

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE BILL 215
Pensions & Retirement and Aging Committee Substitute Adopted 3/31/11
Finance Committee Substitute Adopted 5/3/11

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 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(5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.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 authority to invest assets specified in such arrangements in investments



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

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

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

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

50 The assets authorized under this subdivision may be invested directly by
51 the State Treasurer in any equity securities authorized by this subdivision for

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

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

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

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

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

25 ~~The assets authorized under this subdivision can also be invested directly~~
26 ~~by the State Treasurer in any equity securities represented in the S&P 500~~
27 ~~Index or that have been publicly announced to be included in the S&P 500~~
28 ~~Index. No more than one and one half percent (11/2%) of the market value~~
29 ~~of the Retirement Systems' assets that may be invested directly under this~~
30 ~~subdivision can be invested in the stock of a single corporation, and the total~~
31 ~~number of shares in that single corporation cannot exceed eight percent (8%)~~
32 ~~of the issued and outstanding stock of that corporation.~~

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

44 (9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8)
45 of this subsection, they may be invested in inflation-linked bonds,
46 timberlands, commodities, and other assets that are acquired for the primary
47 purpose of providing protection against risks associated with inflation,
48 provided such investments are made through investment companies
49 registered under the Investment Company Act of 1940, individual, common
50 or collective trust funds of banks and trust companies, group trusts and
51 limited partnerships, limited liability companies or other limited liability

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

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

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

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

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

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