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FIRST REPRINT

A.B. 34

ASSEMBLY BILL NO. 34—COMMITTEE
ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE STATE TREASURER)

PREFILED NOVEMBER 16, 2018

Referred to Committee on Government Affairs

SUMMARY—Revises provisions governing the investment of money held by the State or certain political subdivisions of the State. (BDR 31-476)

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; 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:

1 Under existing law, the State Treasurer is responsible for the investment of
2 money of the State unless a specific statute imposes this responsibility on some
3 other person with respect to particular money. (NRS 226.110) The State Treasurer
4 is also responsible for the investment of certain money that the State holds in trust,
5 such as the money in the Nevada Higher Education Prepaid Tuition Trust Fund.
6 (NRS 353.160) In addition, existing law authorizes the State Treasurer to invest all
7 money of the State's General Portfolio in specified categories of securities. (NRS
8 355.140) Existing law provides separate authorization for the State Treasurer to
9 invest money held in certain funds, such as the Nevada Higher Education Prepaid
10 Tuition Trust Fund and the State Permanent School Fund. (NRS 353B.160,
11 355.060)
12 Existing law authorizes the governing body of certain local governments to
13 invest money only in certain specified securities. (NRS 355.170) Existing law



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14 similarly authorizes a board of county commissioners, a board of trustees of a
15 county school district or the governing body of an incorporated city to invest
16 money in certain additional securities. (NRS 355.171)

17 The Board of Trustees of the College Savings Plans of Nevada is required to
18 develop policies for investment to be followed by the State Treasurer in investing
19 money in the Nevada Higher Education Prepaid Tuition Trust Fund. (NRS
20 353B.160) **Section 1** of this bill expands the list of authorized investments for the
21 Trust Fund to include: (1) certain bonds, notes and other obligations that are issued
22 or unconditionally guaranteed by the International Bank for Reconstruction and
23 Development, the International Finance Corporation or the Inter-American
24 Development Bank; and (2) certain bonds, notes and other obligations, commonly
25 called "Yankee bonds," that are issued by a foreign financial institution,
26 corporation or government. **Sections 2 and 3** of this bill similarly expand the list of
27 authorized investments for money in the State Permanent School Fund and money
28 invested through the General Portfolio. **Section 3** also increases, from 20 to 25
29 percent, the maximum share of the aggregate value of the General Portfolio that is
30 authorized to be invested in the commercial paper, notes, bonds or other obligations
31 of certain corporations and depository institutions operating in the United States.

32 **Section 4** of this bill authorizes the governing body of certain local
33 governments and certain administrative entities established by cooperative
34 agreements entered into by cities and counties to invest in the additional types of
35 securities described above. **Section 6** of this bill makes a conforming change.
36 **Sections 4 and 5** of this bill increase, from 20 to 25 percent, the maximum share of
37 the aggregate value of the portfolios of certain local governments that is authorized
38 to be invested in the commercial paper, notes, bonds or other obligations of certain
39 corporations and depository institutions and require that not more than 5 percent of
40 the value of such a portfolio be in the obligations of a single corporation or
41 depository institution. **Section 5** also authorizes additional local governments and
42 certain administrative entities established by cooperative agreements entered into
43 by cities and counties to invest in certain securities, which, under existing law, are
44 authorized investments only for certain boards of county commissioners, boards of
45 trustees of certain county school districts and the governing bodies of certain
46 incorporated cities.

47 Existing law places various requirements on money in the State's General
48 Portfolio and the investment of the money of certain local governments. (NRS
49 355.140, 355.170, 355.171) **Sections 3-5** eliminate the requirement that certain
50 securities be sold as soon as possible if the rating of the security falls below the
51 level required by existing law. **Sections 3-5** instead require that the State Treasurer
52 or local government, as applicable, take certain actions to preserve the principal
53 value and the integrity of the portfolio as a whole and report such actions to the
54 State Board of Finance.

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

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

3 353B.160 1. The Board shall create a comprehensive plan
4 that specifies the policies for investment which the State Treasurer
5 shall follow in administrating the Trust Fund.

