[No. 307]

(HB 5754)

AN ACT to amend 1965 PA 314, entitled "An act to authorize the investment of assets of public employee retirement systems or plans created and established by the state or any political subdivision; to provide for the payment of certain costs and investment expenses; to authorize investment in variable rate interest loans; to define and limit the investments which may be made by an investment fiduciary with the assets of a public employee retirement system; and to prescribe the powers and duties of investment fiduciaries and certain state departments and officers," by amending sections 12b, 12c, 12d, 13, 13a, 14, 16, 17, 19, 20a, 20c, 20d, and 20e (MCL 38.1132b, 38.1132c, 38.1132d, 38.1133a, 38.1133a, 38.1134, 38.1136, 38.1137, 38.1139, 38.1140a, 38.1140c, 38.1140d, and 38.1140e), sections 12b, 12c, and 12d as added and sections 13, 14, 16, 17, 19, 20a, 20d, and 20e as amended by 1996 PA 485, section 13a as added by 1998 PA 343, and section 20c as amended by 1997 PA 42; and to repeal acts and parts of acts.

The People of the State of Michigan enact:

38.1132b Definitions; D to F. [M.S.A. 3.981(112b)]

Sec. 12b. (1) "Defined contribution plan" means a defined contribution plan as defined in section 414(i) in the internal revenue code.

- (2) "Derivative" means either of the following:
- (a) A contract or convertible security that changes in value in concert with a related or underlying security, future, or other instrument or index; or obtains much of its value from price movements in a related or underlying security, future, or other instrument or index; or both.
- (b) A contract or security, such as an option, forward, swap, warrant, or a debt instrument with 1 or more options, forwards, swaps, or warrants embedded in it or attached to it, the value of which contract or security is determined in whole or in part by the price of 1 or more underlying instruments or markets.
- (3) "Equity interests" means limited partnership interests and other interests in which the liability of the investor is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability of the investor.
 - (4) "Foreign security" means any of the following:
- (a) A fixed income security issued by a government, a governmental agency, or a public or private company that is traded outside of the United States and issued in a currency other than the United States dollar.
- (b) An equity position in a company traded on an exchange outside of the United States or a security issued in a currency other than the United States dollar or an unregistered American depository receipt.
- (c) An equity or fixed income derivative that derives its value from an investment described in subdivision (a) or (b) or a foreign stock or bond index traded on an exchange outside of the United States.

38.1132c Definitions; I. [M.S.A. 3.981(112c)]

Sec. 12c. (1) "Investment fiduciary" means a person other than a participant directing the investment of the assets of his or her individual account in a defined contribution plan who does any of the following:

(a) Exercises any discretionary authority or control in the investment of a system's assets.

- (b) Renders investment advice for a system for a fee or other direct or indirect compensation.
- (2) "Invest" or "investment" means the utilization of money in the expectation of future returns in the form of income or capital gain. Investments initially purchased in accordance with this act which subsequently do not qualify for purchase for any reason, shall be considered to continue to meet the requirements of this act. Investment includes a guarantee by an investment fiduciary.
- (3) "Investment grade" means graded in the top 4 major grades as determined by 2 national rating services.

38.1132d Definitions; N to P. [M.S.A. 3.981(112d)]

- Sec. 12d. (1) "National rating services" means Moody's investors service, inc.; Standard & Poor's ratings group; Fitch investors service inc.; Duff & Phelps credit rating corp.; or any other nationally recognized statistical rating organization as determined by the state treasurer.
- (2) "Net earnings available for fixed charges" means net income after deducting operating and maintenance expenses, taxes other than federal and state income taxes, depreciation, and depletion, but excluding extraordinary expenses appearing in the regular financial statements of the system.
- (3) "Obligations" means bonds, notes, collateral trust certificates, convertible bonds, debentures, equipment trust certificates, conditional sales agreements, guaranteed mortgage certificates, pass-through certificates, participation certificates, mortgages, trust deeds, general obligation bonds, revenue bonds, or other similar interest bearing instruments of debt. Obligations may be secured or unsecured and may be publicly offered or privately placed.
 - (4) "Party in interest" means, as it relates to a system, any of the following:
 - (a) An investment fiduciary, counsel, or employee of the system.
 - (b) A person providing services to the system.
 - (c) The political subdivision sponsoring the system.
 - (d) An organization, any of whose members are covered by the system.
- (e) A spouse, ancestor, lineal descendant, or spouse of a lineal descendant of an individual described in subdivision (a) or (b).
- (f) An entity controlled by an individual or organization described in subdivisions (a) to (e).
- (5) "Portfolio company" means an entity in which the investment fiduciary has invested or has considered investing system assets.

