

SENATE BILL 878

By Gresham

AN ACT to amend Tennessee Code Annotated, Title 49, Chapter 7, relative to the higher education foundation investment pool.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 49, Chapter 7, is amended by adding a new part as follows:

49-7-3101.

(a) The higher education foundation investment pool is created for the purpose of receiving and investing a higher education foundation's money in the custody of any officer or officers of the state unless prohibited by statute to be invested. For the purposes of this section, "higher education foundation" means any foundation established for a state university, state college, or Tennessee college of applied technology pursuant to §§ 49-7-107 and 49-11-402.

(b) A higher education foundation may participate in the investment pool by submitting a request to the state treasurer to have some or all of its money invested in the investment pool.

(c) Should a participant wish to discontinue its participation in the investment pool, it may submit a request to the state treasurer for the return of its principal investment or investment income or both; however, a redemption of shares does not guarantee that a participant will receive the entire amount of the principal investment or investment income or both.

(d) The state treasurer shall be responsible for the day-to-day administration of the investment pool and for establishing policies and procedures to manage the

operations and responsibilities of the investment pool, including, but not limited to, establishing criteria for participation in the investment pool, establishing accounts and different shares within the investment pool, transitioning participant assets into the investment pool, and establishing an investment policy for the investment pool. Either the state treasurer or participant shall have the authority to transfer and liquidate the assets that a participant wishes to invest in the investment pool. A participant may only invest its assets that are unencumbered or unrestricted in sale, transfer, or investment.

(e) The investment pool shall be invested and managed solely in the interest of the participants in the investment pool in a manner consistent with § 35-14-107, the prudent investor rule pursuant to § 35-14-103, the standard of care pursuant to § 35-14-104, and the exercise of reasonable care in delegation of investment and management functions pursuant to § 35-14-111.

(f) All investments purchased belong jointly to the participants in the investment pool and the participants shall share capital gains, income, and losses pro rata.

(g) A participant's principal and income invested in the investment pool shall not constitute the property of the state. The principal and income in the investment pool shall not be commingled with state funds and the state shall have no claim to or against, or interest in such funds. The principal and income in the investment pool shall be preserved, invested, and expended for the benefit of the respective participants.

(h) The state treasurer shall keep a separate account, designated by name and number of each participant. Individual transactions and totals of all investments belonging to each participant shall be recorded in the accounts.

(i) The state treasurer shall report periodically to every participant having a beneficial interest in the investment pool.

(j) The participant shall enter into an agreement with the department of treasury for participation in the investment pool, which shall include fees and expenses assessed by the department against a participant for services related to the investment of the participant's assets.

(k) The state treasurer shall establish a revolving account, under the state treasurer's custody, to defray administrative costs of the investment pool. The state treasurer may deduct from each participant's pro rata earnings through the investment pool a reasonable charge for administering the investment pool. In the event that the state treasurer does deduct an administrative fee, it shall be deposited and expended through the revolving account.

(l) As the administrator of the investment pool, the state treasurer is authorized to receive, invest, and distribute a participant's funds by means of an electronic transfer or other reasonable methods.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.