

SENATE BILL No. 644

June 23, 2005, Introduced by Senators VAN WOERKOM and BISHOP and referred to the Committee on Finance.

A bill to amend 1943 PA 20, entitled

"An act relative to the investment of funds of public corporations of the state; and to validate certain investments,"

by amending section 1 (MCL 129.91), as amended by 1997 PA 196.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. (1) Except as provided in section 5, the governing
2 body by resolution may authorize its investment officer to invest
3 the funds of that public corporation in 1 or more of the following:

4 (a) Bonds, ~~securities, and other obligations of the United~~
5 ~~States or an agency or instrumentality of the United States~~ **BILLS,**
6 **OR NOTES ISSUED BY THE UNITED STATES DEPARTMENT OF TREASURY OR**
7 **ISSUED DIRECTLY FROM, OR GUARANTEED BY, A UNITED STATES SPONSORED**
8 **ENTERPRISE.**

9 (b) Certificates of deposit, savings accounts, deposit

1 accounts, ~~or~~ depository receipts, OR POOLED MONEY MARKET FUNDS of
2 a financial institution, but only if the financial institution
3 complies with subsection (2).

4 (c) Commercial paper ~~rated at the time of purchase within the~~
5 ~~2 highest classifications established by not less than 2 standard~~
6 ~~rating services and that matures~~ ISSUED BY A UNITED STATES
7 DOMICILED ENTITY AND RATED PRIME AT THE TIME OF PURCHASE AND
8 MATURING NOT MORE THAN 270 DAYS FROM THE DATE OF PURCHASE AND
9 SHORT-TERM CORPORATION OBLIGATIONS ISSUED BY A UNITED STATES
10 DOMICILED CORPORATION AND RATED AAA AT THE TIME OF PURCHASE
11 MATURING not more than 270 days after the date of purchase.

12 (d) Repurchase agreements OR REVERSE REPURCHASE AGREEMENTS
13 consisting of ~~instruments~~ INVESTMENTS listed in subdivision (a)
14 OR UNITED STATES GOVERNMENT OR AGENCY LENDING AGREEMENTS.
15 REPURCHASE AGREEMENTS, REVERSE REPURCHASE AGREEMENTS, AND UNITED
16 STATES GOVERNMENT AND AGENCY LENDING AGREEMENTS SHALL MEET ALL OF
17 THE FOLLOWING REQUIREMENTS:

18 (i) THAT THE COLLATERAL IS MAINTAINED IN THE FORM OF CASH,
19 BONDS, BILLS, OR NOTES ISSUED BY THE UNITED STATES GOVERNMENT OR A
20 UNITED STATES GOVERNMENT SPONSORED ENTERPRISE, AND MAINTAINED AT A
21 LEVEL NOT LESS THAN 102% OF THE MARKET VALUE OF THE SECURITIES OR
22 CASH. THE COLLATERAL SHALL BE VALUED AT LEAST ONCE EACH DAY THE NEW
23 YORK FEDERAL RESERVE BANK IS OPEN FOR BUSINESS.

24 (ii) FOR REVERSE REPURCHASE AGREEMENTS AND GOVERNMENT LENDING
25 AGREEMENTS, THE AGREEMENT IS REQUIRED TO BE TRANSACTED THROUGH A
26 QUALIFIED LENDING AGENT THAT HAS AT MINIMUM \$5,000,000,000.00 IN
27 SECURITIES LOANS AND CONTRACTS.

1 (iii) THAT A QUALIFIED MICHIGAN BANK SERVE AS CUSTODIAN FOR THE
2 AGREEMENT.

3 (iv) THAT ALL MATURITY DATES FOR ANY INVESTMENTS MADE FROM CASH
4 RECEIVED AS COLLATERAL DOES NOT HAVE A MATURITY DATE OR MANDATORY
5 PUT DATE THAT EXCEEDS THE FINAL DATE AGREED UPON FOR THE RETURN OF
6 THE COLLATERAL.

7 (e) Bankers' acceptances of ~~United States~~ MICHIGAN banks.

8 (f) Obligations of this state or any of its political
9 subdivisions that at the time of purchase are rated ~~as investment~~
10 ~~grade by not less than 1 standard rating service~~ AT LEAST AA AS
11 DETERMINED BY AT LEAST 1 RECOGNIZED STANDARD RATING SERVICE AND
12 HAVING A MATURITY DATE WITHIN 48 MONTHS OF THE DATE OF PURCHASE.

13 ~~—— (g) Mutual funds registered under the investment company act~~
14 ~~of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to~~
15 ~~80a-3 and 80a-4 to 80a-64, with authority to purchase only~~
16 ~~investment vehicles that are legal for direct investment by a~~
17 ~~public corporation. However, a mutual fund is not disqualified as a~~
18 ~~permissible investment solely by reason of either of the following:~~

19 ~~—— (i) The purchase of securities on a when issued or delayed~~
20 ~~delivery basis.~~

21 ~~—— (ii) The ability to lend portfolio securities as long as the~~
22 ~~mutual fund receives collateral at all times equal to at least 100%~~
23 ~~of the value of the securities loaned.~~

24 ~~—— (iii) The limited ability to borrow and pledge a like portion of~~
25 ~~the portfolio's assets for temporary or emergency purposes.~~

26 ~~—— (h) Obligations described in subdivisions (a) through (g) if~~
27 ~~purchased through an interlocal agreement under the urban~~

~~cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.~~

~~—— (i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.~~

~~—— (j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.~~

(G) OBLIGATIONS OF A POLITICAL SUBDIVISION OF ANOTHER STATE WHICH AT THE TIME OF PURCHASE MAINTAIN A RATING OF AA AS DETERMINED BY AT LEAST 1 STANDARD RATING SERVICE AND HAVING A MATURITY DATE WITHIN 12 MONTHS OF THE PURCHASE DATE.

(2) A public corporation that invests ~~its funds~~ **IN SECURITIES LISTED** under subsection (1) shall ~~not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States~~ **HAVE THE SECURITIES HELD BY A FINANCIAL INSTITUTION AS DEFINED UNDER SUBSECTION (4).**

(3) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (1).

(4) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and ~~that maintains~~ **MEETS 1 OF THE FOLLOWING:**

(A) MAINTAINS a principal office or branch office located in this state. ~~under the laws of this state or the United States.~~

(B) MAINTAINS AT LEAST 50% OF ITS BRANCHES IN THIS STATE.

1 **(C) SERVES 5% OR MORE OF THE STATE POPULATION.**

2 (5) As used in this act:

3 (a) "Governing body" means the legislative body, council,
4 commission, board, or other body having legislative powers of a
5 public corporation.

6 (b) "Funds" means the money of a public corporation, the
7 investment of which is not otherwise subject to a public act of
8 this state or bond authorizing ordinance or resolution of a public
9 corporation that permits investment in fewer than all of the
10 investment options listed in subsection (1) or imposes 1 or more
11 conditions upon an investment in an option listed in subsection
12 (1).

13 (c) "Investment officer" means the treasurer or other person
14 designated by statute or charter of a public corporation to act as
15 the investment officer. In the absence of a statutory or charter
16 designation, the governing body of a public corporation shall
17 designate the investment officer.

18 (d) "Public corporation" means a county, city, village,
19 township, port district, drainage district, special assessment
20 district, or metropolitan district of this state, or a board,
21 commission, or another authority or agency created by or under an
22 act of the legislature of this state.