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



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

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

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

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

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

20 (1) The Federal Farm Credit ~~{Bank;}~~ *Banks Funding*
21 *Corporation;*

22 (2) The Federal National Mortgage Association;

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

24 (4) The Federal Home Loan Mortgage Corporation; or

25 (5) The Government National Mortgage Association.

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

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

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

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

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

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

39 *except that investments pursuant to this paragraph may not, in*
40 *aggregate value, exceed 15 percent of the total par value of the*
41 *Trust Fund at the time of purchase.*

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

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



1 (2) *Is a senior unsecured unsubordinated obligation;*
2 (3) *Is registered with the Securities and Exchange*
3 *Commission in accordance with the provisions of the Securities*
4 *Act of 1933, 15 U.S.C. §§ 77a et seq., as amended;*

5 (4) *Is publicly traded;*
6 (5) *Is purchased from a registered broker-dealer;*
7 (6) *At the time of purchase has a remaining term to*
8 *maturity of 5 years or less; and*

9 (7) *Is rated by a nationally recognized rating service as*
10 *“AA” or its equivalent, or better,*
11 *↳ except that investments pursuant to this paragraph may not, in*
12 *aggregate value, exceed 10 percent of the total par value of the*
13 *Trust Fund as determined at the time of purchase.*

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

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

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

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

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

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

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

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

32 (1) The stock of the corporation is:

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

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

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

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

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



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

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

8 ~~[(j)]~~ (n) A pooled or commingled real estate fund or a real
9 estate security that is managed by a corporate trustee or by an
10 investment advisory firm that is registered with the Securities and
11 Exchange Commission, either of which may be retained by the
12 Board as an investment manager. The shares and the pooled or
13 commingled fund must be held in trust. The total book value of an
14 investment made under this paragraph must not at any time be
15 greater than 5 percent of the total book value of all investments of
16 the Trust Fund.

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

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

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

31 5. The assets of the Trust Fund:

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

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

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

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

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



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

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

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

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

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

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

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

18 355.060 1. The State Controller shall notify the State
19 Treasurer monthly of the amount of uninvested money in the State
20 Permanent School Fund.

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

24 (a) United States bonds.

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

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

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

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

33 (4) *Is rated by a nationally recognized rating service as*
34 *“AA” or its equivalent, or better,*

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

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

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

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

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



- 1 (4) *Is publicly traded;*
- 2 (5) *Is purchased from a registered broker-dealer;*
- 3 (6) *At the time of purchase has a remaining term to*
- 4 *maturity of 5 years or less; and*
- 5 (7) *Is rated by a nationally recognized rating service as*
- 6 *“AA” or its equivalent, or better,*

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

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

15 ~~(e)~~ (e) Bonds of this state or of other states.

16 ~~(d)~~ (f) Bonds of any county of the State of Nevada.

17 ~~(e)~~ (g) United States treasury notes.

18 ~~(f)~~ (h) Farm mortgage loans fully insured and guaranteed by
19 the Farm Service Agency of the United States Department of
20 Agriculture.

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

26 ~~(h)~~ (j) Money market mutual funds that:

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

29 (2) Are rated by a nationally recognized rating service as
30 “AAA” or its equivalent; and

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

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

38 (1) The stock of the corporation is:

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

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

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



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

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

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

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

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

24 ~~[(j)]~~ *(n)* The limited partnerships or limited-liability companies
25 described in NRS 355.280.

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

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

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



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

2 355.140 1. In addition to other investments provided for by a
3 specific statute, the following bonds and other securities are proper
4 and lawful investments of any of the money of this state, of its
5 various departments, institutions and agencies, and of the State
6 Insurance Fund:

7 (a) Bonds and certificates of the United States;

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

10 (c) Obligations or certificates of the United States Postal
11 Service, the Federal National Mortgage Association, the
12 Government National Mortgage Association, the Federal
13 Agricultural Mortgage Corporation, the Federal Home Loan Banks,
14 the Federal Home Loan Mortgage Corporation or the Student Loan
15 Marketing Association, whether or not guaranteed by the United
16 States;

