Assembly Bill No. 34–Committee
on Government Affairs

CHAPTER..........

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; expanding the types of governmental entities authorized to invest in certain additional securities; revising the requirements for certain investments; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Under existing law, the State Treasurer is responsible for the investment of 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 353.160) 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 to invest 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 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 money in certain additional 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 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 Trust Fund to include: (1) certain bonds, notes and other obligations that are issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the International Finance Corporation or the Inter-American Development Bank; 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 aggregate value of the General Portfolio that is authorized to be invested in the commercial paper, notes, bonds or other obligations of certain corporations and depository institutions operating in the United States.

Section 4 of this bill authorizes the governing body of certain local governments and certain administrative entities established by cooperative agreements entered into by cities and counties to invest in the additional types of securities described above. **Section 6** of this bill makes a conforming change.

Sections 4 and 5 of this bill increase, from 20 to 25 percent, the maximum share of the aggregate value of the portfolios of certain local governments that is authorized to be invested in the commercial paper, notes, bonds or other obligations of certain corporations and depository institutions and require that not more than 5 percent of the value of such a portfolio be in the obligations of a single corporation or depository institution. **Section 5** also authorizes additional local governments and certain administrative entities established by cooperative agreements entered into by cities and counties to invest in certain securities, which, under existing law, are authorized investments only for certain boards of county commissioners, boards of trustees of certain county school districts and the governing bodies of certain incorporated cities.

Existing law places various requirements on money in the State's General Portfolio and the investment of the money of certain local governments. (NRS 355.140, 355.170, 355.171) **Sections 3-5** eliminate the requirement that certain securities be sold as soon as possible if the rating of the security falls below the level required by existing law. **Sections 3-5** instead require that the State Treasurer or local government, as applicable, take certain actions to preserve the principal value and the integrity of the portfolio as a whole and report such actions to the State Board of Finance.

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

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 administrating 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, the International Finance Corporation or the Inter-American Development Bank that:***

(1) Is denominated in United States dollars;

(2) Is a senior unsecured unsubordinated obligation;

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

(4) Is rated by a nationally recognized rating service 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 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 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 service 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.

~~[(h)]~~ ***(j)*** Asset-backed securities that are rated "AAA" or its equivalent by a nationally recognized rating service.

~~[(i)]~~ ***(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.

~~[(j)]~~ ***(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.

~~[(l)]~~ ***(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 greater than 5 percent of the total book value of all investments of the Trust Fund.

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

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

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

5. The assets of the Trust Fund:

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

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

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

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

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

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

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

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

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

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

11. The terms, conditions, limitations and restrictions regarding investments of the Trust Fund listed in this section apply only at the time an investment is originally acquired and must not be construed to require the liquidation of an investment at any time.

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

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

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

(a) United States bonds.

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

(1) Is denominated in United States dollars;

(2) Is a senior unsecured unsubordinated obligation;

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

(4) Is rated by a nationally recognized rating service 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 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 service 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.

(d) Obligations or certificates of the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Banks Funding Corporation or the Student Loan Marketing Association, whether or not guaranteed by the United States.

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

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

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

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

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

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

(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 or guaranteed as to payment of principal and interest by the Federal Government, or its agencies or instrumentalities, or in repurchase agreements that are fully collateralized by such securities.

[~~(i)~~**]** ***(k)*** 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 50 percent of the book value of the total investments of the State Permanent School Fund;

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

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

~~[(j)]~~ ***(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.

~~[(l)]~~ ***(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, the Federal Home Loan Mortgage Corporation or the Student Loan Marketing Association, whether or not guaranteed by the United States;

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

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

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

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

(h) Bonds of school districts within this state;

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

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

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

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

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

(l) 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, excluding such money thereof as has been received or which may be received hereafter from the Federal Government or received pursuant to some federal law which governs the investment thereof;

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

(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]~~ ***at*** the ~~[date]~~ ***time*** 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]~~ ***25*** percent of the total par value of the portfolio as determined ~~[on]~~ ***at*** the ~~[date]~~ ***time*** of purchase ***.*** ~~[, and if]~~ ***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;]~~ ***the State Treasurer shall take such action as he or she deems appropriate to preserve the principal value and integrity of the portfolio as a whole and report to the State Board of Finance any action taken by the State Treasurer pursuant to this paragraph;***

