

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011**

H

2

**HOUSE BILL 318
Committee Substitute Favorable 5/4/11**

Short Title: State Treasurer's Investments.-AB

(Public)

Sponsors:

Referred to:

March 14, 2011

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY THE STATE TREASURER INVESTMENT STATUTE.
3 The General Assembly of North Carolina enacts:

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

5 "(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated
6 in subsection (a) of this section in excess of the amount required to meet the current needs and
7 demands on such funds, ~~selecting from among the following:~~ funds. The State Treasurer may
8 invest the funds as provided in this subsection. If an investment was authorized by this
9 subsection at the time the investment was made or contractually committed to be made, then
10 none of the percentage or other limitation on investments set forth in this subsection shall be
11 construed to require the State Treasurer to subsequently dispose of the investment or fail to
12 honor any contractual commitments as a result of changes in market values, ratings, or other
13 investment qualifications.

- 14 (1) ~~Any of the investments~~ Investments authorized by G.S. 147-69.1(c)(1)-(7).
15 (2) General obligations of other states of the United States.
16 (3) General obligations of cities, counties and special districts in North Carolina.
17 (4) Obligations of any company, other organization or legal entity incorporated
18 or otherwise created or located within or outside the United States, including
19 obligations that are convertible into equity securities, if the obligations bear
20 one of the four highest ratings of at least one nationally recognized rating
21 service when acquired.
22 (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.
23 (6) Asset-backed securities (whether considered debt or equity) provided they
24 bear ratings by nationally recognized rating services as provided in
25 G.S. 147-69.2(b)(4).
26 (6a) In addition to the limitations and requirements with respect to the
27 investments of the Retirement Systems set forth in this subsection, the State
28 Treasurer shall select investments of the assets of the Retirement Systems
29 such that investments made pursuant to subdivisions (b)(1) through (6) of
30 this section shall at all times equal or exceed twenty percent (20%) of the
31 market value of all invested assets of the Retirement Systems.
32 (6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may
33 be made directly by the State Treasurer or through contractual arrangements
34 in which the investment manager has full and complete discretion and
35 authority to invest assets specified in such arrangements in investments
36 authorized by subdivisions (b)(1) through (6) of this section, provided for



1 each indirect investment, the investment manager has assets under
2 management of at least one hundred million dollars (\$100,000,000).

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

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

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

49 The assets authorized under this subdivision may be invested directly by
50 the State Treasurer in any equity securities authorized by this subdivision for
51 the primary purpose of approximating the movements of a nationally

1 recognized and published market benchmark index. No more than one and
 2 one-half percent (1.5%) of the market value of the Retirement Systems'
 3 assets that may be invested directly under this subdivision can be invested in
 4 the stock of a single corporation, and the total number of shares in that single
 5 corporation cannot exceed eight percent (8%) of the issued and outstanding
 6 stock of that corporation.

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

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

15 b. Limited partnerships, limited liability companies, or other limited
 16 liability investment vehicles that are not publicly traded and invest
 17 primarily in investments authorized by this subdivision. Investments
 18 under this sub-subdivision shall not exceed six and one-half percent
 19 (6.5%) of the market value of all invested assets of the Retirement
 20 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 (1 1/2%) 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 seven and one-half percent (7.5%) of the market value of all invested assets
 43 of the 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.