38.1133 Investment authority; investment fiduciary; investing, reinvesting, holding in nominee form, and managing assets of system; powers and duties; costs; prohibited acts; exceptions; requirements; debt instrument issued by foreign country; list of expenses. [M.S.A. 3.981(113)]

- Sec. 13. (1) The provisions of this act shall supersede any investment authority previously granted to a system under any other law of this state.
- (2) The assets of a system may be invested, reinvested, held in nominee form, and managed by an investment fiduciary subject to the terms, conditions, and limitations provided in this act. An investment fiduciary of a defined contribution plan may arrange

for 1 or more investment options to be directed by the participants of the defined contribution plan. The limitations on the percentage of total assets for investments provided in this act do not apply to a defined contribution plan in which a participant directs the investment of the assets in his or her individual account, and that participant is not considered an investment fiduciary under this act.

- (3) An investment fiduciary shall discharge his or her duties solely in the interest of the participants and the beneficiaries, and shall do all of the following:
- (a) Act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.
- (b) Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered.
- (c) Make investments for the exclusive purposes of providing benefits to participants and participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the system.
- (d) Give appropriate consideration to those facts and circumstances that the investment fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role the investment or investment course of action plays in that portion of the system's investments for which the investment fiduciary has responsibility; and act accordingly. For purposes of this subsection, "appropriate consideration" includes, but is not limited to, a determination by the investment fiduciary that a particular investment or investment course of action is reasonably designed, as part of the investments of the system, to further the purposes of the system, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course of action; and consideration of the following factors as they relate to the investment or investment course of action:
 - (i) The diversification of the investments of the system.
- (ii) The liquidity and current return of the investments of the system relative to the anticipated cash flow requirements of the system.
- (iii) The projected return of the investments of the system relative to the funding objectives of the system.
- (e) Give appropriate consideration to investments that would enhance the general welfare of this state and its citizens if those investments offer the safety and rate of return comparable to other investments permitted under this act and available to the investment fiduciary at the time the investment decision is made.
- (f) Prepare and maintain written objectives, policies, and strategies with clearly defined accountability and responsibility for implementing and executing the system's investments.
- (g) Monitor the investment of the system's assets with regard to the limitations on those investments pursuant to this act. Upon discovery that an investment causes the system to exceed a limitation prescribed in this act, the investment fiduciary shall reallocate assets in a prudent manner in order to comply with the prescribed limitation.
- (4) An investment fiduciary may use a portion of the income of the system to defray the costs of investing, managing, and protecting the assets of the system; may retain investment and all other services necessary for the conduct of the affairs of the system; and may pay reasonable compensation for those services. Subject to an annual appropriation by the legislature, a deduction from the income of a state administered system resulting from the payment of those costs shall be made.

