

S.182

Introduced by Senators Clarkson and White

Referred to Committee on Government Operations

Date: January 3, 2018

Subject: Municipal government; public funds; trustees of public funds;
powers, duties, and investment

Statement of purpose of bill as introduced: This bill proposes to provide
municipal trustees of public funds with the authority to delegate the
management and investment of certain public trust funds.

An act relating to the investment authority of municipal trustees of public
funds

It is hereby enacted by the General Assembly of the State of Vermont:

~~Sec. 1. 24 V.S.A. § 2432 is amended to read:~~

§ 2432. POWERS AND DUTIES; INVESTMENTS

(a)(1) The trustees shall apply the estate income of such estate to the
purpose for which it is held, and deeds or contracts made by them shall be in
the name of the town. ~~They~~

(2) The trustees may:

(A) lease, sell, or convey real estate so held, and invest the funds
~~received therefrom, and~~

1 ~~(R) They may loan lend estate money belonging to such estate, at~~
2 annual or semi-annual interest, and as security for ~~such loans~~ each loan shall
3 take deeds or mortgages of real estate in this State.

4 (b) The trustees may invest in:

5 (1) any security, including a revenue obligation, issued, insured, or
6 guaranteed by the United States;

7 (2) ~~such~~ municipal bonds or other bonds that are rated at the time of the
8 transaction by a nationally recognized statistical rating organization, as defined
9 in 15 U.S.C. § 78c(a)(62) as may be amended, in one of its four highest
10 categories;

11 (3) repurchase agreements or debt securities of any federally insured
12 financial institution as defined in 8 V.S.A. § 11101(32);

13 (4) the shares of an investment company, or an investment trust, such as
14 a mutual fund, closed-end fund, or a unit investment trust, ~~which that~~ is
15 registered under the federal Investment Company Act of 1940, as amended, if
16 ~~such the~~ mutual investment fund has been in operation for ~~at least ten~~ five
17 years and has net assets of at least \$500,000,000.00 \$100,000,000.00; or

18 (5) deposits in federally insured financial institutions as defined in
19 8 V.S.A. § 11101(32).

20 (c)(1) The trustees shall have full power to hold, purchase, sell, assign,
21 ~~transfer, and dispose of any of the securities and investments in which any of~~

1 ~~the funds shall have been invested, as well as the proceeds of such the~~
2 ~~investments.~~

3 (2) The trustees are encouraged to invest in financial institutions
4 operating in the State and in investments within the State that will result in
5 reinvestment in Vermont.

6 (3) The provisions of this section as to future investments shall not
7 require the liquidation or disposition of securities legally acquired and held.

8 (d) The trustees may delegate management and investment of funds under
9 their charge to the extent that is prudent under the terms of the trust or
10 endowment, and in accordance with the Uniform Prudent Management of
11 Institutional Funds Act, 14 V.S.A. § 3415 (delegation of investment functions).
12 An agent exercising a delegated management or investment function may
13 invest the funds only in the securities enumerated in this section.

14 Sec. 2. EFFECTIVE DATE

15 ~~This act shall take effect on July 1, 2018.~~

Sec. 1. 24 V.S.A. § 2432 is amended to read:

§ 2432. POWERS AND DUTIES; INVESTMENTS

(a)(1) The trustees shall apply the estate income of such estate to the purpose for which it is held, and deeds or contracts made by them shall be in the name of the town. They

(2) The trustees may:

(A) lease, sell, or convey real estate so held, and invest the funds received therefrom; and

(B) They may loan lend estate money belonging to such estate, at annual or semi-annual semiannual interest, and as security for such loans each

loan shall take deeds or mortgages of real estate in this State.

(b) The trustees may invest in:

(1) any security, including a revenue obligation, issued, insured, or guaranteed by the United States;

(2) ~~such~~ municipal bonds or other bonds that are rated at the time of the transaction by a nationally recognized statistical rating organization, as defined in 15 U.S.C. § 78c(a)(62) as may be amended, in one of its four highest categories;

(3) repurchase agreements or debt securities of any federally insured financial institution as defined in 8 V.S.A. § 11101(32);

(4) the shares of an investment company, or an investment trust, such as a mutual fund, closed-end fund, or a unit investment trust, which that is registered under the federal Investment Company Act of 1940, as amended, if ~~such~~ the mutual investment fund has been in operation for at least ten five years and has net assets of at least ~~\$500,000,000.00~~ \$100,000,000.00; or

(5) deposits in federally insured financial institutions as defined in 8 V.S.A. § 11101(32).

(c)(1) The trustees shall have full power to hold, purchase, sell, assign, transfer, and dispose of any of the securities and investments in which any of the funds ~~shall~~ have been invested, as well as the proceeds of ~~such~~ the investments.

(2) The trustees are encouraged to invest in financial institutions operating in the State and in investments within the State that will result in reinvestment in Vermont.

(3) The provisions of this section as to future investments shall not require the liquidation or disposition of securities legally acquired and held.

