

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 2758

Short Title: Investment Authority to Retirement Board. (Public)

Sponsors: Representatives Coleman, Wainwright, Dollar, Hurley (Primary Sponsors); Lucas and Pierce.

Referred to: Pensions and Retirement, if favorable, Rules, Calendar, and Operations of the House.

May 29, 2008

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE THE RETIREMENT SYSTEM BOARD OF TRUSTEES
2 WITH SOLE AUTHORITY OVER INVESTMENT OF RETIREMENT SYSTEM
3 FUNDS.
4

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 135-7 reads as rewritten:

7 "**§ 135-7. Management of funds.**

8 (a) ~~Vested in Board of Trustees.~~ Trustees; Investment of Funds. – The Board of
9 Trustees shall be the trustee of the several funds created by this Chapter as provided in
10 this section and in G.S. 135-8. The Board of Trustees shall have sole authority and
11 responsibility as fiduciary to invest the several funds as provided in G.S. 135-7A and
12 G.S. 135-7B.

13 (b) Regular Interest Allowance. – The Board of Trustees annually shall allow
14 regular interest on the mean amount for the preceding year in each of the funds with the
15 exception of the expense fund. The amounts so allowed shall be due and payable to said
16 funds, and shall be annually credited thereto by the Board of Trustees from interest and
17 other earnings on the moneys of the Retirement System. Any additional amount
18 required to meet the interest on the funds of the Retirement System shall be paid from
19 the pension accumulation fund, and any excess of earnings over such amount required
20 shall be paid to the pension accumulation fund. Regular interest shall mean such per
21 centum rate to be compounded annually as shall be determined by the Board of Trustees
22 on the basis of the interest earnings of the System for the preceding year and of the
23 probable earnings to be made, in the judgment of the Board, during the immediate
24 future, such rate to be limited to a minimum of three per centum (3%) and a maximum
25 of four per centum (4%), with the latter rate applicable during the first year of operation
26 of the Retirement System.

1 (c) Custodian of ~~Funds; Disbursements; Bond of Director.~~Funds. – The State
2 Treasurer shall be the custodian of the several funds and shall invest their assets in
3 accordance with the provisions of G.S. ~~147-69.2 and 147-69.3.~~ funds.

4 (d) Deposits to Meet Disbursements. – For the purpose of meeting disbursements
5 for pensions, annuities and other payments there may be kept available cash, not
6 exceeding ten per centum (10%) of the total amount in the several funds of the
7 Retirement System, on deposit with the State Treasurer of North Carolina.

8 (e) Personal Profit or Acting as Surety Prohibited. – Except as otherwise herein
9 provided, no trustee and no employee of the Board of Trustees shall have any direct
10 interest in the gains or profits of any investment made by the Board of Trustees, nor as
11 such receive any pay or emolument for his service. No trustee or employee of the Board
12 shall, directly or indirectly, for himself or as an agent in any manner use the same,
13 except to make such current and necessary payments as are authorized by the Board of
14 Trustees; nor shall any trustee or employee of the Board of Trustees become an endorser
15 or surety or in any manner an obligor for moneys loaned or borrowed from the Board of
16 Trustees.

17 (f) Retiree Health Benefit Fund. – The Retiree Health Benefit Fund is established
18 as a fund in which accumulated contributions from employers and any earnings on those
19 contributions shall be used to provide health benefits to retired and disabled employees
20 and their applicable beneficiaries as provided by this Chapter. The Retiree Health
21 Benefit Fund shall be administered in accordance with the provisions of subsection (a)
22 of this section. Employer contributions to the Fund are irrevocable. The assets of the
23 Fund are dedicated to providing health benefits to retired and disabled employees and
24 their applicable beneficiaries as provided by this Chapter and are not subject to the
25 claims of creditors of the employers making contributions to the Fund. However, Fund
26 assets may be used for reasonable expenses to administer the Fund, including costs to
27 conduct required actuarial valuations of State-supported retired employees' health
28 benefits under other post-employment benefit accounting standards set forth by the
29 Governmental Accounting Standards Board of the Financial Accounting Foundation."

30 **SECTION 2.** G.S. 128-29 reads as rewritten:

31 "**§ 128-29. Management of funds.**

32 (a) Vested in Board of ~~Trustees.~~ Trustees; Investment of Funds. – The Board of
33 Trustees shall be the trustee of the several funds created by this Article as provided in
34 G.S. 128-30. The Board of Trustees of the Teachers' and State Employees' Retirement
35 System shall have sole authority and responsibility as fiduciary to invest the several
36 funds as provided in G.S. 135-7A and G.S. 135-7B.

