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WEST VIRGINIA LEGISLATURE
EIGHTY-SECOND LEGISLATURE
REGULAR SESSION, 2015

OFFICE WEST VIRGINIA
SECRETARY OF STATE

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ENROLLED

Senate Bill No. 481

(BY SENATORS GAUNCH, D. HALL, KARNES, MAYNARD,
PLYMALE, SYPOLT AND WOELFEL)

[PASSED MARCH 13, 2015; IN EFFECT NINETY DAYS FROM PASSAGE.]

SB 481

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(BY SENATORS GAUNCH, D. HALL, KARNES, MAYNARD,
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[Passed March 13, 2015; in effect ninety days from passage.]

AN ACT to amend and reenact §8-22-22 and §8-22-22a of the Code of West Virginia, 1931, as amended, all relating to investment authority of municipal policemen's and firemen's pension and relief funds; authorizing delegation of investment authority; requiring diversification of investments of municipal policemen's and firemen's pension and relief funds; and providing investment requirements.

Be it enacted by the Legislature of West Virginia:

That §8-22-22 and §8-22-22a of the Code of West Virginia, 1931, as amended, be amended and reenacted, all to read as follows:

**ARTICLE 22. RETIREMENT BENEFITS GENERALLY;
POLICEMEN'S PENSION AND RELIEF
FUND; FIREMEN'S PENSION AND RELIEF
FUND; PENSION PLANS FOR EMPLOYEES
OF WATERWORKS SYSTEM, SEWERAGE
SYSTEM OR COMBINED WATERWORKS
AND SEWERAGE SYSTEM.**

§8-22-22. Investment of funds by boards of trustees; exercise of discretion in making investments; report of investment plan.

1 (a) The board of trustees may invest a portion or all of the
2 fund assets in any of the pools, funds and securities managed
3 by the West Virginia Investment Management Board or West
4 Virginia Board of Treasury Investments or as otherwise
5 provided in this section. The board of trustees shall keep as
6 an available sum for the purpose of making regular
7 retirement, disability retirement, death benefit, payments and
8 administrative expenses in an estimated amount not to exceed
9 payments for a period of ninety days in short-term
10 investments. The board of trustees, in acquiring, investing,
11 reinvesting, exchanging, retaining, selling and managing
12 property for the benefit of the fund, shall do so in accordance
13 with the provisions of the Uniform Prudent Investor Act
14 codified as article six-c, chapter forty-four of this code.
15 Within the limitations of the Uniform Prudent Investor Act,
16 the board of trustees is authorized in its sole discretion to
17 invest and reinvest any funds received by it and not invested
18 with the West Virginia Investment Management Board or
19 West Virginia Board of Treasury Investments.

20 (b) The board of trustees of each fund may delegate
21 investment authority to professional investment advisors
22 registered with the Securities and Exchange Commission, in
23 accordance with the Investment Advisors Act of 1940, and
24 registered with the appropriate state regulatory agencies, if
25 applicable, and who manage assets in excess of \$75 million.

26 (c) The board of trustees of each fund shall deliver to the
27 State Treasurer or oversight board on or before March 1,
28 2010, a copy of the pension and relief fund's investment
29 policy. A board of trustees shall submit to the oversight
30 board any change to the investment policy within thirty days
31 of the board's authorizing the change.

§8-22-22a. Restrictions on investments; diversification of investments; disclosure of fees and costs.

1 (a) Moneys invested as permitted by section twenty-two
2 of this article and not invested with the West Virginia
3 Investment Management Board or the Board of Treasury
4 Investments are subject to the following restrictions and
5 conditions contained in this section:

6 (1) The board of trustees of each fund shall diversify fund
7 investment so as to minimize the risk of large losses unless,
8 under the circumstances, it is clearly prudent not to do so.

9 (2) The board shall hold in equity investments no more
10 than seventy-five percent of the total pension assets managed
11 by the board.

12 (3) The board shall hold in international securities no
13 more than thirty percent of the total pension assets managed
14 by the board.

15 (4) The board may not at the time of purchase hold more
16 than five percent of the assets managed by the board in the
17 equity securities of any single company or association.

18 (5) The board may purchase any security trading on the
19 New York Stock Exchange, the American Stock Exchange
20 and the NASDAQ over-the-counter market for its pension
21 portfolio unless it is otherwise restricted by this section. No
22 more than twenty-five percent of the board's total retirement
23 plan assets may be invested in any one industry.

24 (6) The board shall annually review, establish and
25 modify, if necessary, the board's investment objectives and
26 investment policy so as to provide for the financial security
27 of the trust funds giving consideration to the following:

28 (A) Preservation of capital;

29 (B) Diversification;

30 (C) Risk tolerance;

31 (D) Rate of return;

32 (E) Stability;

33 (F) Turnover;

34 (G) Liquidity; and

35 (H) Reasonable cost of fees.

