

CHAPTER 542

H.B. No. 1252

An Act relating to the authorization of investments in certain development bank securities by certain private and governmental investors.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Section 5.11, Texas Savings and Loan Act (Article 852a, Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 5.11. **INVESTMENT IN SECURITIES.** Every association shall have power to invest in obligations of, or guaranteed as to principal and interest by, the United States or this State; in stock of a Federal Home Loan Bank of which it is eligible to be a member, and in any obligations or consolidated obligations of any Federal Home Loan Bank or Banks; in stock or obligations of the Federal Savings and Loan Insurance Corporation; in stock or obligations of a national mortgage association or any successor or successors thereto; in demand, time, or savings deposits with any bank or trust company the deposits of which are insured by the Federal Deposit Insurance Corporation; in stock or obligations of any corporation or agency of the United States or this State, or in deposits therewith to the extent that such corporation or agency assists in furthering or facilitating the association's purposes or power; in savings accounts of any association operating under the provisions of this Act and of any Federal association; in bonds, notes, or other evidences of indebtedness which are a general obligation of any city, town, village, county, school district, or other municipal corporation or political subdivision of this State; *in obligations issued, assumed, or guaranteed by the African Development Bank*; and in such other securities or obligations which the Commissioner may approve and place on a published list. An association investing in securities which are listed by the Commissioner shall not be required to dispose of such securities if at a later time the Commissioner shall remove same from list. No security owned by an association shall be carried on its books at more than the actual cost thereof unless a different treatment is permitted by the Commissioner in writing.

SECTION 2. Section 15.02, Education Code, is amended to read as follows:

Sec. 15.02. **INVESTMENT OF PERMANENT SCHOOL FUND.** In compliance with provisions of this section, the State Board of Education is authorized and empowered to invest the permanent school fund in the types of securities, which must be carefully examined by the State Board of Education and be found to be safe and proper investments for the fund as specified below:

(1) securities, bonds, or other obligations issued, insured, or guaranteed in any manner by the United States Government or any of its agencies; and in bonds issued by the State of Texas;

(2) obligations and pledges of The University of Texas;

(3) corporate bonds, debentures, or obligations, of United States corporations of at least "A" rating;

(4) obligations of United States corporations that mature in less than one year and are of the highest rating available at the time of investment;

(5) bonds issued, assumed, or guaranteed by the Inter-American Development Bank, the International Bank of Reconstruction and Development (the World Bank), *the African Development Bank*, and the Asian Development Bank;

(6) bonds of counties, school districts, incorporated cities or towns, road precincts, drainage, irrigation, navigation, and levee districts in Texas, under the following rules and regulations:

(A) such securities, prior to their purchase, must have been diligently investigated by the attorney general of Texas both as to their form and as to their legal compliance with applicable laws;

(B) the attorney general's certificate of validity procured by the party offering such bonds, obligations, or pledges must accompany these securities when they are submitted for registration to the state comptroller, who must preserve the certificates;

(C) these public securities, if purchased, and when certified and registered as specified above, shall be incontestable unless issued fraudulently or in violation of a constitutional limitation, and the certificates of the attorney general shall be prima facie evidence of the validity of the bonds and coupons thereto; and

(D) after the issuing political subdivision of Texas has received the proceeds from the sales of such public securities, the issuing agency shall be estopped to deny their validity, and the same shall be held to be valid and binding obligations;

(7) preferred stocks and common stocks as to the State Board of Education may deem to be proper investments for the permanent school fund, under the following rules and regulations:

(A) in making all such investments the State Board of Education shall exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital;

(B) stocks eligible for purchase are restricted to stocks of companies incorporated within the United States which have paid dividends for five consecutive years or longer immediately prior to the date of purchase and which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the Securities and Exchange Commission or its successors;

(C) not more than one percent of the permanent school fund may be invested in stock issued by one corporation nor shall more than five percent of the voting stock of any one corporation be owned;

(D) at the discretion of the State Board of Education, corporate securities of the permanent school fund may be sold and the proceeds reinvested for the fund under the terms of this code; and

(8) notwithstanding any other law or provisions in this code, first lien real estate mortgage securities insured by the Federal Housing Administration under the National Housing Act of the United States, as amended from time to time, or in any other first lien real estate mortgage securities guaranteed in whole or in part by the United States Government or any agency thereof.