37 (b) Annual Allowance of Regular Interest. – The Board of Trustees annually
38 shall allow regular interest on the mean amount for the preceding year in each of the
39 funds with the exception of the expense fund. The amounts so allowed shall be due and
40 payable to said funds, and shall be annually credited thereto by the Board of Trustees
41 from interest and other earnings on the moneys of the Retirement System. Any
42 additional amount required to meet the interest on the funds of the Retirement System
43 shall be paid from the pension accumulation fund, and any excess of earnings over such
44 amount required shall be paid to the pension accumulation fund. Regular interest shall

1 mean interest at the rate of four per centum (4%) per annum with respect to all
2 calculations and allowances on account of members' contributions and at the rate of
3 three per centum (3%) per annum with respect to employers' contributions, with the
4 right reserved to the Board of Trustees to set a different rate or rates from time to time.

5 (c) Custodian of Funds. – The State Treasurer shall be the custodian of the
6 several funds and shall invest their assets in accordance with the provisions of
7 ~~G.S. 147-69.2 and 147-69.3.~~ funds. All payments from said funds shall be made by him
8 only upon vouchers signed by two persons designated by the Board of Trustees. The
9 secretary of the Board of Trustees shall furnish said Board a surety bond in a company
10 authorized to do business in North Carolina in such amount as shall be required by the
11 Board, the premium to be paid from the expense fund.

12 (d) Cash Deposits for Meeting Disbursements. – For the purpose of meeting
13 disbursements for pensions, annuities and other payments there may be kept available
14 cash, not exceeding ten per centum (10%) of the total amount in the several funds of the
15 Retirement System, on deposit in one or more banks or trust companies of the State of
16 North Carolina, organized under the laws of the State of North Carolina, or of the
17 United States: Provided, that the sum on deposit in any one bank or trust company shall
18 not exceed twenty-five per centum (25%) of the paid up capital and surplus of such
19 bank or trust company.

20 (e) Selection of Depositories. – The Board of Trustees shall select a bank or
21 banks for the deposits of the funds and securities of the Retirement System in the same
22 manner as such banks are selected by the Treasurer of the State of North Carolina. Such
23 banks selected shall be required to conform to the law governing banks selected by the
24 State. The funds and properties of the North Carolina Governmental Employees'
25 Retirement System held in any bank of the State shall be safeguarded by a fidelity and
26 surety bond, the amount to be determined by the Board of Trustees.

27 (f) Immunity of Funds. – Except as otherwise herein provided, no trustee and no
28 employee of the Board of Trustees shall have any direct interest in the gains or profits of
29 any investment made by the Board of Trustees, nor as such receive any pay or
30 emolument for this service. No trustee or employee of the Board shall, directly or
31 indirectly, for himself or as an agent in any manner use the same, except to make such
32 current and necessary payments as are authorized by the Board of Trustees; nor shall
33 any trustee or employee of the Board of Trustees become an endorser or surety or in any
34 manner an obligor for moneys loaned or borrowed from the Board of Trustees."

35 **SECTION 3.** Article 1 of Chapter 135 of the General Statutes is amended by
36 adding two new sections to read:

37 **"§ 135-7A. Investments authorized for funds held by the Board.**

38 (a) This section applies to funds held by the Board of Trustees to the credit of
39 each of the following:

40 (1) The Teachers' and State Employees' Retirement System.

41 (2) The Consolidated Judicial Retirement System.

42 (3) The Teachers' and State Employees' Comprehensive Major Medical
43 Plan.

44 (4) The Disability Income Plan.

- 1 (5) The Local Governmental Employees' Retirement System.
- 2 (6) The Legislative Retirement System.
- 3 (7) The Firemen's and Rescue Workers' Pension Fund.
- 4 (8) The Legislative Retirement Fund.
- 5 (9) North Carolina National Guard Pension Fund.
- 6 (10) Death Benefit Trust.
- 7 (11) Register of Deeds Supplemental Pension Fund.

