

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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HOUSE BILL 556  
PROPOSED COMMITTEE SUBSTITUTE H556-PCS50610-LA-7

Short Title: Treasurer's Governance & Transparency Act.

(Public)

Sponsors:

Referred to:

March 12, 2009

A BILL TO BE ENTITLED

AN ACT TO ENACT THE TREASURER'S GOVERNANCE AND TRANSPARENCY ACT  
OF 2009.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 147-69.2(b1) reads as rewritten:

"(b1) With respect to investments authorized by ~~subsections (b)(8)~~ subdivisions (b)(7), (b)(8), and (b)(9) of this section, the State Treasurer shall appoint an Investment Advisory Committee, which shall consist of ~~five~~ seven members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and ~~two~~ four members selected from the general public. ~~The two~~ four public members must have experience in areas relevant to the administration of a large, diversified investment program, including, but not limited to, ~~one or more of the following areas: investment management, real estate investment trusts, real estate development, venture capital investment, or absolute return strategies.~~ investment management, securities law, real estate development, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1."

**SECTION 2.** Article 6 of Chapter 147 of the General Statutes is amended by adding a new section to read:

**"§ 147-69.7. Discharge of duties to Retirement Systems.**

(a) The Treasurer shall discharge his or her duties with respect to the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firemen's and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, and the North Carolina National Guard Pension Fund (hereinafter referred to collectively as the Retirement Systems) as follows:

(1) Solely in the interest of the participants and beneficiaries.

(2) For the exclusive purpose of providing benefits to participants and beneficiaries and paying reasonable expenses of administering the Retirement Systems.



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- 1           (3) With the care, skill, and caution under the circumstances then prevailing  
2           which a prudent person acting in a like capacity and familiar with those  
3           matters would use in the conduct of an activity of like character and purpose.  
4           (4) Impartially, taking into account any differing interests of participants and  
5           beneficiaries.  
6           (5) Incurring only costs that are appropriate and reasonable.  
7           (6) In accordance with a good-faith interpretation of the law governing the  
8           Retirement Systems.  
9       (b) In investing and managing assets of the Retirement Systems pursuant to subsection  
10      (a) of this section, the Treasurer:  
11           (1) Shall consider the following circumstances:  
12           a. General economic conditions.  
13           b. The possible effect of inflation or deflation.  
14           c. The role that each investment or course of action plays within the  
15           overall portfolio of the Retirement Systems.  
16           d. The expected total return from income and the appreciation of  
17           capital.  
18           e. Needs for liquidity, regularity of income, and preservation or  
19           appreciation of capital.  
20           f. The adequacy of funding for the Retirement Systems based on  
21           reasonable actuarial factors.  
22           (2) Shall diversify the investments of the Retirement Systems unless the  
23           Treasurer reasonably determines that, because of special circumstances, it is  
24           clearly prudent not to do so.  
25           (3) Shall make a reasonable effort to verify facts relevant to the investment and  
26           management of assets of the Retirement Systems.  
27           (4) May invest in any kind of property or type of investment consistent with the  
28           provisions of Article 6 of Chapter 146 of the General Statutes.  
29           (5) May consider benefits created by an investment in addition to investment  
30           return only if the Treasurer determines that the investment providing these  
31           collateral benefits would be prudent even without collateral benefits.  
32       (c) Compliance by the Treasurer with this section must be determined in light of the  
33      facts and circumstances existing at the time of the Treasurer's decision or action and not by  
34      hindsight.  
35       (d) The Treasurer's investment and management decisions must be evaluated not in  
36      isolation but in the context of the portfolio of the Retirement Systems as a whole and as part of  
37      an overall investment strategy having risk and return objectives reasonably suited to the  
38      Retirement Systems."

39           **SECTION 3.** This act is effective when it becomes law.