

**TEACHERS' RETIREMENT FUND, INDIANA STATE:**  
**Whether Board may accept refunding obligations in exchange for bonds held by it.**

November 12, 1937.

Hon. Robert B. Hougham,  
Executive Secretary,  
Teachers' Retirement Fund Board,  
334 Statehouse,  
Indianapolis, Indiana.

Dear Sir:

I have before me your letter in which you state that the Indiana Teachers' Retirement Fund is the owner of securities issued by municipalities which have defaulted both as to principal and interest. You state further that in these cases the corporations issuing the securities have entered into agreements with the bondholders for the refunding of such bonded indebtedness involving, in some cases, the reduction of the interest rate, and in others simply an extension of time for the payment of the bonds. You inquire as to whether the Indiana Teachers' Retirement Fund Board is authorized to accept such refunding bonds in exchange for the defaulted securities held by the board.

This department has held that the board has no authority to trade in the securities held by it and that the board's power is exhausted with respect to the investment of funds when these investments have been made in securities eligible under the statute for such investments. The board, of course, would have the further power to do such reasonable things as would be involved in the collection of the securities held by it and the question arises in this case as to whether the procedure suggested can be said to be a reasonable process of collection. I think it is doubtful whether the principle can be stated in any less general terms than as already stated in the opinion of September 28, 1937, addressed to yourself as executive secretary of the Teachers' Retirement Fund Board, and that each case would, therefore, necessarily have to be determined upon its own peculiar facts. Generally speaking, I think the procedure outlined would be valid and within the authority of the board, subject to the supervisory control of the Department of Audit and Control, depending upon the fact that it can be shown that the procedure is a reasonable and necessary step in the collection of the original security.