SECTION 3. Subsection (1), Article 2.10-1, Insurance Code, is amended to read as follows:

(1) In addition to the securities authorized as investments in Article 2.10, a company may also invest its funds over and above its minimum capital and minimum surplus, as provided in Article 2.02, in bonds, issued, assumed, or guaranteed by certain international financial institutions in which the United States is a member, to wit: the Inter-American Development Bank, the International Bank for Reconstruction and Development (the World Bank), *the African Development Bank*, and the Asian Development Bank.

SECTION 4. Paragraph 15A, Section A, Part I, Article 3.39, Insurance Code, is amended to read as follows:

15A. Other Bonds. A company may also invest its funds and accumulations in:

(1) bonds issued, assumed, or guaranteed by the Inter-American Development Bank, the International Bank for Reconstruction and Development (the World Bank), *the African Development Bank*, and the Asian Development Bank; and

(2) bonds issued, assumed, or guaranteed by the State of Israel.

SECTION 5. Section 25.301(b), Title 110B, Revised Statutes, is amended to read as follows:

(b) Except for assets of the law enforcement and custodial officer supplemental retirement fund, the board of trustees may invest and reinvest any of the retirement system's assets in the following:

(1) bonds, notes, or other evidences of indebtedness, whether general or specific obligations, whose principal and interest are guaranteed by the United States, an agency of the United States, the state, or any political subdivision of the state;

(2) home office facilities, including land, equipment, and office building, used in administering the retirement system;

(3) corporate bonds, corporate notes, and other evidences of indebtedness of a corporation if the corporation was created or exists under the laws of a state or the United States; ~~and~~

(4) common and preferred stocks of companies incorporated within the United States that have paid cash dividends for 10 consecutive years immediately before the date of purchase and, unless the stocks are bank or insurance stocks, that are listed on an exchange registered with the Securities and Exchange Commission or its successor; *and*

(5) *obligations issued, assumed, or guaranteed by the African Development Bank.*

SECTION 6. Section 35.301, Title 110B, Revised Statutes, is amended by adding Subsection (d) to read as follows:

(d) *The board of trustees may invest assets of the retirement system in obligations issued, assumed, or guaranteed by the African Development Bank.*

SECTION 7. Section 55.301, Title 110B, Revised Statutes, is amended to read as follows:

Sec. 55.301. INVESTMENT OF ASSETS. The board of trustees shall invest and reinvest the assets of the retirement system without distinction as to their source in:

(1) interest-bearing bonds or other evidences of indebtedness of this state, a county, school district, city, or other municipal corporation of this state, the United States, or an authority or an agency of the United States;

(2) securities for which the United States or any authority or agency of the United States guarantees the payment of principal and interest;

(3) interest-bearing bonds, notes, or other evidences of indebtedness that are issued by a company:

(A) incorporated in the United States and that are rated "A" or better by one or more nationally recognized rating agencies approved by the board; or

(B) in whose stock the retirement system may invest as provided by Subdivision (4) of this subsection; ~~or~~

(4) common or preferred stocks of a company incorporated in the United States that has paid cash dividends on its common stock for 10 consecutive years immediately before the date of purchase and, unless the stocks are bank or insurance stocks, that is listed on an exchange registered with the Securities and Exchange Commission or its successor; *or*

(5) *obligations issued, assumed, or guaranteed by the African Development Bank.*

SECTION 8. Section 65.301, Title 110B, Revised Statutes, is amended to read as follows:

Sec. 65.301. INVESTMENT OF ASSETS. The board of trustees shall invest and reinvest the assets of the retirement system without distinction as to their source in:

(1) interest-bearing bonds or other evidences of indebtedness of this state, a county, school district, city, or other municipal corporation of this state, the United States, or an authority or agency of the United States;

(2) securities on which the United States or any authority or agency of the United States guarantees the payment of principal and interest;

(3) corporate bonds or debentures that are issued by a company:

(A) incorporated in the United States and that are rate "A" or better by one or more nationally recognized rating agencies approved by the board; or

(B) in whose stock the retirement system may invest as provided by Subdivision (4) of this subsection; ~~or~~

(4) common or preferred stocks of a company incorporated in the United States that has paid cash dividends on its stock for 10 consecutive years immediately before the date of purchase and, unless the stocks are bank or insurance stocks, that is listed on an exchange registered with the Securities and Exchange Commission or its successor; *or*

(5) *obligations issued, assumed, or guaranteed by the African Development Bank.*

SECTION 9. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed by the House on May 17, 1985, by a non-record vote; passed by the Senate on May 25, 1985, by the following vote: Yeas 31, Nays 0.

Approved: June 12, 1985

Effective: August 26, 1985