

Investment powers of board; members to be fund trustees.

Sec. 3307.15. The members of the state teachers retirement board shall be the trustees of the several funds created by section 3307.65 of the Revised Code. *** The board may invest such funds in any bonds, notes, certificates of indebtedness, mortgage notes, stocks, shares, debentures or other obligations, or securities described below:

(A) The following obligations of the federal government and related agencies:

(1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the credit of the United States is pledged for the payment of the principal and interest thereof;

(2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency presently or in the future established by act of congress, and as amended or supplemented from time to time;

(3) Obligations of local housing agencies which obligations are secured either by a requisition agreement or by an annual contributions contract by and between the local housing agency and the public housing administration, as authorized under the provisions of the act of congress of September 1, 1937, known as the "United States Housing Act of 1937," as amended by the act of congress of July 15, 1949, known as the "Housing Act of 1949," and as amended or supplemented from time to time;

(4) Loans to veterans guaranteed in whole or in part by the United States Government pursuant to title III of the act of congress known as the "Servicemen's Readjustment Act of 1944," and as amended or supplemented from time to time, provided such guaranteed loans are liens upon real estate;

(B) The following state, county, and municipal obligations:

(1) Bonds, notes, certificates of indebtedness, or other obligations issued, assumed or guaranteed by this state, any authority, board of trustees, commission or other agency of this state, any county, city, village or other municipal corporation, any township, school district, conservancy district, sanitary district, or other legally constituted taxing or bond issuing authority, political subdivision or public corporation now or hereafter organized under the laws of this state, whether such bonds, notes, certificates of indebtedness or other obligations are secured by the general taxing powers, by pledge of or lien upon a designated tax or taxes, levy or levies,

impost or imposts, excise or excises, singly or in combination, by pledge of or lien upon the revenues derived from a publicly owned facility or facilities for the use or services of which charges are or are to be made, or by other means now or hereafter authorized under the laws of this state.

(2) Bonds, notes, or other obligations issued, assumed or guaranteed by any other state of the United States, or by any legally constituted authority, commission or other agency of such state, provided such bonds, notes, or other obligations are secured by the general credit and taxing powers or by pledge of or lien upon a designated tax or taxes, levy or levies, impost or imposts, excise or excises, singly or in combination, which must be imposed and collected under the laws of such state while bonds secured thereby are outstanding, and provided further that, within ten years prior to the purchase of such investment, there has been no default in the payment of principal or interest, continuing more than ninety days, on any of the bonds, notes, or any other obligations of such state or of any legally constituted authority, commission or other agency of such state, which obligations are secured in like manner.

(3) Bonds, notes, or other obligations issued, assumed or guaranteed by any municipal unit of any other state of the United States, provided:

(a) Such municipal unit shall have a population as shown by the last preceding federal census of not less than twenty-five thousand;

(b) The municipal unit shall have pledged its faith and credit for the payment of the principal and interest of such bonds, notes, or other obligations;

(c) The municipal unit shall have the power to levy taxes on the taxable real property therein for the payment of both principal and interest of such bonds, notes, or other obligations without limitations of rate or amount;

(d) The municipal unit shall not within the ten years prior to the making of the investment have defaulted in payment of principal or interest of any debt evidenced by its bonds, notes, or other obligations for more than ninety days;

(e) The municipal unit shall have outstanding at the time of purchase at least one million dollars principal amount of debt secured by its faith and credit.

As used in this division, "municipal unit" shall mean any county, village or other municipal corporation, township, school district, water district, sanitary or sewer district, or other political subdivision of a state.

(4) Revenue bonds of a unit, provided:

(a) The unit had outstanding at the time of the investment five million dollars principal amount of debt secured by the revenues pledged to secure such revenue bonds;

(b) The enabling legislation contains provisions or covenants requiring the unit issuing such revenue bonds to fix, maintain, and collect charges for the services furnished by the utility adequate to provide revenues sufficient to meet all proper and reasonable costs of operating and maintaining the utility and to meet principal and interest requirements of such revenue bonds;

(c) The unit shall not within the ten years prior to the making of the

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investment have defaulted in payment of principal or interest of any debt secured by the revenues pledged to secure such revenue bonds.