- (5) The system shall be a separate and distinct trust fund and the assets of the system shall be for the exclusive benefit of the participants and their beneficiaries and of defraying reasonable expenses of investing the assets of the system. With respect to a system, an investment fiduciary shall not cause the system to engage in a transaction if he or she knows or should know that the transaction is any of the following, either directly or indirectly:
- (a) A sale or exchange or a leasing of any property from the system to a party in interest for less than the fair market value, or from a party in interest to the system for more than the fair market value.
- (b) A lending of money or other extension of credit from the system to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to the system with the provision of excessive security or at an unreasonably high rate of interest.
- (c) A transfer to, or use by or for the benefit of, the political subdivision sponsoring the system of any assets of the system for less than adequate consideration.
- (d) The furnishing of goods, services, or facilities from the system to a party in interest for less than adequate consideration, or from a party in interest to the system for more than adequate consideration.
- (6) With respect to a system subject to this act, an investment fiduciary shall not do any of the following:
- (a) Deal with the assets of the system in his or her own interest or for his or her own account.
- (b) In his or her individual or any other capacity act in any transaction involving the system on behalf of a party whose interests are adverse to the interests of the system or the interest of its participants or participants' beneficiaries.
- (c) Receive any consideration for his or her own personal account from any party dealing with the system in connection with a transaction involving the assets of the system.
 - (7) This section does not prohibit an investment fiduciary from doing any of the following:
- (a) Receiving any benefit to which he or she may be entitled as a participant or participant's beneficiary of the system.
- (b) Receiving any reimbursement of expenses properly and actually incurred in the performance of his or her duties for the system.
- (c) Serving as an investment fiduciary in addition to being an officer, employee, agent, or other representative of the political subdivision sponsoring the system.
 - (d) Receiving agreed upon compensation for services from the system.
- (8) Except for an employee of a system, this state, or the political subdivision sponsoring a system, when acting in the capacity as an investment fiduciary, an investment fiduciary who is qualified under section 12c(1)(b) shall meet 1 of the following requirements:
- (a) Be a registered investment adviser under either the investment advisers act of 1940, title II of chapter 686, 54 Stat. 847, 15 U.S.C. 80b-1 to 80b-21, or the uniform securities act, 1964 PA 265, MCL 451.501 to 451.818.
 - (b) Be a bank as defined under the investment advisers act of 1940.
 - (c) Be an insurance company qualified under section 16(3).

- (9) An investment fiduciary shall not invest in a debt instrument issued by a foreign country that has been identified by the United States state department as engaging in or sponsoring terrorism.
- (10) A system shall annually publish and make available to the plan participants and beneficiaries a list of all expenses paid by soft dollars.

38.1133a "MacBride principles" defined; duties of investment fiduciary; effect of unlawful principle. [M.S.A. 3.981(113a)]

Sec. 13a. (1) As used in this section, "MacBride principles" means those requirements for companies doing business in Northern Ireland designed to do all of the following:

- (a) Increase the representation of individuals from underrepresented religious groups in the work force including managerial, supervisory, administrative, clerical, and technical jobs.
- (b) Provide adequate security for the protection of minority employees both at the workplace and while traveling to and from the workplace.
 - (c) Ban provocative religious or political emblems from the workplace.
- (d) Publicly advertise all employment openings and make special recruitment efforts to attract applicants from underrepresented religious groups.
- (e) Provide that layoff, recall, and termination procedures shall not in practice favor particular religious groupings.
- (f) Abolish job reservations, apprenticeship restrictions, and differential employment criteria, which discriminate on the basis of religion or ethnic origin.
- (g) Develop training programs that will prepare substantial numbers of current minority employees for skilled jobs, including the expansion of existing programs and the creation of new programs to train, upgrade, and improve the skills of minority employees.
- (h) Establish procedures to assess, identify, and actively recruit minority employees with potential for further advancement.
- (i) Appoint senior management staff members to oversee the efforts to comply with these principles and the implementation of timetables to achieve these principles.
- (2) With respect to investments qualified under section 14 or 20k, the investment fiduciary shall use all capital stock, common stock, preferred stock, American depository receipts, or any other evidence of residual ownership of a corporation in which it has investments to support either of the following:
- (a) Shareholder resolutions and initiatives proposing the adoption of the MacBride principles for companies doing business in Northern Ireland.
- (b) Shareholder resolutions and initiatives proposing to recognize efforts to end employment discrimination contained in any agreement between the government of the Republic of Ireland and the government of the United Kingdom, signed on November 15, 1985, which agreement is commonly referred to as the Anglo-Irish agreement.
- (3) If a provision of the MacBride principles is found to be in violation of the law of the United Kingdom by a court in the United States or the United Kingdom, then the duties of the investment fiduciary prescribed by this section shall not apply to the extent that a shareholder resolution or initiative includes the provision that has been found unlawful.

38.1134 Investment in stock. [M.S.A. 3.981(114)]

Sec. 14. (1) An investment fiduciary may invest not more than 70% of a system's assets in stock. An investment fiduciary shall not invest in more than 5% of the outstanding stock

of any 1 corporation, or invest more than 5% of a system's assets in the stock of any 1 corporation, unless otherwise provided in this act.