8 (b) It shall be the duty of the Board of Trustees to invest the cash of the funds
9 enumerated in subsection (a) of this section in excess of the amount required to meet the
10 current needs and demands on such funds, selecting from among the following:

- 11 (1) Any of the investments authorized to the State Treasurer by
12 G.S. 147-69.1(c)(1)-(7).
- 13 (2) General obligations of other states of the United States.
- 14 (3) General obligations of cities, counties, and special districts in North
15 Carolina.
- 16 (4) Obligations of any company, other organization, or legal entity
17 incorporated or otherwise created or located within or outside the
18 United States if the obligations bear one of the four highest ratings of
19 at least one nationally recognized rating service and do not bear a
20 rating below the four highest by any nationally recognized rating
21 service which rates the particular security.
- 22 (5) Asset-backed securities (whether considered debt or equity) provided
23 they bear ratings by nationally recognized rating services as provided
24 in subdivision (4) of this subsection and that they do not bear a rating
25 below the four highest by any nationally recognized rating service that
26 rates the particular securities.
- 27 (6) Any of the following: (i) insurance contracts that provide for
28 participation in individual or pooled separate accounts of insurance
29 companies, (ii) group trusts, (iii) individual, common, or collective
30 trust funds of banks and trust companies, (iv) real estate investment
31 trusts, and (v) limited partnerships, whether described as limited
32 liability partnerships or limited liability companies; provided the
33 investment manager has assets under management of at least one
34 hundred million dollars (\$100,000,000); provided such investment
35 assets are managed primarily for the purpose of investing in or owning
36 real estate or related debt financing located within or outside the
37 United States; and provided that the investment authorized by this
38 subdivision shall not exceed ten percent (10%) of the market value of
39 all invested assets of the Retirement Systems.
- 40 (7) Preferred or common stocks issued by any company incorporated or
41 otherwise created or located within or outside the United States
42 provided the investments meet the conditions of this subdivision.

43 The investments authorized under this subdivision cannot exceed
44 sixty-five percent (65%) of the market value of all invested assets of

1 the Retirement Systems. Up to five percent (5%) of the amount that
2 may be invested under this subdivision may be invested in the stocks
3 or shares of a diversified investment company registered under the
4 Investment Company Act of 1940 that has total assets of at least fifty
5 million dollars (\$50,000,000).

6 The assets authorized under this subdivision can be invested
7 through individual, common, or collective trust funds of banks, trust
8 companies, and group trust funds of investment advisory companies so
9 long as the investment manager has assets under management of at
10 least one hundred million dollars (\$100,000,000).

11 The assets authorized under this subdivision can also be invested
12 directly, if all of the following conditions are met:

13 a. The common stock or preferred stock of such corporation is
14 registered on a national securities exchange as provided in the
15 Federal Securities Exchange Act or quoted through the National
16 Association of Securities Dealers' Automated Quotations
17 (NASDAQ) system.

18 b. The corporation has paid a cash dividend on its common stock
19 in each year of the five-year period next preceding the date of
20 investment and the aggregate net earnings available for
21 dividends on the common stock of the corporation for the whole
22 of that period have been at least equal to the amount of the
23 dividends paid.

24 c. In applying the dividend and earnings test under this section to
25 any issuing, assuming, or guaranteeing corporation, if the
26 corporation acquired its property or any substantial part thereof
27 within a five-year period immediately preceding the date of
28 investment by consolidation, merger, or by the purchase of all
29 or a substantial portion of the property of any other corporation
30 or corporations, or acquired the assets of any unincorporated
31 business enterprise by purchase or otherwise, the dividends and
32 net earnings of the several predecessor or constituent
33 corporations or enterprises shall be consolidated and adjusted so
34 as to ascertain whether or not the applicable requirements of
35 this subdivision have been complied with.

36 No more than one and one-half percent (1 1/2%) of the
37 market value of the Retirement Systems' assets that may be
38 invested under this subdivision can be invested in the stock of a
39 single corporation, and the total number of shares in that single
40 corporation cannot exceed eight percent (8%) of the issued and
41 outstanding stock of that corporation.

42 d. That investments may be made in securities convertible into
43 common stocks issued by any such company, if such securities
44 bear one of the four highest ratings of at least one nationally

1 recognized rating service and do not bear a rating below the
2 four highest by any nationally recognized rating service which
3 may then rate the particular security.

4 (8) Limited partnership interests in a partnership or in interests in a limited
5 liability company if the primary purpose of the partnership or limited
6 liability company is to invest in public or private debt, public or
7 private equity, or corporate buyout transactions, within or outside the
8 United States. The amount invested under this subdivision shall not
9 exceed five percent (5%) of the market value of all invested assets of
10 the Retirement Systems.

