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BILL ANALYSIS

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Senate Fiscal Agency

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Senate Bill 879 (as reported with amendments)

Sponsor: Senator Harmon Cropsey

Committee: Local Government and Veterans

Date Completed: 6-7-88

SUMMARY OF SENATE BILL 879 as reported:

The bill would amend Public Act 20 of 1943, which concerns the investment of surplus funds of political subdivisions, to allow a municipal governing body, by resolution, to authorize its treasurer or chief fiscal officer to deposit funds received under an eligible deferred compensation plan in a financial institution authorized by law to do business in the State, or with an authorized deferred compensation agent appointed by the governing body.

The treasurer or chief fiscal officer could place funds, accumulated under an eligible deferred compensation plan, with a financial institution, a State or Federally licensed investment company or insurance company, or a trust established by public employers for the commingled investment of deferred compensation and retirement plan funds; all of these entities would have to be authorized to do business in the State. Those funds would have to be invested by the financial institution, insurance company, investment company, or trust as directed by the governing body. The investment of these funds would have to be in the manner and for the purposes described in Section 457 of the Federal Internal Revenue Code (which governs investments of state and local governments' deferred compensation plans).

The bill specifies that investment of funds accumulated under an eligible deferred compensation plan of a governing body prior to the bill's effective date, which met the bill's requirements, would be ratified and validated.

"Eligible deferred compensation plan" would mean a deferred compensation plan established and maintained by a "governing body", which met the requirements of Section 457 of the Internal Revenue Code. "Financial institution" would mean a State or nationally chartered bank, as well as a State or Federally chartered savings bank, savings and loan association, or credit union, which was insured by an agency or instrumentality of the Federal government. "Governing body" would mean the legislative or governing body of a county, city, village, township, or special assessment district, or an agency, board, or commission of a county, city, village, or township.

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: G. Olson

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