(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]~~ ***as determined at the time of purchase. 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;]~~ ***the State Treasurer shall take such action as he or she deems appropriate to preserve the principal value and integrity of the portfolio as a whole and report to the State Board of Finance any action taken by the State Treasurer pursuant to this paragraph;***

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

(1) Is denominated in United States dollars;

(2) Is a senior unsecured unsubordinated obligation;

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

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

➥ except that investment 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;

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

~~[(s)]~~ ***(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 issuer, description, issue date and maturity on or before a specified date for a specified price.

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

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

355.170 1. Except as otherwise provided in this section and NRS 354.750 and 355.171, the governing body of a local government ***or an administrative entity established pursuant to NRS 277.080 to 277.180, inclusive, that is not a local government*** may purchase for investment the following securities and no others:

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

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

(1) Is denominated in United States dollars;

(2) Is a senior unsecured unsubordinated obligation;

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

(4) Is rated by a nationally recognized rating service 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 Securities and Exchange Commission in accordance with the provisions of the Securities Act of 1933, §§ 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 service 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.

(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.

~~[(c)]~~ ***(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.

~~[(d)]~~ ***(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.

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

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

~~[(g)]~~ ***(i)*** Nonnegotiable certificates of deposit issued by insured commercial banks, insured credit unions, insured savings and loan associations or insured savings banks, 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.

~~[(h)]~~ ***(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.

~~[(i)]~~ ***(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]~~ ***at*** the ~~[date]~~ ***time*** of purchase.

~~[(j)]~~ ***(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)]~~ ***(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]~~ ***25*** percent of the total ***par value of the*** portfolio as determined ~~[on]~~ ***at*** the ~~[date]~~ ***time*** of purchase, and ~~[if]~~ ***not more than 5 percent of the total par value of the portfolio may be invested in commercial paper issued by any one corporation or depository institution. 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.~~

~~(l)]~~ ***the investment advisor must report the reduction in the rating to the governing body of the local government that purchased the investment, the governing body of the local government or, if the purchase was effected by the State Treasurer pursuant to his or her investment of a pool of money from local governments, the State Treasurer must take such action as the governing body or State Treasurer deems appropriate to preserve the principal value and integrity of the portfolio as a whole and the governing body or State Treasurer, as applicable, must report to the State Board of Finance any action taken pursuant to this paragraph.***

(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)~~]** ***(d)*** and **[~~(c)~~]** ***(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~~**]** ***a local government or an administrative entity established pursuant to NRS 277.080 to 277.180, inclusive, that is not a local government*** 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) Collateralized mortgage obligations that are rated by a nationally recognized rating service as “AAA” or its equivalent.

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

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

(a) Such investments must not, in aggregate value, exceed **[**~~20~~**]** ***25*** percent of the total ***par value of the*** portfolio as determined **[**~~on~~**]** ***at*** the **[**~~date~~**]** ***time*** of purchase;

(b) Not more than **[**~~25~~**]** ***5*** percent of **[**~~such investments~~**]** ***the total par value of the portfolio*** may be in notes, bonds and other unconditional obligations issued by any one corporation; and

(c) If the rating of an obligation is reduced to a level that does not meet the requirements of that paragraph, the ~~[obligation]~~ ***investment adviser*** must ***,*** ~~[be sold]~~ as soon as possible ~~[.]~~ ***, report the reduction in the rating to the governing body of the local government that purchased the investment.***

3. Subsections 1 and 2 do not:

(a) Apply to a:

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

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

(3) Governing body of an incorporated city whose population is less than 150,000 ~~[,]~~ ***;***

(4) Governing body of a local government not specified in subparagraph (1), (2) or (3) if the population subject to the jurisdiction of the governing body or served by the governing body is less than 100,000; or

(5) Governing body of an administrative entity established pursuant to NRS 277.080 to 277.180, inclusive, if the population subject to the jurisdiction of the governing body or served by the governing body is less than 150,000,

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

(b) 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.

4. As used in this section, "local government" has the meaning ascribed to it in NRS 354.474.

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

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

Sec. 7. This act becomes effective on July 1, 2019.