

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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HOUSE BILL 318
PROPOSED COMMITTEE SUBSTITUTE H318-PCS80212-RB-27

Short Title: State Treasurer's Investments.-AB

(Public)

Sponsors:

Referred to:

March 14, 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- (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.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 in which the investment manager has full and complete discretion and



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

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

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

37 (8) With respect to assets of the Teachers' and State Employees' Retirement
38 System, the Consolidated Judicial Retirement System, the Firemen's and
39 Rescue Workers' Pension Fund, the Local Governmental Employees'
40 Retirement System, the Legislative Retirement System, the North Carolina
41 National Guard Pension Fund (hereinafter referred to collectively as the
42 Retirement Systems), and assets invested pursuant to subdivision (b2) of this
43 section, they may be invested in equity securities traded on a public
44 securities exchange or market organized and regulated pursuant to the laws
45 of the jurisdiction of such exchange or market and issued by any company
46 incorporated or otherwise created or located within or outside the United
47 States; provided the investments meet the conditions of this subdivision. The
48 ~~The~~ investments authorized for the Retirement Systems under this
49 subdivision cannot exceed sixty-five percent (65%) of the market value of
50 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 (1.5%) 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 six and one-half percent
22 (6.5%) of the market value of all invested assets of the Retirement
23 Systems.

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

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

36 (9) With respect to Retirement Systems' assets, as defined in subdivision (b)(8)
37 of this subsection, they may be invested in interests in limited partnerships,
38 limited liability companies, or other limited liability investment vehicles that
39 are not publicly traded if the primary purpose of the limited partnership,
40 limited liability company, or other limited liability investment vehicle is (i)
41 to invest in public or private equity, or corporate buyout transactions, within
42 or outside the United States. ~~States or~~ (ii) to engage in other strategies not
43 expressly authorized by any other subdivision of this subsection. The
44 amount invested under this subdivision shall not exceed ~~five percent (5%)~~
45 seven and one-half percent (7.5%) of the market value of all invested assets
46 of the Retirement Systems.

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

1 registered under the Investment Company Act of 1940, individual, common
2 or collective trust funds of banks and trust companies, group trusts and
3 limited partnerships, limited liability companies or other limited liability
4 investment vehicles that invest primarily in investments authorized by this
5 subdivision and through contractual arrangements in which the investment
6 manager has full and complete discretion and authority to invest assets
7 specified in such arrangements in investments authorized by this
8 subdivision, provided the investment manager for each investment pursuant
9 to this subdivision has assets under management of at least one hundred
10 million dollars (\$100,000,000) and provided that the investments authorized
11 under this subdivision shall not exceed five percent (5%) of the market value
12 of all invested assets of the Retirement Systems. Notwithstanding anything
13 in this subsection to the contrary, the investments authorized by this
14 subdivision shall not be included in any subdivision other than this
15 subdivision for purposes of the percentage investment limitations therein or
16 otherwise.

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

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

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

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

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