11 (c) With respect to investments authorized by subdivisions (7) and (8) of
12 subsection (b) of this section, the Board of Trustees shall appoint an Investment
13 Advisory Committee, which shall consist of five members: the State Treasurer, who
14 shall be chairman ex officio; two members selected from among the members of the
15 boards of trustees of the Retirement Systems; and two members selected from the
16 general public. The two public members must have experience in one or more of the
17 following areas: investment management, real estate investment trusts, real estate
18 development, venture capital investment, or absolute return strategies. The Board of
19 Trustees shall also appoint a Secretary of the Investment Advisory Committee who need
20 not be a member of the committee. Members of the committee shall receive for their
21 services the same per diem and allowances granted to members of State boards and
22 commissions generally. The committee shall have advisory powers only and
23 membership shall not be deemed a public office within the meaning of Article VI,
24 Section 9 of the Constitution of North Carolina or G.S. 128-1.1.

25 **"§ 135-7B. Administration of Board's investment programs.**

26 (a) The Board of Trustees shall establish, maintain, administer, manage, and
27 operate within the Department of State Treasurer one or more investment programs for
28 the deposit and investment of assets pursuant to the provisions of G.S. 135-7A and
29 G.S. 135-7B.

30 (b) The Board of Trustees' investment programs shall be so managed that in the
31 judgment of the Board funds may be readily converted into cash when needed.

32 (c) The total return earned on investments shall accrue pro rata to the fund whose
33 assets are invested according to the formula prescribed by the Board of Trustees with
34 the approval of the Governor and Council of State.

35 (d) The Board of Trustees has full powers as a fiduciary to hold, purchase, sell,
36 assign, transfer, lend, and dispose of any of the securities or investments in which any of
37 the programs created pursuant to this section have been invested and may reinvest the
38 proceeds from the sale of those securities or investments and any other investable assets
39 of the program.

40 (e) The cost of administration, management, and operation of investment
41 programs established pursuant to this section shall be apportioned equitably among the
42 programs in such manner as may be prescribed by the Board of Trustees, such costs to
43 be paid from each program, and to the extent not otherwise chargeable directly to the
44 income or assets of the specific investment program or pooled investment vehicle, shall

1 be deposited with the State Treasurer as a General Fund nontax revenue. The cost of
2 administration, management, and operation of investment programs established
3 pursuant to this section and not directly paid from the income or assets of such program
4 shall be covered by an appropriation to the Board of Trustees for this purpose in the
5 Current Operations Appropriations Act.

6 (f) The Board of Trustees may retain the services of independent appraisers,
7 auditors, actuaries, attorneys, investment counseling firms, statisticians, custodians, or
8 other persons or firms possessing specialized skills or knowledge necessary for the
9 proper administration of investment programs created pursuant to this section.

10 (g) The Board of Trustees shall prepare, as of the end of each fiscal year, a report
11 on the financial condition of each investment program created pursuant to this section.
12 A copy of each report shall be submitted within 30 days following the end of the fiscal
13 year to the official, institution, board, commission, or other agency whose funds are
14 invested, the State Auditor, and the chairs of the Finance Committees of the House of
15 Representatives and the Senate.

16 (h) The Board of Trustees shall report at least twice a year to the General
17 Assembly, through the Finance Committees of the House of Representatives and the
18 Senate, on the investment programs created under this section. The Board of Trustees
19 shall present the reports to a joint meeting of the Finance Committees. The chairs of the
20 Finance Committees may receive the reports and call the meetings. The Finance
21 Committees may meet during the interim as necessary to hear the reports from the
22 Board of Trustees. The Board of Trustees' report and presentation to the Finance
23 Committees shall include all of the following:

24 (1) A full and complete statement of all moneys invested by virtue of the
25 provisions of G.S. 135-7A and G.S. 135-7B.

26 (2) The nature and character of the investments.

27 (3) The revenues derived from the investments.

28 (4) The costs of administering, managing, and operating the investment
29 programs, including the recapture of any investment commissions.

30 (5) A statement of the investment policies for the revenues invested.

31 (6) Any other information that may be helpful in understanding the State
32 Treasurer's investment policies and investment results.

33 (7) Any other information requested by the Finance Committees.

34 (i) The Board of Trustees shall report the incentive bonus paid to the Chief
35 Investment Officer to the Joint Legislative Commission on Governmental Operations by
36 October 1 of each year.

