



Senate Fiscal Agency
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Senate Bill 1105 (as reported without amendment)
Sponsor: Senator Hoon-Yung Hopgood
Committee: Reforms, Restructuring and Reinventing

CONTENT

The bill would amend the Public Employee Retirement System Investment Act to provide that the investment fiduciary of a large sponsored system (a retirement system of the City of Detroit) that invested in a hazardous waste deep disposal well facility, could not make additional investments in that facility and would have to sell, divest, or withdraw all investments in the facility under certain circumstances.

Specifically, an investment fiduciary of a large sponsored system that invests or has invested in a hazardous waste deep disposal well facility regulated under Part 111 (Hazardous Waste Management) or Part 121 (Liquid Industrial Wastes) of the Natural Resources and Environmental Protection Act would be prohibited from making any additional investments in the hazardous waste deep disposal well facility.

The investment fiduciary would have to sell, redeem, divest, or withdrawal all investments in the hazardous waste deep disposal well facility if any of the following occurred:

- The operator of the facility filed for bankruptcy.
- A controlling interest in the operator was sold, transferred, purchased, or acquired.
- There was an Environmental Protection Agency (EPA) action for a violation at the facility.
- The EPA revoked the operator's license.
- The EPA or the Department of Environmental Quality ordered operations at the facility to terminate.

MCL 38.1132d & 38.1133

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on the State.

To the extent the bill required a change in investment strategy that otherwise would not occur, the bill could have an indeterminate fiscal impact on the City of Detroit's retirement system assets. If the city were required, for one of the five reasons outlined in the bill, to sell its investment in the hazardous waste deep disposal well facility, the sale of the asset could be at a gain or loss, or have no impact, depending on market conditions and values. Similarly, the prohibition against investing additional resources in the well could produce a positive or negative net investment change, depending on market conditions, values, and risk, and the availability and performance of other investment options.

Date Completed: 11-13-14

Fiscal Analyst: Kathryn Summers