

# Legislative Analysis

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## **PUBLIC EMPLOYEE RETIREMENT SYSTEM: INVESTMENT IN MINORITY-OWNED BUSINESSES**

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### **House Bill 5619**

**Sponsor: Rep. Bert Johnson**

**Committee: Senior Health, Security, and Retirement**

**Complete to 3-3-10**

### **A SUMMARY OF HOUSE BILL 5619 AS INTRODUCED 12-1-09**

House Bill 5619 would amend the Public Employee Retirement System Investment Act in the following ways.

- It would add a new Section 37a to require a fiduciary to invest at least 20 percent of the assets of a pension system in equity securities issued by minority-owned business. The bill would define "minority" to mean a person who is black, female, Hispanic, Eskimo, oriental, or an American Indian who is not less than one-quarter quantum American Indian blood as certified by the person's tribal association and verified by the Indian Affairs Commission. A "minority-owned business" would be one at least 50 percent owned, controlled, and managed by minorities.
- The act currently specifies that if the investment fiduciary is the State Treasurer, investments in private equity cannot exceed 30 percent of the total assets. The bill would specify that for all other investments fiduciaries, investments in private equity could not be more than 25 percent of the total assets.

MCL 38.1139a et al.

### **FISCAL IMPACT:**

House Bill 5619 would have an indeterminate fiscal impact. The provisions of the bill would require a investment fiduciary to invest at least 20 percent of the assets of a pension system in equity securities issued by minority-owned business. Any fiscal impact to the retirement fund would be the result of a change in investment returns due to the investment of a required 20 percent of assets in equity securities issued by minority-owned businesses. There may be negligible costs associated with researching equity securities issued by minority-owned businesses.

The provisions of the bill would also limit investment fiduciaries other than the state treasurer to a maximum investment of 25 percent of total assets in private equity. Any fiscal impact would be the result of a change in investment returns due to a limitation on asset investment in private equity.

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