- (2) Stock invested in under this section shall meet 1 of the following requirements:
- (a) Be registered on a national securities exchange regulated under title I of the securities exchange act of 1934, chapter 404, 48 Stat. 881, 15 U.S.C. 78a to 78l, 78m to 78o, 78o-3 to 78dd-1, 78ee to 78hh, and 78kk to 78ll.
- (b) Be on the national association of securities dealers automated quotation system or a successor to this system.
 - (c) Be issued pursuant to rule 144a under the securities act of 1933, 17 C.F.R. 230.144a.
- (3) Notwithstanding subsection (2), an investment fiduciary may designate an American depository receipt that satisfies the requirements of subsection (2) as an investment qualified under this section or as an investment in foreign securities qualified under section 20k.

38.1136 Investment in annuity investment contracts or participations in separate accounts of life insurance company; investment in general account of life insurer; requirements. [M.S.A. 3.981(116)]

- Sec. 16. (1) An investment fiduciary may invest in annuity investment contracts or participations in separate real estate, mortgage, bond, stock, or other special investment accounts of a life insurance company authorized to do business in this state. An investment in such a separate account shall be considered an investment in stock under section 14 only to the extent that the separate account's assets include stock, and then only for the purpose of determining the 70% maximum investment limit under section 14. An investment in such a separate account shall also be considered an investment in real or personal property under section 19(1), but only to the extent that the separate account's assets include real or personal property, and then only for the purpose of determining the 5% maximum investment limit under section 19(1).
- (2) An investment fiduciary may invest in the general account of a life insurer authorized to do business in this state under the insurance code of 1956, 1956 PA 218, MCL 500.100 to 500.8302, but the total amount of assets of any 1 system invested in any 1 insurer shall not exceed 50% of the capital and surplus of the insurer.
- (3) A life insurance company under this section shall have been in operation for at least 5 years and have assets under management of more than \$500,000,000.00. The insurance company shall have a claims-paying ability rating no less than single A according to A.M. Best & company or AA- according to Duff & Phelps credit rating corp., and an overall company financial strength rating no less than Aa3 according to Moody's investors service, inc. or AA- according to Standard & Poor's ratings group.

38.1137 Other authorized investments; prohibited investments. [M.S.A. 3.981(117)]

Sec. 17. (1) An investment fiduciary may invest in any of the following:

- (a) Obligations issued, assumed, or guaranteed by a solvent entity created or existing under the laws of the United States or of any state, district, or territory of the United States, which are not in default as to principal or interest, including, but not limited to, the following:
- (i) Obligations secured by the mortgage of real property or the pledge of adequate collateral if, during any 3, including 1 of the last 2, of the 5 fiscal years immediately preceding the time of investment, the net earnings of the issuing, assuming, or

guaranteeing entity available for fixed charges, as determined in accordance with standard accounting practice, shall have been not less than the total of its fixed charges for the year on an overall basis, nor less than 1-1/2 times its fixed charges for the year on a priority basis after excluding interest requirements on obligations subordinate to the issue as to security.

- (ii) Equipment trust certificates of railroad companies organized under the laws of any state of the United States or of Canada or any of its provinces, payable within 20 years from their date of issue, in annual or semiannual installments, beginning not later than the fifth year after the date of issue, which certificates are a first lien on the specific equipment pledged as security for the payment of the certificates, and which certificates are either the direct obligations of the railroad companies or are guaranteed by the railroad companies, or are executed by trustees holding title to the equipment.
- (iii) Obligations other than those described in subparagraphs (i) and (ii), if the net earnings of the issuing, assuming, or guaranteeing entity available for fixed charges during each of any 3, including 1 of the last 2, of the 5 fiscal years immediately preceding the time of investment, shall have been not less than 1-1/2 times the total of the entity's fixed charges for such year, or if the obligations are of investment grade.
- (b) Obligations secured by a security interest in real or personal property and a lease obligation given by a solvent entity whose obligations would be qualified investments under the provisions of this act, if the investment does not exceed 100% of the appraised value of the property subject to the lease, and if all of the following requirements are met:
- (i) The lease has an unexpired term equal to or exceeding the remaining term of the investment.
- (ii) The lease is noncancelable unless the lessee first pays the sum of all unpaid rents due or to become due during the remaining lease term.
- (iii) The lease provides for net rental payments equal to or exceeding the periodic payments on the investment.
- (*iv*) The lease provides that the net rental payments are to be made without abatement or offset during the full term of the lease.
- (v) The lease and the lease payments are assigned to the system, an agent of the system, or an independent trustee.
- (c) Obligations issued, assumed, or guaranteed by the United States, its agencies, or United States government-sponsored enterprises.
- (d) Obligations of a possession, territory, or public instrumentality of the United States, or of any state, city, county, township, village, school district, authority, or any other governmental unit having the power to levy taxes, or in obligations of other similar political units of the United States. These investments shall be of investment grade. These investments shall not be permitted if in the 3 preceding years the governmental unit has failed to pay its debt or any part of its debt or the interest on the debt. The aggregate investments made under this subdivision shall not exceed 5% of the system's total assets.
- (e) Banker's acceptances, commercial accounts, certificates of deposit, or depository receipts issued by a bank, trust company, savings and loan association, or a credit union.
- (f) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 national rating services, and which matures within 270 days after the date of issue.
- (g) Repurchase agreements for the purchase of securities issued by the United States government or its agencies and executed by a bank or trust company or by members of