As used in this division:

(a) The word "unit" means any other state of the United States or any city, county, or other political subdivision thereof, any authority, department, district or commission, or any agency or instrumentality of any of the foregoing, or any agency or instrumentality of the federal government, or a commission or other public body created by an act of congress and pursuant to a compact between two or more states.

(b) The word "utility" means any waterworks system, gas system, electric light system, sewer or sewerage disposal system, bridge, tunnel, turnpike or other highway, or any combination of two or more of the foregoing. The word "system" as used herein means a supply or a generating system, or a transmission or a distribution system, or both such supply and generating system and such transmission or distribution system, and all appurtenances thereof.

(c) The term "revenue bonds" means any bonds or other interest-bearing obligations of a unit, the principal and interest of which are by their terms payable from the revenues derived from a utility owned or operated by the unit which issued such bonds or other obligations, or by an agency or instrumentality thereof, whether or not said bonds are secured by a mortgage or a trust indenture.

(d) The term "enabling legislation" means any act of congress or of the legislature of any state, any ordinance or resolution of the unit authorizing or providing for the issuance of revenue bonds, or any mortgage, trust indenture, trust agreement or other instrument executed as security for revenue bonds, singly or in combination.

The obligations described in divisions (B) (2), (3), and (4) of this section shall be rated at the time of purchase within the three highest classifications established by at least two standard rating services, or, if not rated, shall be certified in writing by one or more such services to be of investment quality equivalent to, or higher than, the quality of bonds rated in the third highest investment classification.

(C) The following Canadian obligations:

(i) Bonds, debentures, notes, or other obligations issued, guaranteed or assumed as to both principal and interest by the government of the Dominion of Canada or by any province of Canada or by any city of Canada which has a population of not less than one hundred fifty thousand inhabitants, provided:

(a) That the faith and credit of the issuer, guarantor, or assumer of such bonds, debentures, notes, or other obligations is pledged for the payment of principal and interest thereof, and that the principal and interest thereof shall be payable in United States funds, either unconditionally or at the option of the holder;

(b) That any such city shall have power to levy taxes on the taxable real property therein or to collect other revenues for the payment of both principal and interest of such bonds, debentures, notes, or other obligations without limitation of rate or amount;

(c) That the issuer, guarantor or assumer of such bonds, debentures, notes, or other obligations has not within ten years prior to the making of

the investment defaulted in payment of principal or interest of any debt evidenced by its bonds, debentures, notes, or other obligations for more than ninety days;

(d) That such bonds, debentures, notes, or other obligations shall be rated at the time of purchase within the three highest classifications established by at least two standard rating services, or, if not rated, shall be certified in writing by one or more such services to be of investment quality equivalent to, or higher than, the quality of bonds rated in the third highest investment classification.

(D) The following preferred and common stocks:

(i) Stocks, preferred or common, issued or guaranteed by a corporation created or existing under the laws of the United States or any state, district, or territory thereof, provided:

(a) That for a period of five fiscal years for which the necessary statistical data are available next preceding the date of investment, such corporation as disclosed by its published fiscal annual statements shall have had an average annual net income plus its average annual fixed charges (as herein used, fixed charges shall mean interest on funded or unfunded debt, contingent interest charges, amortization of debt discount and expense and rentals for leased property and, in the case of consolidated earnings statements of parent and subsidiary corporations (which must be used if available) shall include all fixed charges and preferred dividend requirement, if any, of the subsidiaries) at least equal to one and one-half times the sum of its average annual dividend requirement for preferred stock and its average annual fixed charges for the same period; however, during neither of the last two years of such period shall the sum of its annual net income and its annual fixed charges have been less than one and one-half times the sum of its dividend requirements for preferred stock and its fixed charges for the same period;

(b) That such corporation shall have no arrears of dividends on its preferred stock;

(c) As to the common stock of any corporation that:

(i) Such common stock is registered on a national securities exchange as provided in the Federal Securities Exchange Act;

(ii) The preferred stock of such corporation, if any be outstanding, shall qualify for investment under this division (D);

(iii) Such corporation, having no preferred stock outstanding, shall have had earnings for the five fiscal years next preceding the date of investment of at least twice the interest on all mortgages, bonds, debentures, and funded debts, if any, after deduction of the proper charges for replacements, depreciation, and obsolescence;

