

# SENATE BILL No. 195

February 5, 2009, Introduced by Senators STAMAS and RICHARDVILLE and referred to the Committee on Banking and Financial Institutions.

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 2008 PA 308.

## 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), or  
9       certificates of deposit obtained through a financial institution as

1 provided in subsection (5).

2 (c) Commercial paper rated at the time of purchase within the  
3 2 highest classifications established by not less than 2 standard  
4 rating services and that matures not more than 270 days after the  
5 date of purchase.

6 (d) Repurchase agreements consisting of instruments listed in  
7 subdivision (a).

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

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

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

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

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

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

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

1 124.512.

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

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

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

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

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

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

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

24 (c) The duration of the agreement and the requirement that the  
25 agreement shall not commence until at least 60 days after the  
26 public corporations entering the agreement give written notice to  
27 an existing local government investment pool which is organized

1 pursuant to the local government investment pool act, 1985 PA 121,  
2 MCL 129.141 to 129.150, in those counties where such a pool is  
3 operating and accepting deposits on or before September 29, 2006.

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

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

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

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

13 (5) In addition to the investments authorized under subsection  
14 (1), the governing body by resolution may authorize its investment  
15 officer to invest the funds of the public corporation in  
16 certificates of deposit in accordance with all of the following  
17 conditions:

18 (a) The funds are initially invested through a financial  
19 institution that is not ineligible to be a depository of surplus  
20 funds belonging to this state under section 6 of 1855 PA 105, MCL  
21 21.146.

22 (b) The financial institution arranges for the investment of  
23 the funds in certificates of deposit in 1 or more insured  
24 depository institutions, as defined in 12 USC 1813, **OR 1 OR MORE**  
25 **INSURED CREDIT UNIONS, AS DEFINED IN 12 USC 1752**, for the account  
26 of the public corporation.

27 (c) The full amount of the principal and any accrued interest

1 of each certificate of deposit is insured by an agency of the  
2 United States.

3 (d) The financial institution acts as custodian for the public  
4 corporation with respect to each certificate of deposit.

5 (e) At the same time that the funds of the public corporation  
6 are deposited and the certificate or certificates of deposit are  
7 issued, the financial institution receives an amount of deposits  
8 from customers of other insured depository institutions **OR INSURED**  
9 **CREDIT UNIONS** equal to or greater than the amount of the funds  
10 initially invested by the public corporation through the financial  
11 institution.

12 (6) A public corporation that initially invests its funds  
13 through a financial institution that maintains an office located in  
14 this state may invest the funds in certificates of deposit as  
15 provided under subsection (5).

16 (7) As used in this section, "financial institution" means a  
17 state or nationally chartered bank or a state or federally  
18 chartered savings and loan association, savings bank, or credit  
19 union whose deposits are insured by an agency of the United States  
20 government and that maintains a principal office or branch office  
21 located in this state under the laws of this state or the United  
22 States.

23 (8) As used in this act:

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

27 (b) "Funds" means the money of a public corporation, the

1 investment of which is not otherwise subject to a public act of  
2 this state or bond authorizing ordinance or resolution of a public  
3 corporation that permits investment in fewer than all of the  
4 investment options listed in subsection (1) or imposes 1 or more  
5 conditions upon an investment in an option listed in subsection  
6 (1).

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

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