36 (7) The board is expressly prohibited from investing in
37 any class, style or strategy of alternative investments,
38 including a real estate investment trust, private equity fund
39 such as a venture capital, private real estate or buy-out fund;
40 commodities fund; distressed debt fund; mezzanine debt
41 fund; hedge fund; or fund consisting of any combination of
42 private equity, distressed or mezzanine debt, hedge funds,
43 private real estate, commodities and other types and
44 categories of investment permitted under this article unless
45 the investments satisfy all of the following:

46 (A) A professional third-party fiduciary investment
47 adviser registered with the Securities and Exchange
48 Commission under the Investment Advisors Act of 1940, as
49 amended, recommends the investment;

50 (B) The board or a committee designated by the board
51 approves the investment;

52 (C) The total maximum alternative investment exposure
53 of all strategies in this subdivision may not be more than
54 twenty-five percent of the total pension portfolio at any time;

55 (D) The total maximum alternative investment exposure
56 of a single fund strategy in this subdivision may not be more
57 than ten percent of the total pension portfolio at any time; and

58 (E) The board requires that all of the plan assets be
59 invested in liquid securities that are defined as securities that
60 can be transacted quickly and efficiently for the plan, priced
61 daily and settled within five business days.

62 (8) Notwithstanding the investment limitations set forth in
63 this section, it is recognized that the assets managed by the
64 board may temporarily exceed the investment limitations in this
65 section due to market appreciation, depreciation and
66 rebalancing limitations. Accordingly, the limitations on
67 investments set forth in this section shall not be considered to
68 have been violated if the board rebalances the assets it manages
69 to comply with the limitations set forth in this section at least
70 once every twelve months based on the latest available market
71 information and any other reliable market data that the board
72 considers advisable to take into consideration.

73 (9) The board shall hold in fixed income and cash
74 equivalent investments no less than twenty-five percent and
75 no more than seventy-five percent of total pension assets. No
76 more than five percent may be held in one issuer or twenty-
77 five percent in one industry: *Provided*, That the board may
78 exceed this limitation if the investments are held in United
79 States securities.

80 (10) Fixed income securities shall be of generally high
81 quality and have a quality rating of "B-" or better by

82 Moody's, Standard & Poor's, or other recognized agency,
83 unless held by a registered Investment Advisor and governed
84 by prospectus. The total fixed income portfolio shall have an
85 average Standard & Poor's quality rating of at least "A-". For
86 registered mutual funds, the prospectus of the fund will
87 govern the investment policies of the fund investments.

88 (11) The maximum maturity for any fixed income
89 securities is thirty years. The weighted average portfolio
90 maturity of all fixed income securities may not exceed ten
91 years.

92 (12) The board is authorized in its sole discretion to
93 invest and reinvest any funds received by it in the following
94 fixed income securities:

95 (A) Obligations issued by the U. S. government, its
96 agencies and instrumentalities;

97 (B) Obligations of foreign governments and their
98 subdivisions, agencies and government-sponsored
99 enterprises;

100 (C) Obligations of international agencies or supranational
101 entities;

102 (D) Mortgage-related and other asset-backed securities;

103 (E) Corporate debt securities, including convertible
104 securities and corporate commercial paper;

105 (F) Inflation-index bonds issued by corporations;

106 (G) Bank certificates of deposit, fixed time deposits and
107 bankers acceptances; and

108 (H) Debt securities, issued by states or local governments
109 and their agencies, authorities and other instrumentalities.

110 (13) The board is authorized in its sole discretion to
111 invest and reinvest any funds received by it in the following
112 cash and cash equivalents:

113 (A) Treasury bills;

114 (B) Money market funds;

115 (C) Short-term investment funds;

116 (D) Commercial paper;

117 (E) Bankers' acceptances;

118 (F) Repurchase agreements; and

119 (G) Certificates of deposit.

120 (14) Investments in cash equivalents shall be of the
121 highest quality and, if rated, shall be ranked at least A2/P2 or
122 higher.

123 (b) The board of trustees of each fund shall obtain an
124 independent performance evaluation of the funds at least
125 annually and the evaluation shall consist of comparisons with
126 other funds having similar investment objectives for
127 performance results with appropriate market indices; and

128 (c) Each entity conducting business for each pension fund
129 shall fully disclose all fees and costs of investing conducted
130 on a quarterly basis to the trustees of the fund and to the
131 oversight board in the manner directed by the oversight
132 board. Entities conducting business in mutual funds for and

133 on behalf of each pension fund shall timely file revised
134 prospectus and normal quarterly and annual Securities and
135 Exchange Commission reporting documents with the board
136 of trustees of each pension fund.

The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Mark R. Meyer
.....
Chairman Senate Committee

John B. Hall
.....
Chairman House Committee

Originated in the Senate.

In effect ninety days from passage.

Clark A. Barnes
.....
Clerk of the Senate

Steph D. Harris
.....
Clerk of the House of Delegates

Millie P. Hale
.....
President of the Senate

Andy P. Miller
.....
Speaker of the House of Delegates

The within *is approved* this the *31st*
Day of *March*, 2015.

Earl Ray Tomblin
.....
Governor

PRESENTED TO THE GOVERNOR

MAR 23 2015

Time 10:51 AM