(4) If the municipality has adopted an investment policy, the trustees shall invest in accordance with the provisions of the municipal policy that do not conflict with this section.

~~*(d) The trustees may delegate management and investment of funds under their charge to the extent that is prudent under the terms of the trust or endowment, and in accordance with the Uniform Prudent Management of Institutional Funds Act, 14 V.S.A. § 3415 (delegation of investment functions). Notwithstanding the limitations on investments set forth in subsection (b) of this section, an agent exercising a delegated management or investment function may invest the funds in any security or investment that is prudent under the Uniform Prudent Management of Institutional Funds Act.*~~

(d) The trustees may delegate management and investment of funds under their charge to the extent that is prudent under the terms of the trust or endowment, and in accordance with section 3415 (delegation of management and investment functions) of the Uniform Prudent Management of Institutional Funds Act, 14 V.S.A. chapter 120. Notwithstanding the limitations on investments set forth in subsection (b) of this section, an agent exercising a delegated management or investment function, if investing, shall invest the funds in a publicly traded security that is:

(1) registered with the Securities and Exchange Commission pursuant to 15 U.S.C. § 78l and listed on a national securities exchange;

(2) issued by an investment company registered pursuant to 15 U.S.C. § 80a-8;

(3) a corporate bond registered as an offering with the Securities and Exchange Commission pursuant to 15 U.S.C. § 78l and issued by an entity whose stock is a publicly traded security;

(4) a municipal security;

(5) a deposit in federally insured financial institutions as defined in 8 V.S.A. § 11101(32); or

(6) a security issued, insured, or guaranteed by the United States.

Sec. 2. 24 V.S.A. § 4345 is amended to read:

§ 4345. **OPTIONAL POWERS AND DUTIES OF REGIONAL PLANNING COMMISSIONS**

Any regional planning commission created under this chapter may:

* * *

(16) Include in its charter and bylaws adopted pursuant to section 4343 of this chapter the power to:

* * *

(D) Enter into contracts with public and private entities, including the State of Vermont and the federal government to provide regional planning services and fulfill its duties pursuant to this section and section 4345a of this title.

(E) Invest funds held in reserve in any security or investment that is prudent under the Uniform Prudent Management of Institutional Funds Act. This subdivision (E) only shall apply to funds whose investment is not otherwise restricted by State or federal law; the terms of a grant, gift, or devise; or the terms of a contract or service agreement formed under this

chapter.

* * *

Sec. 3. 18 V.S.A. § 5384 is amended to read:

§ 5384. PAYMENT TO TREASURER; RECORD; INVESTMENT

(a) Unless otherwise directed by the donor, all monies received by a town for cemetery purposes shall be paid to the town treasurer, who shall give a receipt therefor, which shall be recorded in the office of the town clerk in a book kept for that purpose. In such book shall also be stated the amount received from each donor, the time when, and the specific purpose to which the use thereof is appropriated.

(b)(1) All monies so received by the town may be invested and reinvested by the treasurer, with the approval of the selectboard, by deposit in:

* * *

~~*(2) The treasurer, selectboard, or trustees of public funds may delegate management and investment of town cemetery funds to the extent that it is prudent under the terms of the trust or endowment, and in accordance with the Uniform Prudent Management of Institutional Funds Act, 14 V.S.A. § 3415 (delegation of investment functions). Notwithstanding the limitations on investments set forth in this subsection, an agent exercising a delegated management or investment function may invest cemetery funds only in the securities enumerated in this section in any security or investment that is prudent under the Uniform Prudent Management of Institutional Funds Act.*~~

(3) The treasurer, selectboard, or trustees of public funds may delegate management and investment of town cemetery funds to the extent that it is prudent under the terms of the trust or endowment, and in accordance with ~~the~~ Uniform Prudent Management of Institutional Funds Act, 14 V.S.A. § section 3415 (delegation of management and investment functions) of the Uniform Prudent Management of Institutional Funds Act, 14 V.S.A. chapter 120. ~~An~~ Notwithstanding the limitations on investments set forth in this subsection, an agent exercising a delegated management or investment function, if investing, may shall invest cemetery funds only in the securities enumerated in this section in a publicly traded security that is:

(A) registered with the Securities and Exchange Commission pursuant to 15 U.S.C. § 78l and listed on a national securities exchange;

(B) issued by an investment company registered pursuant to 15 U.S.C. § 80a-8;

(C) a corporate bond registered as an offering with the Securities

and Exchange Commission pursuant to 15 U.S.C. § 78l and issued by an entity whose stock is a publicly traded security;

(D) a municipal security;

(E) a deposit in federally insured financial institutions as defined in 8 V.S.A. § 11101(32); or

(F) a security issued, insured, or guaranteed by the United States.

(4) If the municipality has adopted an investment policy, the treasurer, selectboard, or trustees of public funds shall invest in accordance with the provisions of the municipal policy that do not conflict with this section.

Sec. 4. EFFECTIVE DATE

This act shall take effect on passage.