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

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

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

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

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

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

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

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

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

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

44 (l) Farm loan bonds, consolidated farm loan bonds, debentures,
45 consolidated debentures and other obligations issued by federal land



1 banks and federal intermediate credit banks under the authority of
2 the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012,
3 inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act
4 of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds,
5 debentures, consolidated debentures and other obligations issued by
6 banks for cooperatives under the authority of the Farm Credit Act of
7 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm
8 Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, excluding
9 such money thereof as has been received or which may be received
10 hereafter from the Federal Government or received pursuant to some
11 federal law which governs the investment thereof;

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

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

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

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

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

29 ~~except that investments pursuant to this paragraph may not, in~~
30 ~~aggregate value, exceed 20~~ 25 percent of the total par value of the
31 portfolio as determined ~~on~~ at the ~~date~~ time of purchase. ~~[, and if]~~
32 *If the rating of an obligation is reduced to a level that does not meet*
33 *the requirements of this paragraph, ~~it must be sold as soon as~~*
34 *possible; the State Treasurer shall take such action as he or she*
35 *deems appropriate to preserve the principal value and integrity of*
36 *the portfolio as a whole and report to the State Board of Finance*
37 *any action taken by the State Treasurer pursuant to this*
38 *paragraph;*

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

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



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

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

5 ↪ except that investments pursuant to this paragraph may not, in
6 aggregate value, exceed ~~[20]~~ 25 percent of the total par value of the
7 portfolio ~~[, and if]~~ *as determined at the time of purchase. If*
8 *the rating of an obligation is reduced to a level that does not meet*
9 *the requirements of this paragraph, ~~it must be sold as soon as~~*
10 *possible;] the State Treasurer shall take such action as he or she*
11 *deems appropriate to preserve the principal value and integrity of*
12 *the portfolio as a whole and report to the State Board of Finance*
13 *any action taken by the State Treasurer pursuant to this*
14 *paragraph;*

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

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

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

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

23 (4) *Is rated by a nationally recognized rating service as*
24 *"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 (r) *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 Securities and Exchange*
34 *Commission in accordance with the provisions of the Securities*
35 *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 service as*
41 *"AA" or its equivalent, or better,*

42 ↪ *except that investment 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;*

45 (s) Money market mutual funds which:



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

3 (2) Are rated by a nationally recognized rating service as
4 “AAA” or its equivalent; and

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

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

10 ~~[(*)]~~ (u) Asset-backed securities that are rated by a nationally
11 recognized rating service as “AAA” or its equivalent.

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

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

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

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

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

31 (b) In all repurchase agreements:

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

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

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

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

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



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

3 (3) The market value of the purchased securities must exceed
4 102 percent of the repurchase price to be paid by the counterparty
5 and the value of the purchased securities must be marked to the
6 market weekly;

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

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

11 3. As used in subsection 2:

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

15 (1) A registered broker-dealer;

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

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

20 (b) "Repurchase agreement" means a purchase of securities by
21 the State or State Insurance Fund from a counterparty which
22 commits to repurchase those securities or securities of the same
23 issuer, description, issue date and maturity on or before a specified
24 date for a specified price.

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

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

29 355.170 1. Except as otherwise provided in this section and
30 NRS 354.750 and 355.171, the governing body of a local
31 government *or an administrative entity established pursuant to*
32 *NRS 277.080 to 277.180, inclusive, that is not a local government*
33 may purchase for investment the following securities and no others:

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

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

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

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

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



1 (4) *Is rated by a nationally recognized rating service as*
2 *“AA” or its equivalent, or better,*
3 *↳ except that investments pursuant to this paragraph may not, in*
4 *aggregate value, exceed 15 percent of the total par value of the*
5 *portfolio as determined at the time of purchase.*

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

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

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

11 (3) *Is registered with the Securities and Exchange*
12 *Commission in accordance with the provisions of the Securities*
13 *Act of 1933, §§ 77a et seq., as amended;*

14 (4) *Is publicly traded;*

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

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

18 (7) *Is rated by a nationally recognized rating service as*
19 *“AA” or its equivalent, or better,*

