

HOUSE BILL No. 6275

June 22, 2010, Introduced by Rep. Bettie Scott and referred to the Committee on Banking and Financial Services.

A bill to amend 1965 PA 314, entitled "Public employee retirement system investment act," by amending sections 20d and 20g (MCL 38.1140d and 38.1140g), section 20d as amended by 2008 PA 425 and section 20g as added by 1982 PA 55.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 20d. (1) An investment fiduciary of a system having
2 assets of less than \$250,000,000.00 may invest not more than 5% of
3 the system's assets in investments not otherwise qualified under
4 this act, except as qualified in section 19a, whether the
5 investments are similar or dissimilar to those specified in this
6 act.
- 7 (2) An investment fiduciary of a system having assets of
8 \$250,000,000.00 or more may invest not more than 10% of the

1 system's assets in investments described in subsection (1).

2 (3) An investment fiduciary of a system having assets of
3 \$1,000,000,000.00 or more **OR WHO IS THE STATE TREASURER** may invest
4 not more than ~~15%~~20% of the system's assets in investments
5 described in subsection (1).

6 ~~——(4) An investment fiduciary of a system who is the state~~
7 ~~treasurer may invest not more than 20% of the system's assets in~~
8 ~~investments described in subsection (1).~~

9 (4) ~~(5)~~—If an investment described in subsection (1) is
10 subsequently determined to be permitted under another section of
11 this act, then the investment shall no longer be included under
12 this section.

13 (5) ~~(6)~~—This section shall not be used to exceed a percentage
14 of total assets limitation for an investment provided in any other
15 section of this act.

16 (6) **IF AN INVESTMENT FIDUCIARY OF A PENSION SYSTEM THAT IS**
17 **ASSOCIATED WITH A MUNICIPALITY WITH A POPULATION GREATER THAN**
18 **700,000 INVESTMENTS IN MUNICIPAL BONDS UP TO THE LIMITATIONS**
19 **ALLOWED UNDER THIS SECTION, ALL OF THE FOLLOWING APPLY:**

20 (A) **EXCEPT AS PROVIDED IN SUBDIVISION (B), THE INVESTMENT**
21 **FIDUCIARY SHALL APPLY THOSE STANDARDS OF CARE THAT A PRUDENT**
22 **INVESTOR WOULD APPLY IN SELECTING AND ADMINISTERING THE INVESTMENT.**
23 **THIS STANDARD SHALL BE APPLIED CONSISTENTLY AND REVIEWED**
24 **PERIODICALLY.**

25 (B) **THE MUNICIPAL BONDS SELECTED FOR INVESTMENT MAY BE**
26 **SELECTED AT A RATE DISCOUNTED FROM THE USUAL MARKET RATE FOR**
27 **EQUIVALENT BONDS IF THE MUNICIPALITY AGREES TO USE THE DIFFERENCE**

1 BETWEEN THE DISCOUNT RATE AND MUNICIPAL BONDS MARKET RATE FOR
2 POLICE, FIRE, AND OTHER CORE CITY SERVICES.

3 Sec. 20g. ~~Notwithstanding~~ EXCEPT FOR MUNICIPAL BONDS THAT ARE
4 ISSUED BY A CITY WITH A POPULATION OVER 700,000 UNDER SECTION 4S OF
5 THE HOME RULE CITY ACT, 1909 PA 279, MCL 117.4S, NOTWITHSTANDING
6 any other provision of this act, investment in securities wholly or
7 partially exempt from income or other taxes levied by the United
8 States shall be made only at taxable-equivalent yields or returns
9 available in the marketplace on otherwise comparable securities at
10 the time the investment decision is made.

11 Enacting section 1. This amendatory act does not take effect
12 unless Senate Bill No. _____ or House Bill No. 6274 (request no.
13 06865'10) of the 95th Legislature is enacted into law.