37 (j) The Board of Trustees shall adopt any rules necessary to carry out the
38 provisions of this section."

39 **SECTION 4.** G.S. 147-69.2 reads as rewritten:

40 **"§ 147-69.2. Investments authorized for special funds held by State Treasurer.**

41 (a) This section applies to funds held by the State Treasurer to the credit of each
42 of the following:

43 ~~(1) The Teachers' and State Employees' Retirement System.~~

44 ~~(2) The Consolidated Judicial Retirement System.~~

- 1 (3) ~~The Teachers' and State Employees' Hospital and Medical Insurance~~
- 2 ~~Plan.~~
- 3 (4) ~~The General Assembly Medical and Hospital Care Plan.~~
- 4 (5) ~~The Disability Salary Continuation Plan.~~
- 5 (6) ~~The Firemen's and Rescuer Workers' Pension Fund.~~
- 6 (7) ~~The Local Governmental Employees' Retirement System.~~
- 7 (8) ~~The Legislative Retirement System.~~
- 8 (9) The Escheat Fund.
- 9 (10) ~~The Legislative Retirement Fund.~~
- 10 (11) The State Education Assistance Authority.
- 11 (12) The State Property Fire Insurance Fund.
- 12 (13) The Stock Workers' Compensation Fund.
- 13 (14) The Mutual Workers' Compensation Fund.
- 14 (15) The Public School Insurance Fund.
- 15 (16) The Liability Insurance Trust Fund.
- 16 (16a) The University of North Carolina Hospitals at Chapel Hill funds,
- 17 except appropriated funds, deposited with the State Treasurer pursuant
- 18 to G.S. 116-37.2.
- 19 (17) Trust funds of The University of North Carolina and its constituent
- 20 institutions deposited with the State Treasurer pursuant to
- 21 G.S. 116-36.1.
- 22 (17a) North Carolina Veterans Home Trust Fund.
- 23 (17b) ~~North Carolina National Guard Pension Fund.~~
- 24 (17c) Retiree Health Premium Reserve Account.
- 25 (17d) The Election Fund.
- 26 (17e) The North Carolina State Lottery Fund.
- 27 (17f) Funds deposited with the State Treasurer by public hospitals pursuant
- 28 to G.S. 159-39(g).
- 29 (17g) The Local Government Other Post-Employment Benefits Fund.
- 30 (17h) The Local Government Law Enforcement Special Separation
- 31 Allowance Fund.
- 32 (18) Any other special fund created by or pursuant to law for purposes
- 33 other than meeting appropriations made pursuant to the Executive
- 34 Budget Act.
- 35 (b) It shall be the duty of the State Treasurer to invest the cash of the funds
- 36 enumerated in subsection (a) of this section in excess of the amount required to meet the
- 37 current needs and demands on such funds, selecting from among the following:
- 38 (1) Any of the investments authorized by G.S. 147-69.1(c)(1)-(7).
- 39 (2) General obligations of other states of the United States.
- 40 (3) General obligations of cities, counties and special districts in North
- 41 Carolina.
- 42 (4) Obligations of any company, other organization or legal entity
- 43 incorporated or otherwise created or located within or outside the
- 44 United States if the obligations bear one of the four highest ratings of

1 at least one nationally recognized rating service and do not bear a
2 rating below the four highest by any nationally recognized rating
3 service which rates the particular security.

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

5 (6) Asset-backed securities (whether considered debt or equity) provided
6 they bear ratings by nationally recognized rating services as provided
7 in G.S. 147-69.2(b)(4) and that they do not bear a rating below the four
8 highest by any nationally recognized rating service that rates the
9 particular securities.

10 ~~(7) With respect to Retirement Systems' assets referred to in~~
11 ~~G.S. 147-69.2(b)(8), (i) insurance contracts that provide for~~
12 ~~participation in individual or pooled separate accounts of insurance~~
13 ~~companies, (ii) group trusts, (iii) individual, common, or collective~~
14 ~~trust funds of banks and trust companies, (iv) real estate investment~~
15 ~~trusts, and (v) limited partnerships, whether described as limited~~
16 ~~liability partnerships or limited liability companies; provided the~~
17 ~~investment manager has assets under management of at least one~~
18 ~~hundred million dollars (\$100,000,000); provided such investment~~
19 ~~assets are managed primarily for the purpose of investing in or owning~~
20 ~~real estate or related debt financing located within or outside the~~
21 ~~United States; and provided that the investment authorized by this~~
22 ~~subsection shall not exceed ten percent (10%) of the market value of~~
23 ~~all invested assets of the Retirement Systems.~~