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

23 (d) *Farm loan bonds, consolidated farm loan bonds, debentures,*
24 *consolidated debentures and other obligations issued by federal land*
25 *banks and federal intermediate credit banks under the authority of*
26 *the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012,*
27 *inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act*
28 *of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds,*
29 *debentures, consolidated debentures and other obligations issued by*
30 *banks for cooperatives under the authority of the Farm Credit Act of*
31 *1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm*
32 *Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive.*

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

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

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

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



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

12 ~~(h)~~ (j) Subject to the limitations contained in NRS 355.177,
13 negotiable notes or medium-term obligations issued by local
14 governments of the State of Nevada pursuant to NRS 350.087 to
15 350.095, inclusive.

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

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

25 (1) If:

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

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

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

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

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

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

40 ~~(3)~~ (2) Is rated by a nationally recognized rating service as
41 "A-1," "P-1" or its equivalent, or better,

42 ↪ except that investments pursuant to this paragraph may not, in
43 aggregate value, exceed ~~20~~ 25 percent of the total *par value of the*
44 portfolio as determined ~~on~~ at the ~~date~~ time of purchase, and ~~if~~
45 *not more than 5 percent of the total par value of the portfolio may*



1 *be invested in commercial paper issued by any one corporation or*
2 *depository institution. If the rating of an obligation is reduced to a*
3 *level that does not meet the requirements of this paragraph, ~~it must~~*
4 *be sold as soon as possible.*

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

16 (n) Money market mutual funds which:

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

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

21 (3) Invest only in:

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

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

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

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

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

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

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

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



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

9 (b) In all repurchase agreements:

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

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

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

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

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

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

27 (3) The market value of the purchased securities must exceed
28 102 percent of the repurchase price to be paid by the counterparty
29 and the value of the purchased securities must be marked to the
30 market weekly;

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

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

35 3. The securities described in paragraphs (a), ~~[(b)]~~ (d) and ~~[(e)]~~
36 (e) of subsection 1 and the repurchase agreements described in
37 subsection 2 may be purchased when, in the opinion of the
38 governing body of the local government, there is sufficient money in
39 any fund of the local government to purchase those securities and
40 the purchase will not result in the impairment of the fund for the
41 purposes for which it was created.

42 4. When the governing body of the local government has
43 determined that there is available money in any fund or funds for the
44 purchase of bonds as set out in subsection 1 or 2, those purchases
45 may be made and the bonds paid for out of any one or more of the



1 funds, but the bonds must be credited to the funds in the amounts
2 purchased, and the money received from the redemption of the
3 bonds, as and when redeemed, must go back into the fund or funds
4 from which the purchase money was taken originally.

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

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

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

21 8. As used in this section:

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

25 (1) A registered broker-dealer;

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

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

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

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

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

38 355.171 1. Except as otherwise provided in this section, ~~fa~~
39 ~~board of county commissioners, a board of trustees of a county~~
40 ~~school district or~~ the governing body of ~~fan incorporated city~~ *a*
41 *local government or an administrative entity established pursuant*
42 *to NRS 277.080 to 277.180, inclusive, that is not a local*
43 *government* may purchase for investment:



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

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

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

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

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

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

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

15 (a) Such investments must not, in aggregate value, exceed ~~{20}~~
16 **25** percent of the total *par value of the* portfolio as determined ~~{on}~~
17 *at the {date} time* of purchase;

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

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

26 3. Subsections 1 and 2 do not:

27 (a) Apply to a:

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

30 (2) Board of trustees of a county school district in a county
31 whose population is less than 100,000; ~~{or}~~

32 (3) Governing body of an incorporated city whose population
33 is less than 150,000 ~~{,}~~;

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

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

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



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

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

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

7 355.176 Any money held by a local government pursuant to a
8 deferred compensation plan may be invested in the types of
9 investments set forth in paragraphs (a) to ~~(f)~~ (h), inclusive, of
10 subsection 1 of NRS 355.170 and may additionally be invested in
11 corporate stocks, bonds and securities, mutual funds, savings and
12 loan or savings bank accounts, credit union accounts, life insurance
13 policies, annuities, mortgages, deeds of trust or other security
14 interests in real or personal property.

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

