

# State of South Dakota

SEVENTY-SEVENTH SESSION  
LEGISLATIVE ASSEMBLY, 2002

400H0336

SENATE STATE AFFAIRS COMMITTEE ENGROSSED

NO. **SB 40** - 01/26/2002

Introduced by: The Committee on State Affairs at the request of the Investment Council

1 FOR AN ACT ENTITLED, An Act to allocate expenses of the investment council to certain  
2 trust funds and to provide provisions for the investment and the distribution of certain trust  
3 funds.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

5 Section 1. That § 4-5-30 be amended to read as follows:

6 4-5-30. The state investment officer, utilizing the facilities of the state budgetary accounting  
7 system, shall pool cash accounts within the funds enumerated in § 4-5-23. The Appropriations  
8 Committee of the Legislature, upon recommendations from the commissioner of finance and  
9 management, shall certify those funds which are to participate in the interest income of the  
10 pooled investments. The state investment officer shall credit the gain or interest due as a result  
11 of investments made pursuant to § 4-5-29 on a pro rata basis to the participating funds in the  
12 same ratio as the average daily cash balance of each fund bears to the total average cash balance  
13 of all funds.

14 At the beginning of each fiscal year the state treasurer shall transfer money from the South  
15 Dakota retirement fund, cement plant retirement fund, health care trust fund, education



1 enhancement trust fund, the trust fund derived from the sale of state cement enterprises, and any  
2 other specific fund approved by the Bureau of Finance and Management, other than the state  
3 pooled fund account, to the investment council expense fund, which is hereby created in an  
4 amount equal to the ratio of the average assets in each fund for the previous fiscal year to the  
5 total average assets managed by the investment council for the previous fiscal year multiplied by  
6 the difference between the budget of the investment council for the fiscal year and the beginning  
7 cash balance in the investment council expense account. At the beginning of each fiscal year the  
8 state treasurer shall transfer money from the pooled income account to the investment council  
9 expense account in an amount equal to the ratio of the average daily cash balance of the pooled  
10 fund account for the previous fiscal year to total average assets managed by the investment  
11 council for the previous fiscal year multiplied by the difference between the budget of the  
12 investment council for the fiscal year and the beginning cash balance in the investment council  
13 expense account. At the beginning of each fiscal year, the state treasurer shall transfer money  
14 from the general fund portion of the pooled income account to the investment council expense  
15 account in an amount equal to the ratio of the average daily cash balance of the permanent school  
16 and other educational fund provided for in Article VIII of the Constitution for the previous fiscal  
17 year to total average assets managed by the investment council for the previous fiscal year  
18 multiplied by the difference between the budget of the investment council for the fiscal year and  
19 the beginning cash balance in the investment council expense account.

20 Section 2. That § 4-5-26 be amended to read as follows:

21 4-5-26. Money made available for investment may be invested in the following classes of  
22 securities and investments and, except as provided by § 3-12-117, chapter 3-13, the South  
23 Dakota Cement Plant retirement fund, ~~and~~ the permanent trust fund containing the net proceeds  
24 from the sale of state cement enterprises, the health care trust fund as provided in S.D. Const.,

1 Art. XII, § 5, and the education enhancement trust fund as provided in S.D., Art. XII, § 6, not  
2 otherwise:

- 3 (1) Direct and indirect obligations of the United States government;
- 4 (2) Agencies and instrumentalities of the United States government;
- 5 (3) Direct obligations of the State of South Dakota and any of its political subdivisions;
- 6 (4) Obligations consisting of notes, bonds, debentures, and certificates which are direct  
7 obligations of a solvent corporation or trust existing under the laws of the United  
8 States or any state thereof, if such investments are rated in the four highest  
9 classifications established by at least two standard rating services; or
- 10 (5) Savings accounts, share accounts, certificates of deposit of banks, savings and loan  
11 associations, building and loan associations, and bankers' acceptances;
- 12 (6) In addition to the investments authorized by subdivisions (1) to (5) of this section,  
13 inclusive, the investment council may also allocate a sum certain of state public funds  
14 for investment in the accounts and certificates of South Dakota banks and  
15 associations. This sum shall initially be offered to South Dakota banks and  
16 associations, and if not initially fully subscribed, the investment officer shall  
17 immediately reoffer the unsubscribed sum to other qualified public depositories  
18 defined by subdivision 4-6A-1(7).

19 Section 3. Pursuant to S.D. Const., Art. XII, § 5, the state investment officer shall determine  
20 the market value of the health care trust fund as of June thirtieth each year less the investment  
21 expenses transferred pursuant to § 4-5-30. As soon as practicable after July first the state  
22 investment officer shall calculate an amount equal to four percent of that market value, without  
23 invading principal, as eligible for distribution. For the purpose of this section, the term, principal,  
24 means the sum of all contributions to the fund. Beginning with the distribution in fiscal year

1 2006, a four year average market value shall be used to calculate the distribution. Upon notice  
2 of that amount by the state investment officer, the state treasurer shall transfer the amount from  
3 the health care trust fund to the state general fund.

4 Section 4. Pursuant to S.D. Const., Art. XII, § 6, the state investment officer shall determine  
5 the market value of the education enhancement trust fund as of June thirtieth each year less the  
6 investment expenses transferred pursuant to § 4-5-30. As soon as practicable after July first the  
7 state investment officer shall calculate an amount equal to four percent of that market value,  
8 without invading principal, as eligible for distribution. For the purpose of this section, the term,  
9 principal, means the sum of all contributions to the fund. Beginning with the distribution in fiscal  
10 year 2006, a four year average market value shall be used to calculate the distribution. Upon  
11 notice of that amount by the state investment officer, the state treasurer shall transfer the amount  
12 from the education enhancement trust fund to the state general fund.