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Senate Bill 1105 (as introduced 10-2-14)
Sponsor: Senator Hoon-Yung Hopgood
Committee: Reforms, Restructuring and Reinventing

Date Completed: 11-10-14

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.

The Act codifies the investment authority of State and local public employee retirement systems, and defines and limits the amount and type of investments that may be made by those acting as an investment fiduciary (typically, the applicable retirement board) on behalf of a retirement system. A "large sponsored system" is a system created and established by a city that is subject to a plan for adjustment and either the city has a population of more than 600,000, or the system has discharged at least \$1.0 billion of pension liabilities in bankruptcy, or both. (Detroit's retirement system meets those criteria.)

Under the bill, subject to Section 13g of the Act, 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.

In addition, 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.

(Section 13g requires a large sponsored system to establish an investment committee, requires it to recommend certain investment decisions to the system's governing board, and requires the decisions to be implemented under the plan for adjustment if the board disapproves the committee's recommendation.)

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.

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