

Act No. 400
Public Acts of 2006
Approved by the Governor
September 29, 2006
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September 29, 2006
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**STATE OF MICHIGAN
93RD LEGISLATURE
REGULAR SESSION OF 2006**

Introduced by Senators Hardiman, Kuipers, Sikkema, Goschka, Allen and McManus

ENROLLED SENATE BILL No. 875

AN ACT 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:

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

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.

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

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

(h) Obligations described in subdivisions (a) through (g) if 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.

(2) A public corporation that invests its funds 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.

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

(4) The governing body by resolution may authorize its investment officer to enter into written agreements with other public corporations to pool or coordinate the funds to be invested under this section with the funds of other public corporations. Agreements allowed under this subsection shall include all of the following:

(a) The types of investments permitted to be purchased with pooled funds.

(b) The rights of members of the pool to withdraw funds from the pooled investments without penalty.

(c) The duration of the agreement and the requirement that the agreement shall not commence until at least 60 days after the public corporations entering the agreement give written notice to an existing local government investment pool which is organized pursuant to the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150, in those counties where such a pool is operating and accepting deposits on or before the effective date of the amendatory act adding this subsection.

(d) The method by which the pool will be administered.

(e) The manner by which the public corporations will respond to liabilities incurred in conjunction with the administration of the pool.

(f) The manner in which strict accountability for all funds will be provided for, including an annual statement of all receipts and disbursements.

(g) The manner by which the public corporations will adhere to the requirements of section 5.

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

(6) As used in this act:

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

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

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

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

This act is ordered to take immediate effect.

Carol Morey Viventi

Secretary of the Senate

Jay E. Randall

Clerk of the House of Representatives

Approved

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Governor