

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

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**SENATE BILL 215
PROPOSED COMMITTEE SUBSTITUTE S215-PCS95045-SH-2**

Short Title: State Treasurer's Investments.-AB

(Public)

Sponsors:

Referred to:

March 7, 2011

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE STATE TREASURER'S INVESTMENT STATUTE.

The General Assembly of North Carolina enacts:

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

"(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds, selecting from among the following:

(1) Any of the investments authorized by G.S. 147-69.1(c)(1)-(7).

(2) General obligations of other states of the United States.

(3) General obligations of cities, counties and special districts in North Carolina.

(4) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or outside the United States, including obligations that are convertible into equity securities, if the obligations bear one of the four highest ratings of at least one nationally recognized rating service when acquired.

(5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.

(6) Asset-backed securities (whether considered debt or equity) provided they bear ratings by nationally recognized rating services as provided in G.S. 147-69.2(b)(4).

(6a) In addition to the limitations and requirements with respect to the investments of the Retirement Systems set forth in this subsection, the State Treasurer shall select investments of the assets of the Retirement Systems such that investments made pursuant to subdivisions (b)(1) through (6) of this section shall at all times equal or exceed twenty percent (20%) of the market value of all invested assets of the Retirement Systems.

(6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may be made directly by the State Treasurer or through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by subdivisions (b)(1) through (6) of this section, provided for each indirect investment, the investment manager has assets under management of at least one hundred million dollars (\$100,000,000).

(6c) With respect to Retirement Systems' assets referred to in subdivision (b)(8), they may be invested in obligations and other debt securities, including debt



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1 securities convertible into other securities, that do not meet the requirements
2 of any of subdivisions (b)(1) through (6) of this section nor subdivision
3 (b)(7) of this section, provided such investments are made through
4 investment companies registered under the Investment Company Act of
5 1940, individual, ~~common~~common, or collective trust funds of banks and
6 trust companies, group trusts and limited partnerships, limited liability
7 companies or other limited liability investment vehicles that invest primarily
8 in investments authorized by this subdivision and through contractual
9 arrangements in which the investment manager has full and complete
10 discretion and authority to invest assets specified in such arrangements in
11 investments authorized by this subdivision, provided the investment
12 manager for each investment pursuant to this subdivision has assets under
13 management of at least one hundred million dollars (\$100,000,000) and
14 provided that the investments authorized under this subdivision shall not
15 exceed five percent (5%) of the market value of all invested assets of the
16 Retirement Systems.

17 (7) With respect to Retirement Systems' assets referred to in subdivision (8) of
18 this subsection, (i) insurance contracts that provide for participation in
19 individual or pooled separate accounts of insurance companies, (ii) group
20 trusts, (iii) individual, common, or collective trust funds of banks and trust
21 companies, (iv) real estate investment trusts, (v) investment companies
22 registered under the Investment Company Act of 1940, and (vi) limited
23 partnerships, limited liability companies, or other limited liability investment
24 vehicles; provided the investment manager has assets under management of
25 at least one hundred million dollars (\$100,000,000); provided such
26 investment assets are managed primarily for the purpose of investing in or
27 owning real estate or related debt financing located within or outside the
28 United States; and provided that the investments authorized by this
29 subdivision shall not exceed ten percent (10%) of the market value of all
30 invested assets of the Retirement Systems.

31 (8) With respect to assets of the Teachers' and State Employees' Retirement
32 System, the Consolidated Judicial Retirement System, the Firemen's and
33 Rescue Workers' Pension Fund, the Local Governmental Employees'
34 Retirement System, the Legislative Retirement System, the North Carolina
35 National Guard Pension Fund (hereinafter referred to collectively as the
36 Retirement Systems), and assets invested pursuant to subdivision (b2) of this
37 section, they may be invested in equity securities traded on a public
38 securities exchange or market organized and regulated pursuant to the laws
39 of the jurisdiction of such exchange or market and issued by any company
40 incorporated or otherwise created or located within or outside the United
41 States; provided the investments meet the conditions of this subdivision.

42 The investments authorized for the Retirement Systems under this
43 subdivision cannot exceed sixty-five percent (65%) of the market value of
44 all invested assets of the Retirement Systems. So long as each investment
45 manager has assets under management of at least one hundred million
46 dollars (\$100,000,000), the assets authorized under this subdivision can be
47 invested through any of the following:

48 (i)a. ~~investment~~Investment companies registered under the Investment
49 Company Act of ~~1940~~1940.

50 (ii)b. ~~individual~~Individual, common, or collective trust funds of banks and
51 trust ~~companies~~companies.

