

Enrolled Senate Bill 21

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CHAPTER

AN ACT

Relating to investments; amending ORS 293.726 and 294.835.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 293.726 is amended to read:

293.726. (1) The investment funds shall be invested and the investments of those funds managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund.

(2) The standard stated in subsection (1) of this section requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund's investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund.

(3) In making and implementing investment decisions, the Oregon Investment Council and the investment officer have a duty to diversify the investments of the investment funds unless, under the circumstances, it is not prudent to do so.

(4) In addition to the duties stated in subsection (3) of this section, the council and the investment officer must:

(a) Conform to the fundamental fiduciary duties of loyalty and impartiality;

(b) Act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents; and

(c) Incur only costs that are reasonable in amount and appropriate to the investment responsibilities imposed by law.

(5) The duties of the council and the investment officer under this section are subject to contrary provisions of privately created public trusts the assets of which by law are made investment funds. Within the limitations of the standard stated in subsection (1) of this section and subject to [subsections (6) and (7)] **subsection (6)** of this section, there may be acquired, retained, managed and disposed of as investments of the investment funds every kind of investment which persons of prudence, discretion and intelligence acquire, retain, manage and dispose of for their own account.

(6) Notwithstanding subsection (1) of this section, not more than 50 percent of the moneys contributed to the Public Employees Retirement Fund or the Industrial Accident Fund may be invested in common stock, and not more than 65 percent of the moneys contributed to the other trust and endowment funds managed by the Oregon Investment Council or the State Treasurer may be invested in common stock.

[*(7) Notwithstanding subsection (1) of this section, no moneys invested pursuant to ORS 293.701 (2)(o) shall be invested in any securities originating outside the United States.*]

[*(8) (7) Subject to the standards set forth in this section, moneys held in the Deferred Compensation Fund may be invested in the stock of any company, association or corporation, including but not limited to shares of a mutual fund. Investment of moneys in the Deferred Compensation Fund is not subject to the limitation imposed by subsection (6) of this section.*]

SECTION 2. ORS 294.835 is amended to read:

294.835. (1) In investing and reinvesting moneys in the investment pool and in acquiring, retaining, managing and disposing of investments of the investment pool there shall be exercised the judgment and care under the circumstances then prevailing, which individuals of 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 as well as the probable safety of their capital. Within the limitations of the foregoing standard and subject to [*subsections (2) and (3)*] **subsection (2)** of this section, there may be acquired, retained, managed and disposed of as investments of the investment pool every kind of investment which individuals of prudence, discretion and intelligence acquire, retain, manage and dispose of for their own account.

(2) Notwithstanding subsection (1) of this section, moneys in the investment pool may not be invested in the stock of any company, association or corporation.

[*(3) Notwithstanding subsection (1) of this section, no moneys in the investment pool shall be invested, after June 30, 1979, in any securities originating outside the United States.*]

Passed by Senate February 14, 2005

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Secretary of Senate
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President of Senate

Received by Governor:

.....M.,....., 2005

Approved:

.....M.,....., 2005

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Governor

Passed by House June 13, 2005

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Speaker of House

Filed in Office of Secretary of State:

.....M.,....., 2005

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Secretary of State