



## **118th MAINE LEGISLATURE**

## **FIRST REGULAR SESSION-1997**

Legislative Document

No. 1379

S.P. 433

In Senate, March 5, 1997

An Act to Place Conditions on the Investment of Municipal Funds in Mutual Funds.

Reference to the Committee on State and Local Government suggested and ordered printed.

JOY J. O'BRIEN Secretary of the Senate

Presented by Senator AMERO of Cumberland. Cosponsored by Representative: MARVIN of Cape Elizabeth.

## Be it enacted by the People of the State of Maine as follows:

Sec. 1. 30-A MRSA 5706, sub-3, as amended by PL 1995, c. 206, 1, is further amended to read:

- 6 Mutual funds. In the shares of an investment company 3. registered under the United States Investment Company Act of 1940, Public Law 76-768, whose shares are registered under the 8 United States Securities Act of 1933, Public Law 73-22, provided that the investments of the fund are limited to bonds and other 10 direct obligations of the United States Government, as defined in section 5712, subsection 1 or repurchase agreements secured by 12 and other direct obligations of the United States bonds Government, as defined in section 5712, subsection  $1_{\neq}-\Theta_{\pm}$  except 14that if, in the case of a trust fund that is governed by the United States Internal Revenue Code, Section 501 (c) (3) and that 16 is in the custody of the municipality, the following criteria 18 must be met:
- 20 <u>A. The investment must be approved by the municipal</u> officers at a public meeting;
- 24 <u>B. No more than 50% of the assets of a fund may be invested</u> 24 <u>in mutual funds; and</u>
- 26 <u>C. No more than 5% of the assets of a fund may be invested</u> in a single mutual fund; or

## SUMMARY

32 This bill places the following conditions on the investment of a trust fund that is governed by the United States Internal 34 Revenue Code, Section 501 (c) (3) and that is in the custody of the municipality in mutual funds.

- The investment must be approved by the municipal
  officers at a public meeting.
- 40 2. No more than 50% of the assets of a fund may be invested in mutual funds.
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3. No more than 5% of the assets of a fund may be invested 44 in a single mutual fund.

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