

D R A F T

SUMMARY

Digest: The Act allows public bodies to agree to create pools of funds or proceeds to invest without help from the State Treasurer and the OIC. (Flesch Readability Score: 66.4).

Authorizes public bodies to enter into an intergovernmental agreement to pool bond proceeds or other funds into commonly managed investments without the oversight of the State Treasurer and the Oregon Investment Council.

A BILL FOR AN ACT

1
2 Relating to pools for the investment of funds of public bodies; creating new
3 provisions; and amending ORS 294.035 and 294.820.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 294.820 is amended to read:

6 294.820. [*If the State Treasurer and the Oregon Investment Council termi-*
7 *nate the operation of all investment pools created under ORS 293.863,*] Public
8 bodies may establish by written agreement under ORS chapter 190 one or
9 more pools for the investment of proceeds for the purposes identified in ORS
10 293.861. In establishing one or more such pools, the participating public
11 bodies may exercise those powers conferred on the State Treasurer and the
12 Oregon Investment Council by ORS 293.863.

13 **SECTION 2.** Section 3 of this 2025 Act is added to and made a part
14 of ORS 294.805 to 294.895.

15 **SECTION 3.** In lieu of or in addition to an investment pool and in
16 addition to a pool for the investment of proceeds described in ORS
17 294.820, public bodies may establish by written agreement under ORS
18 chapter 190 one or more pools for the investment of funds of the public

NOTE: Matter in boldfaced type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in boldfaced type.

1 **bodies that do not constitute proceeds as defined in ORS 293.863. In**
2 **establishing one or more pools for the investment of funds, partic-**
3 **ipating public bodies may exercise those powers conferred on the State**
4 **Treasurer and the Oregon Investment Council by ORS 293.863.**

5 **SECTION 4.** ORS 294.035 is amended to read:

6 294.035. (1) Subject to ORS 294.040 and 294.135 to 294.155, the custodial
7 officer may invest any sinking fund, bond fund or surplus funds in the cus-
8 tody of the custodial officer in the bank accounts, classes of securities at
9 current market prices, insurance contracts and other investments listed in
10 this section, but only after obtaining from the governing body of the county,
11 municipality, political subdivision or school district a written order that has
12 been entered in the minutes or journal of the governing body.

13 (2) This section does not:

14 (a) Limit the authority of the custodial officer to invest surplus funds in
15 other investments when the investment is specifically authorized by another
16 statute.

17 (b) Apply to a sinking fund or a bond fund established in connection with
18 conduit revenue bonds issued by a county, municipality, political subdivision
19 or school district for private business entities or nonprofit corporations.

20 (3) Investments authorized by this section are:

21 (a) Lawfully issued general obligations of the United States, the agencies
22 and instrumentalities of the United States or enterprises sponsored by the
23 United States Government and obligations whose payment is guaranteed by
24 the United States, the agencies and instrumentalities of the United States
25 or enterprises sponsored by the United States Government.

26 (b) Lawfully issued debt obligations of the agencies and instrumentalities
27 of the State of Oregon and its political subdivisions that have a long-term
28 rating of A- or an equivalent rating or better or are rated on the settlement
29 date in the highest category without any refinement or gradation for short-
30 term municipal debt by a nationally recognized statistical rating organiza-
31 tion.

1 (c) Lawfully issued debt obligations of the States of California, Idaho and
2 Washington and political subdivisions of those states if the obligations have
3 a long-term rating of AA- or an equivalent rating or better or are rated on
4 the settlement date in the highest category for short-term municipal debt by
5 a nationally recognized statistical rating organization.

6 (d) Time deposit open accounts, certificates of deposit and savings ac-
7 counts in insured institutions as defined in ORS 706.008, in credit unions as
8 defined in ORS 723.006 or in federal credit unions, if the institution or credit
9 union maintains a head office or a branch in this state.

10 (e) Share accounts and savings accounts in credit unions in the name of,
11 or for the benefit of, a member of the credit union pursuant to a plan of
12 deferred compensation.

13 (f) Fixed or variable life insurance or annuities as defined in ORS 731.170
14 and guaranteed investment contracts issued by life insurance companies au-
15 thorized to do business in this state.

16 (g) Trusts in which deferred compensation funds from other public em-
17 ployers are pooled, if:

18 (A) The purpose is to establish a deferred compensation plan;

19 (B) The trust is a public instrumentality of such public employers and
20 described in section (2)(b) of the Investment Company Act of 1940, 15 U.S.C.
21 80a-2(b), as amended, in effect on September 20, 1985, or the trust is a com-
22 mon trust fund described in ORS 709.170;

23 (C) Under the terms of the plan the net income from or gain or loss due
24 to fluctuation in value of the underlying assets of the trust, or other change
25 in such assets, is reflected in an equal increase or decrease in the amount
26 distributable to the employee or the beneficiary thereof and, therefore, does
27 not ultimately result in a net increase or decrease in the worth of the public
28 employer or the state; and

29 (D) The fidelity of the trustees and others with access to such assets,
30 other than a trust company, as defined in ORS 706.008, is insured by a surety
31 bond that is satisfactory to the public employer, issued by a company au-

1 thorized to do a surety business in this state and in an amount that is not
2 less than 10 percent of the value of such assets.