the association of primary dealers or other recognized dealers in United States government securities.

- (h) Reverse repurchase agreements for the sale of securities issued by the United States government or its agencies and executed with a bank or trust company or with members of the association of primary dealers or other recognized dealers in United States government securities.
- (i) Any investment otherwise permitted by this section in which the interest rate varies from time to time. Notwithstanding a provision of any other act to the contrary, a loan shall not be considered to be in violation of the usury statutes of this state by virtue of the fact that the loan is made on a variable interest rate basis.
 - (j) Obligations secured by any of the obligations described in subdivision (a) or (c).
- (k) Dollar denominated obligations issued in the United States by foreign governments, supranationals, banks, or corporations. These investments shall be of investment grade.
- (2) Except as otherwise provided in this act and except for obligations described in subsection (1)(c), an investment fiduciary shall not do any of the following:
 - (a) Invest in more than 5% of the outstanding obligations of any 1 issuer.
 - (b) Invest more than 5% of a system's assets in the obligations of any 1 issuer.

38.1139 Investment in real estate investment trust or real or personal property. [M.S.A. 3.981(119)]

- Sec. 19. (1) An investment fiduciary may invest up to 5% of a system's assets in publicly or privately issued real estate investment trusts or in real or personal property otherwise qualified pursuant to section 15, 16, or 20c.
- (2) In addition to investments authorized under subsection (1), an investment fiduciary of a system having assets of more than \$100,000,000.00 may do any of the following:
- (a) Invest in, buy, sell, hold, improve, lease, or acquire by foreclosure or an agreement in lieu of foreclosure, real or personal property or an interest in real or personal property.
- (b) Develop, maintain, operate, or lease the real or personal property referred to in subdivision (a).
- (c) Form 1 or more limited partnerships, corporations, limited liability companies, trusts, or other organizational entities for which liability of an investor cannot exceed the amount of the investment under the laws of the United States or of any state, district, or territory of the United States to hold title to, improve, lease, manage, develop, maintain, or operate real or personal property whether currently held or acquired after the effective date of the amendatory act that added this subdivision. An entity formed pursuant to this subdivision has the right to exercise all powers granted to the entity by the laws of the jurisdiction of formation, including, but not limited to, the power to borrow money in order to provide additional capital to benefit and increase the overall return on property held by the entity.
 - (d) Invest in investments otherwise qualified pursuant to subsection (1).
- (3) Except as otherwise provided in this section, the aggregate investments made under subsection (2) shall not exceed 5% of the assets of the system. The purchase price of an investment made under this section shall not exceed the appraised value of the real or personal property.
- (4) If the investment fiduciary of a system is the state treasurer, investments described in subsection (1) or (2) may exceed 5% of the assets of the system.

(5) An investment qualified under this section in which the underlying asset is an interest in real or personal property constitutes an investment under this section for the purpose of meeting the asset limitations contained in this act. This subsection applies even though the investment may be qualified elsewhere in this act. Notwithstanding this subsection, an investment fiduciary may designate a real estate investment trust which satisfies the requirements of section 14(2) as an investment qualified under this section or as an investment in stock under section 14.

