

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 875

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.

6 (b) Certificates of deposit, savings accounts, deposit
7 accounts, or depository receipts of a financial institution, but
8 only if the financial institution complies with subsection (2).

9 (c) Commercial paper rated at the time of purchase within the

1 2 highest classifications established by not less than 2 standard
2 rating services and that matures not more than 270 days after the
3 date of purchase.

4 (d) Repurchase agreements consisting of instruments listed in
5 subdivision (a).

6 (e) Bankers' acceptances of United States banks.

7 (f) Obligations of this state or any of its political
8 subdivisions that at the time of purchase are rated as investment
9 grade by not less than 1 standard rating service.

10 (g) Mutual funds registered under the investment company act
11 of 1940, title I of chapter 686, 54 Stat. 789, 15 ~~U.S.C.~~ USC 80a-
12 1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only
13 investment vehicles that are legal for direct investment by a
14 public corporation. However, a mutual fund is not disqualified as a
15 permissible investment solely by reason of either of the following:

16 (i) The purchase of securities on a when-issued or delayed
17 delivery basis.

18 (ii) The ability to lend portfolio securities as long as the
19 mutual fund receives collateral at all times equal to at least 100%
20 of the value of the securities loaned.

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

23 (h) Obligations described in subdivisions (a) through (g) if
24 purchased through an interlocal agreement under the urban
25 cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to
26 124.512.

27 (i) Investment pools organized under the surplus funds

1 investment pool act, 1982 PA 367, MCL 129.111 to 129.118.

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

4 (2) A public corporation that invests its funds under
5 subsection (1) shall not deposit or invest the funds in a financial
6 institution that is not eligible to be a depository of funds
7 belonging to the state under a law or rule of this state or the
8 United States.

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

12 (4) THE GOVERNING BODY MAY ENTER INTO WRITTEN AGREEMENTS WITH
13 OTHER PUBLIC CORPORATIONS TO POOL OR COORDINATE THE FUNDS TO BE
14 INVESTED UNDER THIS SECTION WITH THE FUNDS OF OTHER PUBLIC
15 CORPORATIONS. AGREEMENTS ALLOWED UNDER THIS SUBSECTION SHALL
16 INCLUDE ALL OF THE FOLLOWING:

17 (A) THE TYPES OF INVESTMENTS PERMITTED TO BE PURCHASED WITH
18 POOLED FUNDS.

19 (B) THE RIGHTS OF MEMBERS OF THE POOL TO WITHDRAW FUNDS FROM
20 THE POOLED INVESTMENTS WITHOUT PENALTY.

21 (C) THE DURATION OF THE AGREEMENT.

22 (D) THE METHOD BY WHICH THE POOL WILL BE ADMINISTERED.

23 (E) THE MANNER BY WHICH THE PUBLIC CORPORATIONS WILL RESPOND
24 TO LIABILITIES INCURRED IN CONJUNCTION WITH THE ADMINISTRATION OF
25 THE POOL.

26 (F) THE MANNER IN WHICH STRICT ACCOUNTABILITY FOR ALL FUNDS
27 WILL BE PROVIDED FOR, INCLUDING AN ANNUAL STATEMENT OF ALL RECEIPTS

1 **AND DISBURSEMENTS.**

2 **(G) THE MANNER BY WHICH THE PUBLIC CORPORATIONS WILL ADHERE TO**
3 **THE REQUIREMENTS OF SECTION 5.**

4 **(5) —(4)—** As used in this section, "financial institution"
5 means a state or nationally chartered bank or a state or federally
6 chartered savings and loan association, savings bank, or credit
7 union whose deposits are insured by an agency of the United States
8 government and that maintains a principal office or branch office
9 located in this state under the laws of this state or the United
10 States.

11 **(6) —(5)—** As used in this act:

12 (a) "Governing body" means the legislative body, council,
13 commission, board, or other body having legislative powers of a
14 public corporation.

15 (b) "Funds" means the money of a public corporation, the
16 investment of which is not otherwise subject to a public act of
17 this state or bond authorizing ordinance or resolution of a public
18 corporation that permits investment in fewer than all of the
19 investment options listed in subsection (1) or imposes 1 or more
20 conditions upon an investment in an option listed in subsection
21 (1).

22 (c) "Investment officer" means the treasurer or other person
23 designated by statute or charter of a public corporation to act as
24 the investment officer. In the absence of a statutory or charter
25 designation, the governing body of a public corporation shall
26 designate the investment officer.

27 (d) "Public corporation" means a county, city, village,

1 township, port district, drainage district, special assessment
2 district, or metropolitan district of this state, or a board,
3 commission, or another authority or agency created by or under an
4 act of the legislature of this state.