at the time of purchase.

(c) *A bond, note or other obligation publicly issued in the United States by a foreign financial institution, corporation or government that:*

(1) Is denominated in United States dollars;

(2) Is a senior unsecured unsubordinated obligation;

(3) Is registered with the United States Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933, 15 U.S.C. §§ 77a et seq., as amended;

(4) Is publicly traded;

(5) Is purchased from a registered broker-dealer;

(6) At the time of purchase has a remaining term to maturity of 5 years or less; and

(7) Is rated by a nationally recognized rating organization as "AA" or its equivalent, or better,

↳ except that investments pursuant to this paragraph may not, in aggregate value, exceed 10 percent of the total par value of the portfolio as determined at the time of purchase.



1 (d) Collateralized mortgage obligations that are rated by a
2 nationally recognized rating service as "AAA" or its equivalent.

3 ~~(e)~~ (e) Asset-backed securities that are rated by a nationally
4 recognized rating service as "AAA" or its equivalent.

5 2. With respect to investments purchased pursuant to paragraph
6 (a) of subsection 1:

7 (a) Such investments must not, in aggregate value, exceed 20
8 percent of the total portfolio as determined on the date of purchase;

9 (b) Not more than 25 percent of such investments may be in
10 notes, bonds and other unconditional obligations issued by any one
11 corporation; and

12 (c) If the rating of an obligation is reduced to a level that does
13 not meet the requirements of that paragraph, the obligation must be
14 sold as soon as possible.

15 3. Subsections 1 and 2 do not:

16 (a) Apply to a:

17 (1) Board of county commissioners of a county whose
18 population is less than 100,000;

19 (2) Board of trustees of a county school district in a county
20 whose population is less than 100,000; or

21 (3) Governing body of an incorporated city whose population
22 is less than 150,000,

23 unless the purchase is effected by the State Treasurer pursuant to
24 his or her investment of a pool of money from local governments or
25 by an investment adviser who is registered with the Securities and
26 Exchange Commission and approved by the State Board of Finance.

27 (b) Authorize the investment of money administered pursuant to
28 a contract, debenture agreement or grant in a manner not authorized
29 by the terms of the contract, agreement or grant.

30 **Sec. 6.** NRS 355.176 is hereby amended to read as follows:

31 355.176 Any money held by a local government pursuant to a
32 deferred compensation plan may be invested in the types of
33 investments set forth in paragraphs (a) to ~~(g)~~ (h), inclusive, of
34 subsection 1 of NRS 355.170 and may additionally be invested in
35 corporate stocks, bonds and securities, mutual funds, savings and
36 loan accounts, credit union accounts, life insurance policies,
37 annuities, mortgages, deeds of trust or other security interests in real
38 or personal property.

39 **Sec. 7.** This act becomes effective on July 1, 2017.

