

SENATE BILL No. 892

April 14, 2016, Introduced by Senators BOOHER, HORN and ZORN and referred to the Committee on Banking and Financial Institutions.

A bill to amend 1965 PA 314, entitled "Public employee retirement system investment act," by amending section 12d (MCL 38.1132d), as amended by 2014 PA 545, and by adding section 19c.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 12d. (1) "National rating services" means Moody's
 2 ~~investors service, inc.;~~ **INVESTORS SERVICE, INC.;** Standard & Poor's
 3 ~~ratings group;~~ **RATINGS GROUP;** Fitch ~~investors service inc.;~~
 4 **INVESTORS SERVICE INC.;** Duff & Phelps ~~credit rating corp.;~~ **CREDIT**
 5 **RATING CORP.;** or any other nationally recognized statistical rating
 6 organization as determined by the state treasurer.

7 (2) "Net earnings available for fixed charges" means net
 8 income after deducting operating and maintenance expenses, taxes
 9 other than federal and state income taxes, depreciation, and

1 depletion, but excluding extraordinary expenses appearing in the
2 regular financial statements of the system.

3 (3) "Obligations" means bonds, notes, collateral trust
4 certificates, convertible bonds, debentures, equipment trust
5 certificates, conditional sales agreements, guaranteed mortgage
6 certificates, pass-through certificates, participation
7 certificates, mortgages, trust deeds, general obligation bonds,
8 revenue bonds, or other similar interest bearing instruments of
9 debt. Obligations may be secured or unsecured and may be publicly
10 offered or privately placed.

11 (4) "Party in interest" means, as it relates to a system, any
12 of the following:

13 (a) An investment fiduciary, counsel, or employee of the
14 system.

15 (b) A person providing services to the system.

16 (c) The political subdivision sponsoring the system.

17 (d) An organization, any of whose members are covered by the
18 system.

19 (e) A spouse, ancestor, lineal descendant, or spouse of a
20 lineal descendant of an individual described in subdivision (a) or
21 (b).

22 (f) An entity controlled by an individual or organization
23 described in subdivisions (a) to (e).

24 (5) "Plan for adjustment" means a plan for the adjustment of
25 debts entered and approved by a federal bankruptcy court for a city
26 that has established a large sponsored system.

27 (6) "Portfolio company" means an entity in which the

1 investment fiduciary has invested or has considered investing
2 system assets.

3 (7) "Private equity" means an asset class consisting of equity
4 or debt securities in entities that are not publicly traded, that
5 may include, but are not limited to, investments in leveraged
6 buyouts, venture capital, growth capital, distressed or special
7 situations, mezzanine capital, and secondary investments in equity
8 or debt interests. PRIVATE EQUITY DOES NOT INCLUDE QUALIFIED
9 INTRASTATE SECURITIES AS THAT TERM IS DEFINED IN SECTION 19C.

10 SEC. 19C. (1) IF THE INVESTMENT FIDUCIARY OF A SYSTEM IS THE
11 STATE TREASURER, THE INVESTMENT FIDUCIARY MAY INVEST NOT MORE THAN
12 30% OF A SYSTEM'S ASSETS IN QUALIFIED INTRASTATE SECURITIES.
13 HOWEVER, IF THE INVESTMENT FIDUCIARY INVESTS IN QUALIFIED
14 INTRASTATE SECURITIES UNDER THIS SECTION IN A CALENDAR YEAR, AT
15 LEAST 50% OF THOSE INVESTMENTS MUST BE MADE THROUGH A MICHIGAN
16 INVESTMENT MARKET.

17 (2) AS USED IN THIS SECTION:

18 (A) "INTRASTATE OFFERING EXEMPTION" MEANS THAT TERM AS DEFINED
19 IN SECTION 451 OF THE UNIFORM SECURITIES ACT (2002), 2008 PA 551,
20 MCL 451.2451.

21 (B) "MICHIGAN INVESTMENT MARKET" MEANS THAT TERM AS DEFINED IN
22 SECTION 451 OF THE UNIFORM SECURITIES ACT (2002), 2008 PA 551, MCL
23 451.2451.

24 (C) "QUALIFIED INTRASTATE SECURITIES" MEAN SECURITIES THAT ARE
25 ISSUED BY A BUSINESS THAT IS DOING BUSINESS IN THIS STATE AND THAT
26 ARE SOLD OR OFFERED FOR SALE IN THIS STATE UNDER AN INTRASTATE
27 OFFERING EXEMPTION.

1 Enacting section 1. This amendatory act takes effect 90 days
2 after the date it is enacted into law.