24 (8) With respect to assets of the Teachers' and State Employees'
25 Retirement System, the Consolidated Judicial Retirement System, the
26 Firemen's and Rescue Workers' Pension Fund, the Local
27 Governmental Employees' Retirement System, the Legislative
28 Retirement System, the North Carolina National Guard Pension Fund
29 (hereinafter referred to collectively as the Retirement Systems), and
30 assets invested pursuant to subdivision (b2) of this section, they may
31 be invested in preferred or common stocks issued by any company
32 incorporated or otherwise created or located within or outside the
33 United States provided the investments meet the conditions of this
34 subdivision.

35 ~~The investments authorized for the Retirement Systems under this~~
36 ~~subdivision cannot exceed sixty five percent (65%) of the market~~
37 ~~value of all invested assets of the Retirement Systems. Up to five~~
38 ~~percent (5%) of the amount that may be invested under this~~
39 ~~subdivision may be invested in the stocks or shares of a diversified~~
40 ~~investment company registered under the "Investment Company Act of~~
41 ~~1940" that has total assets of at least fifty million dollars~~
42 ~~(\$50,000,000).~~

43 The assets authorized under this subdivision can be invested
44 through individual, common, or collective trust funds of banks, trust

1 companies, and group trust funds of investment advisory companies so
2 long as the investment manager has assets under management of at
3 least one hundred million dollars (\$100,000,000).

4 The assets authorized under this subdivision can also be invested
5 directly, if all of the following conditions are met:

6 a. The common stock or preferred stock of such corporation is
7 registered on a national securities exchange as provided in the
8 Federal Securities Exchange Act or quoted through the National
9 Association of Securities Dealers' Automated Quotations
10 (NASDAQ) system.

11 b. The corporation has paid a cash dividend on its common stock
12 in each year of the 5-year period next preceding the date of
13 investment and the aggregate net earnings available for
14 dividends on the common stock of the corporation for the whole
15 of that period have been at least equal to the amount of the
16 dividends paid.

17 c. In applying the dividend and earnings test under this section to
18 any issuing, assuming, or guaranteeing corporation, if the
19 corporation acquired its property or any substantial part thereof
20 within a five-year period immediately preceding the date of
21 investment by consolidation, merger, or by the purchase of all
22 or a substantial portion of the property of any other corporation
23 or corporations, or acquired the assets of any unincorporated
24 business enterprise by purchase or otherwise, the dividends and
25 net earnings of the several predecessor or constituent
26 corporations or enterprises shall be consolidated and adjusted so
27 as to ascertain whether or not the applicable requirements of
28 this subdivision have been complied with.

29 No more than one and one-half percent (1 1/2%) of the market
30 value of the Retirement Systems' assets that may be invested under this
31 subdivision can be invested in the stock of a single corporation, and
32 the total number of shares in that single corporation cannot exceed
33 eight percent (8%) of the issued and outstanding stock of that
34 corporation.

35 d. to f. Repealed by Session Laws 2001-444, s. 2, effective
36 October 1, 2001.

37 g. That investments may be made in securities convertible into
38 common stocks issued by any such company, if such securities
39 bear one of the four highest ratings of at least one nationally
40 recognized rating service and do not bear a rating below the
41 four highest by any nationally recognized rating service which
42 may then rate the particular security.

43 (9) ~~With respect to Retirement Systems' assets, as defined in subdivision~~
44 ~~(b)(8) of this subsection, they may be invested in limited partnership~~

1 interests in a partnership or in interests in a limited liability company if
2 the primary purpose of the partnership or limited liability company is
3 to invest in public or private debt, public or private equity, or corporate
4 buyout transactions, within or outside the United States. The amount
5 invested under this subdivision shall not exceed five percent (5%) of
6 the market value of all invested assets of the Retirement Systems.

7 (10) Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s.
8 2.

