

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE BILL 215
Pensions & Retirement and Aging Committee Substitute Adopted 3/31/11
PROPOSED COMMITTEE SUBSTITUTE S215-PCS85194-RB-30

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 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:~~ funds. The State Treasurer may invest the funds as provided in this subsection. If an investment was authorized by this subsection at the time the investment was made or contractually committed to be made, then none of the percentage or other limitation on investments set forth in this subsection shall be construed to require the State Treasurer to subsequently dispose of the investment or fail to honor any contractual commitments as a result of changes in market values, ratings, or other investment qualifications.

- (1) ~~Any of the investments~~ 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- (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.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



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1 in which the investment manager has full and complete discretion and
2 authority to invest assets specified in such arrangements in investments
3 authorized by subdivisions (b)(1) through (6) of this section, provided for
4 each indirect investment, the investment manager has assets under
5 management of at least one hundred million dollars (\$100,000,000).

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

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

38 (8) With respect to assets of the Teachers' and State Employees' Retirement
39 System, the Consolidated Judicial Retirement System, the Firemen's and
40 Rescue Workers' Pension Fund, the Local Governmental Employees'
41 Retirement System, the Legislative Retirement System, the North Carolina
42 National Guard Pension Fund (hereinafter referred to collectively as the
43 Retirement Systems), and assets invested pursuant to subdivision (b2) of this
44 section, they may be invested in equity securities traded on a public
45 securities exchange or market organized and regulated pursuant to the laws
46 of the jurisdiction of such exchange or market and issued by any company
47 incorporated or otherwise created or located within or outside the United
48 States; provided the investments meet the conditions of this subdivision. The
49 ~~The~~ investments authorized for the Retirement Systems under this
50 subdivision cannot exceed sixty-five percent (65%) of the market value of
51 all invested assets of the Retirement Systems.

1 The assets authorized under this subdivision may be invested directly by
2 the State Treasurer in any equity securities authorized by this subdivision for
3 the primary purpose of approximating the movements of a nationally
4 recognized and published market benchmark index. No more than one and
5 one-half percent (1 1/2%) of the market value of the Retirement Systems'
6 assets that may be invested directly under this subdivision can be invested in
7 the stock of a single corporation, and the total number of shares in that single
8 corporation cannot exceed eight percent (8%) of the issued and outstanding
9 stock of that corporation.

10 So long as each investment manager has assets under management of at
11 least one hundred million dollars (\$100,000,000), the assets authorized under
12 this subdivision ~~can~~ may also be invested through any of the following:

13 ~~(i)a.~~ investment Investment companies registered under the Investment
14 Company Act of 1940; ~~(ii)~~ individual, common, or collective trust
15 funds of banks and trust ~~companies,~~ companies; and group
16 ~~trusts, and trusts that invest primarily in investments authorized by~~
17 this subdivision.

18 b. Limited partnerships, limited liability companies, or other limited
19 liability investment vehicles that are not publicly traded and invest
20 primarily in investments authorized by this subdivision. Investments
21 under this sub-subdivision shall not exceed ten percent (10%) of the
22 market value of all invested assets of the Retirement Systems.

23 ~~(iv)c.~~ contractual Contractual arrangements in which investment managers
24 have full and complete discretion and authority to invest assets
25 specified in such contractual ~~arrangements.~~ arrangements in
26 investments authorized by this subdivision.

27 ~~The assets authorized under this subdivision can also be invested directly~~
28 ~~by the State Treasurer in any equity securities represented in the S&P 500~~
29 ~~Index or that have been publicly announced to be included in the S&P 500~~
30 ~~Index. No more than one and one half percent (1 1/2%) of the market value~~
31 ~~of the Retirement Systems' assets that may be invested directly under this~~
32 ~~subdivision can be invested in the stock of a single corporation, and the total~~
33 ~~number of shares in that single corporation cannot exceed eight percent (8%)~~
34 ~~of the issued and outstanding stock of that corporation.~~

35 (9) With respect to Retirement Systems' assets, as defined in subdivision (b)(8)
36 of this subsection, they may be invested in interests in limited partnerships,
37 limited liability companies, or other limited liability investment vehicles that
38 are not publicly traded if the primary purpose of the limited partnership,
39 limited liability company, or other limited liability investment vehicle is (i)
40 to invest in ~~public or private equity, or corporate buyout transactions, within~~
41 ~~or outside the United States.~~ States or (ii) to engage in other strategies not
42 expressly authorized by any other subdivision of this subsection. The
43 amount invested under this subdivision shall not exceed ~~five percent (5%)~~
44 ten percent (10%) of the market value of all invested assets of the
45 Retirement Systems.

46 (9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8)
47 of this subsection, they may be invested in inflation-linked bonds,
48 timberlands, commodities, and other assets that are acquired for the primary
49 purpose of providing protection against risks associated with inflation,
50 provided such investments are made through investment companies
51 registered under the Investment Company Act of 1940, individual, common

1 or collective trust funds of banks and trust companies, group trusts and
2 limited partnerships, limited liability companies or other limited liability
3 investment vehicles that invest primarily in investments authorized by this
4 subdivision and through contractual arrangements in which the investment
5 manager has full and complete discretion and authority to invest assets
6 specified in such arrangements in investments authorized by this
7 subdivision, provided the investment manager for each investment pursuant
8 to this subdivision has assets under management of at least one hundred
9 million dollars (\$100,000,000) and provided that the investments authorized
10 under this subdivision shall not exceed five percent (5%) of the market value
11 of all invested assets of the Retirement Systems. Notwithstanding anything
12 in this subsection to the contrary, the investments authorized by this
13 subdivision shall not be included in any subdivision other than this
14 subdivision for purposes of the percentage investment limitations therein or
15 otherwise.

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

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

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

31 (12) With respect to assets of the Escheat Fund, in addition to those investments
32 authorized by subdivisions (1) through (6) of this subsection, up to twenty
33 percent (20%) of such assets may be invested in the investments authorized
34 under subdivisions (7) through (9) of this subsection, notwithstanding the
35 percentage limitations imposed on the Retirement Systems' investments
36 under those subdivisions."

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