3 (h)(A) Banker's acceptances, if the banker's acceptances are:

4 (i) Guaranteed by, and carried on the books of, a qualified financial in-
5 stitution;

6 (ii) Eligible for discount by the Federal Reserve System; and

7 (iii) Issued by a qualified financial institution whose short-term letter of
8 credit rating is rated in the highest category without any refinement or
9 gradation by one or more nationally recognized statistical rating organiza-
10 tions.

11 (B) For the purposes of this paragraph, "qualified financial institution"
12 means:

13 (i) A financial institution that is located and licensed to do banking
14 business in the State of Oregon; or

15 (ii) A financial institution that is wholly owned by a financial holding
16 company or a bank holding company that owns a financial institution that
17 is located and licensed to do banking business in the State of Oregon.

18 (C) A custodial officer shall not permit more than 25 percent of the
19 moneys of a local government that are available for investment, as deter-
20 mined on the settlement date, to be invested in banker's acceptances of any
21 qualified financial institution.

22 (i)(A) Corporate indebtedness subject to a valid registration statement on
23 file with the Securities and Exchange Commission or issued under the au-
24 thority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended.
25 Corporate indebtedness described in this paragraph does not include banker's
26 acceptances. The corporate indebtedness must be issued by a commercial,
27 industrial or utility business enterprise, or by or on behalf of a financial
28 institution, including a holding company owning a majority interest in a
29 qualified financial institution.

30 (B) Corporate indebtedness must be rated on the settlement date P-1 or
31 Aa3 or better by Moody's Investors Service or A-1 or AA- or better by S&P

1 Global Ratings and Fitch Ratings or an equivalent rating by any nationally
2 recognized statistical rating organization.

3 (C) Notwithstanding subparagraph (B) of this paragraph, the corporate
4 indebtedness must be rated on the settlement date P-2 or A3 or better by
5 Moody's Investors Service or A-2 or A or better by S&P Global Ratings and
6 Fitch Ratings or an equivalent rating by any nationally recognized statis-
7 tical rating organization when the corporate indebtedness is:

8 (i) Issued by a business enterprise that has its headquarters in Oregon,
9 employs more than 50 percent of its permanent workforce in Oregon or has
10 more than 50 percent of its tangible assets in Oregon; or

11 (ii) Issued by a holding company owning not less than a majority interest
12 in a qualified financial institution, as defined in paragraph (h) of this sub-
13 section, located and licensed to do banking business in Oregon or by a
14 holding company owning not less than a majority interest in a business en-
15 terprise described in sub-subparagraph (i) of this subparagraph.

16 (D) A custodial officer may not permit more than 35 percent of the mon-
17 eys of a local government that are available for investment, as determined
18 on the settlement date, to be invested in corporate indebtedness, and may
19 not permit more than five percent of the moneys of a local government that
20 are available for investment to be invested in corporate indebtedness of any
21 single corporate entity and its affiliates or subsidiaries.

22 (j) Repurchase agreements whereby the custodial officer purchases secu-
23 rities from a financial institution or securities dealer subject to an agree-
24 ment by the seller to repurchase the securities. The repurchase agreement
25 must be in writing and executed in advance of the initial purchase of the
26 securities that are the subject of the repurchase agreement. Only securities
27 described in paragraph (a) of this subsection may be used in conjunction with
28 a repurchase agreement and such securities shall have a maturity of not
29 longer than three years. The price paid by the custodial officer for such se-
30 curities may not exceed amounts or percentages prescribed by written policy
31 of the Oregon Investment Council or the Oregon Short Term Fund Board

1 created by ORS 294.885.

2 (k) Shares of stock of any company, association or corporation, including
3 but not limited to shares of a mutual fund, but only if the moneys being in-
4 vested are funds set aside pursuant to a local government deferred compen-
5 sation plan and are held in trust for the exclusive benefit of participants and
6 their beneficiaries.

7 (L) The investment pool as defined in ORS 294.805 and, with the approval
8 of the State Treasurer, any other commingled investment pool that may be
9 established in the discretion of the State Treasurer for investment of the
10 funds of local governments. The State Treasurer may require the governing
11 body of a local government to enter into an investment agreement with the
12 State Treasurer as a condition of investing funds in a commingled investment
13 pool under this paragraph.

14 **(m) A pool for the investment of proceeds or funds as established**
15 **under ORS 294.820 or section 3 of this 2025 Act.**

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