

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE BILL 215

Short Title: State Treasurer's Investments.-AB (Public)

Sponsors: Senators Apodaca, Brunstetter, Hise; Clary, Daniel, Harrington, Hunt, Newton,
and Rabon.

Referred to: Pensions & Retirement and Aging.

March 7, 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:

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

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

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

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

16 (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.

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

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

26 (6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may
27 be made directly by the State Treasurer or through contractual arrangements
28 in which the investment manager has full and complete discretion and
29 authority to invest assets specified in such arrangements in investments
30 authorized by subdivisions (b)(1) through (6) of this section, provided for
31 each indirect investment, the investment manager has assets under
32 management of at least one hundred million dollars (\$100,000,000).

33 (6c) With respect to Retirement Systems' assets referred to in subdivision (b)(8),
34 they may be invested in obligations and other debt securities, including debt
35 securities convertible into other securities, that do not meet the requirements
36 of any of subdivisions (b)(1) through (6) of this section nor subdivision



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

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

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

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

- 46 (i)a. ~~investment~~Investment companies registered under the Investment
47 Company Act of ~~1940;~~1940.
- 48 (ii)b. ~~individual,~~Individual, common, or collective trust funds of banks and
49 trust ~~companies,~~companies.
- 50 (iii)c. ~~group trusts, and~~Group trusts that invest primarily in investments
51 authorized by this subdivision.

1 d. Limited partnerships, limited liability companies, or other limited
2 liability investment vehicles that are not publicly traded and invest
3 primarily in investments authorized by this subdivision. Investments
4 under this sub-subdivision shall not exceed ten percent (10%) of the
5 market value of all invested assets of the Retirement Systems.

6 ~~(iv)e.~~ Contractual arrangements in which investment managers
7 have full and complete discretion and authority to invest assets
8 specified in such contractual ~~arrangements~~ arrangements in
9 investments authorized by this subdivision.

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

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

31 (9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8)
32 of this subsection, they may be invested in inflation-linked bonds,
33 timberlands, commodities, and other assets that are acquired for the primary
34 purpose of providing protection against risks associated with inflation,
35 provided such investments are made through investment companies
36 registered under the Investment Company Act of 1940, individual, common
37 or collective trust funds of banks and trust companies, group trusts and
38 limited partnerships, limited liability companies or other limited liability
39 investment vehicles that invest primarily in investments authorized by this
40 subdivision and through contractual arrangements in which the investment
41 manager has full and complete discretion and authority to invest assets
42 specified in such arrangements in investments authorized by this
43 subdivision, provided the investment manager for each investment pursuant
44 to this subdivision has assets under management of at least one hundred
45 million dollars (\$100,000,000) and provided that the investments authorized
46 under this subdivision shall not exceed five percent (5%) of the market value
47 of all invested assets of the Retirement Systems. Notwithstanding anything
48 in this subsection to the contrary, the investments authorized by this
49 subdivision shall not be included in any subdivision other than this
50 subdivision for purposes of the percentage investment limitations therein or
51 otherwise.

- 1 (10) Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s. 2.
- 2 (11) With respect to assets of the Escheat Fund, obligations of the North Carolina
- 3 Global TransPark Authority authorized by G.S. 63A-4(a)(22), not to exceed
- 4 twenty-five million dollars (\$25,000,000), that have a final maturity not later
- 5 than October 1, 2011. The obligations shall bear interest at the rate set by the
- 6 State Treasurer. No commitment to purchase obligations may be made
- 7 pursuant to this subdivision after September 1, 1993, and no obligations may
- 8 be purchased after September 1, 1994. In the event of a loss to the Escheat
- 9 Fund by reason of an investment made pursuant to this subdivision, it is the
- 10 intention of the General Assembly to hold the Escheat Fund harmless from
- 11 the loss by appropriating to the Escheat Fund funds equivalent to the loss.

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

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

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

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