9 (11) With respect to assets of the Escheat Fund, obligations of the North
10 Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22),
11 not to exceed twenty-five million dollars (\$25,000,000), that have a
12 final maturity not later than October 1, 2009. The obligations shall
13 bear interest at the rate set by the State Treasurer. No commitment to
14 purchase obligations may be made pursuant to this subdivision after
15 September 1, 1993, and no obligations may be purchased after
16 September 1, 1994. In the event of a loss to the Escheat Fund by
17 reason of an investment made pursuant to this subdivision, it is the
18 intention of the General Assembly to hold the Escheat Fund harmless
19 from the loss by appropriating to the Escheat Fund funds equivalent to
20 the loss.

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

25 (12) With respect to assets of the Escheat Fund, in addition to those
26 investments authorized by subdivisions (1) through (6) of this
27 subsection, up to twenty percent (20%) in the investments authorized
28 under subdivisions (7) through (9) of this subsection, notwithstanding
29 the limitations imposed on the retirement funds under those
30 subdivisions.

31 ~~(b1) With respect to investments authorized by subsections (b)(8) and (b)(9) of~~
32 ~~this section, the State Treasurer shall appoint an Investment Advisory Committee,~~
33 ~~which shall consist of five members: the State Treasurer, who shall be chairman ex~~
34 ~~officio; two members selected from among the members of the boards of trustees of the~~
35 ~~Retirement Systems; and two members selected from the general public. The two public~~
36 ~~members must have experience in one or more of the following areas: investment~~
37 ~~management, real estate investment trusts, real estate development, venture capital~~
38 ~~investment, or absolute return strategies. The State Treasurer shall also appoint a~~
39 ~~Secretary of the Investment Advisory Committee who need not be a member of the~~
40 ~~committee. Members of the committee shall receive for their services the same per diem~~
41 ~~and allowances granted to members of the State boards and commissions generally. The~~
42 ~~committee shall have advisory powers only and membership shall not be deemed a~~
43 ~~public office within the meaning of Article VI, Section 9 of the Constitution of North~~
44 ~~Carolina or G.S. 128-1.1.~~

1 (b2) The State Treasurer may invest funds deposited pursuant to subdivision
2 (a)(17f) of this section in any of the investments authorized under subdivisions (1)
3 through (6) and subdivision (8) of subsection (b) of this section. The State Treasurer
4 may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and
5 may assess a reasonable fee, not to exceed 15 basis points, as a condition of
6 participation pursuant to this subsection. Funds deposited pursuant to this subsection by
7 a hospital shall remain the funds of that hospital, and interest or other investment
8 income earned thereon shall be prorated and credited to the contributing hospital on the
9 basis of the amounts thereof contributed, figured according to sound accounting
10 principles.

11 (b3) The State Treasurer may invest funds deposited pursuant to subdivision
12 (a)(16a) of this section in any of the investments authorized under subdivisions (1)
13 through (6) and subdivision (8) of subsection (b) of this section. The State Treasurer
14 may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and
15 may assess a reasonable fee, not to exceed 15 basis points, as a condition of
16 participation pursuant to this subsection. Funds deposited pursuant to this subsection by
17 the University of North Carolina Hospitals at Chapel Hill shall remain the funds of the
18 University of North Carolina Hospitals at Chapel Hill, and interest or other investment
19 income earned thereon shall be prorated and credited to the University of North
20 Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed,
21 figured according to sound accounting principles.

22 (b4) In addition to the investments authorized under subdivisions(b)(1) through
23 (b)(6) of this section, the State Treasurer may invest funds deposited in the Local
24 Government Other Post-Employment Benefits Fund in the investments authorized under
25 subdivision (b)(8) of this section. For investments from that Fund made under
26 subdivision (b)(8) of this section, the State Treasurer may require a minimum deposit of
27 up to one hundred thousand dollars (\$100,000) and may assess a fee of up to 15 basis
28 points as a condition of making the investment. The fee may be used to defray the costs
29 of administering the Fund.

30 (b5) In addition to the investments authorized under subdivisions (b)(1) through
31 (b)(6) of this section, the State Treasurer may invest funds deposited in the Local
32 Government Law Enforcement Special Separation Allowance Fund in the investments
33 authorized under subdivision (b)(8) of this section. For investments from that Fund
34 made under subdivision (b)(8) of this section, the State Treasurer may require a
35 minimum deposit of up to one hundred thousand dollars (\$100,000) and may assess a
36 fee of up to 15 basis points as a condition of making the investment. The fee may be
37 used to defray the costs of administering the Fund.

38 (c) Repealed by Session Laws 1995, c. 501, s. 2."

39 **SECTION 5.** This act becomes effective July 1, 2008.