- 1 ~~(iii)c. group trusts, and~~Group trusts that invest primarily in investments
2 authorized by this subdivision.
3 d. Limited partnerships, limited liability companies, or other limited
4 liability investment vehicles that are not publicly traded and invest
5 primarily in investments authorized by this subdivision. Investments
6 under this sub-subdivision shall not exceed ten percent (10%) of the
7 market value of all invested assets of the Retirement Systems.
8 ~~(iv)e. contractual~~Contractual arrangements in which investment managers
9 have full and complete discretion and authority to invest assets
10 specified in such contractual ~~arrangements.~~arrangements in
11 investments authorized by this subdivision.

12 The assets authorized under this subdivision can also be invested directly
13 by the State Treasurer in any equity securities ~~represented in the S&P 500~~
14 ~~Index or that have been publicly announced to be included in the S&P 500~~
15 ~~Index.~~authorized by this subdivision for the primary purpose of
16 approximating the movements of a nationally recognized and published
17 market benchmark index. No more than one and one-half percent (11/2%) of
18 the market value of the Retirement Systems' assets that may be invested
19 directly under this subdivision can be invested in the stock of a single
20 corporation, and the total number of shares in that single corporation cannot
21 exceed eight percent (8%) of the issued and outstanding stock of that
22 corporation.

- 23 (9) With respect to Retirement Systems' assets, as defined in subdivision (b)(8)
24 of this subsection, they may be invested in interests in limited partnerships,
25 limited liability companies, or other limited liability investment vehicles that
26 are not publicly traded if the primary purpose of the limited partnership,
27 limited liability company, or other limited liability investment vehicle is (i)
28 to invest in public or private equity, or corporate buyout transactions, within
29 or outside the United States.States or (ii) to engage in other strategies not
30 expressly authorized by any other subdivision of this subsection. The
31 amount invested under this subdivision shall not exceed ~~five percent (5%)~~ten
32 percent (10%) of the market value of all invested assets of the Retirement
33 Systems.

- 34 (9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8)
35 of this subsection, they may be invested in inflation-linked bonds,
36 timberlands, commodities, and other assets that are acquired for the primary
37 purpose of providing protection against risks associated with inflation,
38 provided such investments are made through investment companies
39 registered under the Investment Company Act of 1940, individual, common
40 or collective trust funds of banks and trust companies, group trusts and
41 limited partnerships, limited liability companies or other limited liability
42 investment vehicles that invest primarily in investments authorized by this
43 subdivision and through contractual arrangements in which the investment
44 manager has full and complete discretion and authority to invest assets
45 specified in such arrangements in investments authorized by this
46 subdivision, provided the investment manager for each investment pursuant
47 to this subdivision has assets under management of at least one hundred
48 million dollars (\$100,000,000) and provided that the investments authorized
49 under this subdivision shall not exceed five percent (5%) of the market value
50 of all invested assets of the Retirement Systems. Notwithstanding anything
51 in this subsection to the contrary, the investments authorized by this

1 subdivision shall not be included in any subdivision other than this
2 subdivision for purposes of the percentage investment limitations therein or
3 otherwise.

4 (10) Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s. 2.

5 (11) With respect to assets of the Escheat Fund, obligations of the North Carolina
6 Global TransPark Authority authorized by G.S. 63A-4(a)(22), not to exceed
7 twenty-five million dollars (\$25,000,000), that have a final maturity not later
8 than October 1, 2011. The obligations shall bear interest at the rate set by the
9 State Treasurer. No commitment to purchase obligations may be made
10 pursuant to this subdivision after September 1, 1993, and no obligations may
11 be purchased after September 1, 1994. In the event of a loss to the Escheat
12 Fund by reason of an investment made pursuant to this subdivision, it is the
13 intention of the General Assembly to hold the Escheat Fund harmless from
14 the loss by appropriating to the Escheat Fund funds equivalent to the loss.

15 If any part of the property owned by the North Carolina Global
16 TransPark Authority now or in the future is divested, proceeds of the
17 divestment shall be used to fulfill any unmet obligations on an investment
18 made pursuant to this subdivision.

19 (12) With respect to assets of the Escheat Fund, in addition to those investments
20 authorized by subdivisions (1) through (6) of this subsection, up to twenty
21 percent (20%) of such assets may be invested in the investments authorized
22 under subdivisions (7) through (9) of this subsection, notwithstanding the
23 percentage limitations imposed on the Retirement Systems' investments
24 under those subdivisions.

25 If an investment was authorized by this subsection at the time the investment was made or
26 contractually committed to be made, then none of the percentage or other limitation on
27 investments set forth in this subsection shall be construed to require the State Treasurer to
28 subsequently dispose of the investment or fail to honor any contractual commitments as a result
29 of changes in market values, ratings, or other investment qualifications."

30 **SECTION 2.** This act is effective when it becomes law.