(iv) Such corporation shall have paid a cash dividend on its common stock in each year of the ten year period next preceding the date of investment and the aggregate net earnings available for dividends on the common stock of such corporation for the whole of such period shall have been at least equal to the amount of such dividends paid;

(d) That in applying the earnings test under this division (D) to any issuing, assuming, or guaranteeing corporation, where such corporation shall have acquired its property or any substantial part thereof within a

five year period immediately preceding the date of investment by consolidation, merger, or by the purchase of all or a substantial portion of the property of any other corporation or corporations, or shall have acquired the assets of any unincorporated business enterprise by purchase or otherwise, net income, fixed charges and preferred dividends of the several predecessor or constituent corporations or enterprises shall be consolidated and adjusted so as to ascertain whether or not the applicable requirements of this section have been complied with;

(c) That the market value of the total investment in common and preferred stock does not exceed fifteen per cent of the value of all funds described in section 3307.65 of the Revised Code, including such stock at market value except that not more than ten per cent of the value of all such funds shall be invested in common stock; provided, that out of that portion of the fund not invested in common stocks, not more than two per cent of the total value of the fund shall be invested in common stocks during any year.

(E) The following corporate obligations:

(1) Obligations consisting of notes, bonds, debentures, or equipment trust certificates issued under an indenture, which are the direct obligations, or in the case of equipment trust certificates are secured by direct obligations, of a railroad or industrial corporation, or a corporation engaged directly and primarily in the production, transportation, distribution, or sale of electricity or gas, or the operation of telephone or telegraph systems or waterworks, or in some combination of them; provided the obligor corporation is one which is incorporated under the laws of the United States, or any state thereof, or of the District of Columbia, and said obligations shall be rated at the time of purchase within the three highest classifications established by at least two standard rating services, or, if not rated, shall be certified in writing by one or more such services to be of investment quality equivalent to, or higher than, the quality of bonds rated in the third highest investment classification.

(F) The following insured shares, certificates, savings accounts, and notes secured by mortgages on real estate:

(1) Shares, certificates, or other evidences of deposits issued by a state chartered building and loan association organized under the laws of the state, which association has obtained insurance of accounts as provided in sub-chapter IV of the "National Housing Act" and amendments thereto, or as may be hereafter provided by law, only to the extent that said evidences of deposits are insured under said act and the amendments heretofore and hereafter made thereto;

(2) Shares issued by a federal savings and loan association organized and incorporated under an act of congress entitled the "Home Owners' Loan Act of 1933" and amendments thereto, to the extent and only to the extent that said shares are insured under sub-chapter IV of the "National Housing Act" and the amendments heretofore and hereafter made thereto;

(3) Savings accounts in a national bank located in the state of Ohio or a state bank located in and organized under the laws of the state of Ohio if the deposits of the depository bank are insured by the federal deposit insurance corporation, created under the provisions of an act of congress of

the United States, entitled "Federal Deposit Insurance Act," and amendments thereto;

(4) Notes secured by mortgages on real estate and insured by the federal housing commissioner, or his successor or assigns, or in debentures issued by such commissioner, which are guaranteed as to principal and interest by the Federal Housing Administration, an agency of the United States Government.

(G) Productive real estate within the state.

The sum total of all obligations purchased under the provisions of divisions (B) (2), (3), and (4), (C), and (E) of this section and rated at the time of purchase in the third highest classification established by at least two standard rating services shall not exceed in par value twenty per cent of the amount of all funds described in section 3307.65 of the Revised Code.

All such bonds, notes, certificates ***, stocks, or other obligations *** purchased by said board *** shall be *** delivered to the treasurer of state, who is hereby designated as custodian thereof, and he shall collect interest and dividends thereon as the same becomes due and payable, and also the principal thereof, and place the same when so collected into the retirement funds. The treasurer of state shall honor and pay *** for *** such *** investments upon delivery of *** same to him ***, or to his authorized agent, pursuant to receipt of a resolution *** authorizing *** such purchase *** adopted or approved by the retirement board. The retirement board may sell any *** securities held by it as trustee upon adoption or approval of a resolution *** authorizing such sale, and the treasurer of state *** shall deliver same to the purchaser upon receipt of payment, or in accordance with accepted investment procedure, and the amount received shall be placed into the retirement funds.