38.1140a Investment in debt, warrant, or equity interest in small business, small business investment company, or venture capital firm; creation of small business investment companies or venture capital firms to invest in small businesses; limitation. [M.S.A. 3.981(120a)]

Sec. 20a. (1) Except as provided in subsection (2), an investment fiduciary of a system having assets of more than \$250,000,000.00 may invest not more than 2% of a system's assets in a debt, warrant, or equity interest in a small business having more than 1/2 of the small business's assets or employees within this state, or in a debt, warrant, or equity interest in a small business investment company or venture capital firm having its principal office or more than 1/2 of its assets within this state, or the system may create, own, hold, buy, sell, operate, manage, and direct 1 or more small business investment companies or venture capital firms designed to invest in small businesses having more than 1/2 of their assets or employees within this state. An investment fiduciary may also join with a group composed of other public employee retirement systems, pension systems subject to the employee retirement income security act of 1974, Public Law 93-406, 88 Stat. 829, financial institutions, corporations, or governmental agencies or instrumentalities to accomplish the purposes of this section. An investment in stock under this section shall be considered an investment in stock under section 14 only for the purpose of determining the 70% maximum investment limitation contained in section 14.

(2) If the investment fiduciary of a system is the state treasurer, investments described in subsection (1) may exceed 2% of the assets of the system, but shall not exceed 5% of the assets of the system.

38.1140c Financial institution or management company retained as investment fiduciary; investment of system assets in collective investment fund, common trust fund, or pooled fund established and maintained by financial institution or management company; "financial institution" defined. [M.S.A. 3.981(120c)]

Sec. 20c. (1) A financial institution, a trust company, a management company qualified under section 15, or any affiliate of a person described in this section if that affiliate qualifies as an investment fiduciary under section 13(8)(a), retained to act as an investment fiduciary may invest the assets of a system in any collective investment fund, common trust fund, or pooled fund that is established and maintained for investment of those assets by the financial institution, trust company, or management company under federal or state statutes or rules or regulations. An investment in a collective investment fund, common trust fund, or pooled fund shall be considered an investment in the underlying assets of that fund for all purposes under this act.

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

38.1140d Investments not qualified under act. [M.S.A. 3.981(120d)]

Sec. 20d. (1) An investment fiduciary of a system having assets of less than \$250,000,000.00 may invest not more than 5% of the system's assets in investments not otherwise qualified under this act, whether the investments are similar or dissimilar to those specified in this act.

- (2) An investment fiduciary of a system having assets of \$250,000,000.00 or more may invest not more than 10% of the system's assets in investments described in subsection (1).
- (3) An investment fiduciary of a system having assets of \$1,000,000,000.00 or more may invest not more than 15% of the system's assets in investments described in subsection (1).
- (4) An investment fiduciary of a system who is the state treasurer may invest not more than 20% of the system's assets in investments described in subsection (1).
- (5) If an investment described in subsection (1) is subsequently determined to be permitted under another section of this act, then the investment shall no longer be included under this section.
- (6) This section shall not be used to exceed a percentage of total assets limitation for an investment provided in any other section of this act.

38.1140e Loan of securities by investment fiduciary. [M.S.A. 3.981(120e)]

Sec. 20e. (1) An investment fiduciary may loan bonds, stocks, or other securities if at the time the loan is executed, at least 102% of the full market value of the security loaned is secured by collateral of cash to be invested in 1 or more of the following:

- (a) Securities graded in the top 4 major grades as determined by at least 1 national rating service, but not graded below the top 4 grades as determined by any of the national rating services, or determined by the investment fiduciary to be of comparable quality in the case of unrated securities.
- (b) Repurchase agreements collateralized by securities graded in the top 4 major grades as determined by at least 1 national rating service, but not graded below the top 4 grades as determined by any of the national rating services, or determined by the investment fiduciary to be of comparable quality in the case of unrated securities.
 - (c) Irrevocable bank letters of credit.
- (d) Securities issued or guaranteed by the United States government or an agency of the United States government.
- (2) At all times during the term of a loan under subsection (1), the collateral shall be equal to not less than 100% of the full market value of the security loaned.

Repeal of § 38.1140i.

Enacting section 1. Section 20i of the public employee retirement system investment act, 1965 PA 314, MCL 38.1140i, is repealed.

This act is ordered to take immediate effect.

Approved October 14, 2000.

Filed with Secretary of State October 16, 2000.