

May 26, 1981

LB 460

SENATOR BEUTLER: I just had a couple of questions, Mr. Speaker and members of the Legislature, for Senator DeCamp, if he could....

PRESIDENT: All right, question. Will you respond, Senator DeCamp?

SENATOR BEUTLER: Senator DeCamp, I noticed that we have eliminated the language in the bill which says that the State Investment Officer shall not buy on margin, or buy, sell or engage in puts and calls, and then we replaced it in language that continues to prohibit the buying on margin and the buying of options and the buying of put options, but it says the State Investment Officer may write call options and put options. Now I don't understand enough about the mechanics of the stock market to know what that means, but could you tell us what that does mean?

SENATOR DeCAMP: No. I had an explanation back when we had the bill and it has something to do with....why don't I explain it on Select File? I really will.

SENATOR BEUTLER: All right, let me ask you one other question that I have about the bill at this point in time, Senator DeCamp, just so we have it on the record right away. And I am sure this is probably something that I just have overlooked, but the standard that is being adopted now, the Prudent Man standard that is in 72-1246, is the Prudent Man standard as if the Prudent Man were dealing with the property of another, not his own property, but the property of another which is a higher standard, I think, than when he is dealing with his own property. And then in 72-1247 we retain some old language having to do with investments by the State Investment Officer which says that his investments shall be made with the exercise of that degree of care and skill under the circumstances then prevailing which a person of prudence would exercise in the management of his or her own affairs, not for speculation but for investment considering the probable safety of their capital as well as the probable income to be derived. Okay, the second standard then is a reasonable person in the management of his or her own affairs. What is the difference between the two standards and where they would apply? I assume that there is no contradiction there, but on the face of it there appears to be a slight contradiction and I am just trying to seek out the distinction that is being made in the bill here.

SENATOR DeCAMP: Okay, why don't we do this...and I hate to use this old phrase that I have made so many times here, why don't we advance the bill? Believe me, I think you understand