

NORTH CAROLINA GENERAL ASSEMBLY  
1961 SESSION

CHAPTER 626  
SENATE BILL 284

1 AN ACT TO AMEND CHAPTER 135 OF THE GENERAL STATUTES AND CHAPTER  
2 128 OF THE GENERAL STATUTES SO AS TO AUTHORIZE THE TEACHERS' AND  
3 STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL  
4 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO INVEST FUNDS IN  
5 CERTAIN COMMON AND PREFERRED STOCKS.  
6

7 The General Assembly of North Carolina do enact:  
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9 **Section 1.** Chapter 135 of the General Statutes is hereby amended by inserting a  
10 new Section immediately following' G.S. 135-7.1, to be designated as G.S. 135-7.2, and  
11 Chapter 128 of the General Statutes is hereby amended by inserting a new Section immediately  
12 following G.S. 128-29, to be designated as G.S. 128-29.1, and each of said new Sections to  
13 read as follows:

14 "Authority to invest in certain common and preferred stocks. In addition to all other powers  
15 of investment, the board of trustees, within the limitations set forth in this Section, is also  
16 authorized to invest Retirement System funds in stocks, preferred or common, issued or  
17 guaranteed by a corporation created or existing under the laws of the United States or any state,  
18 district, or territory thereof, provided;

19 "(a) That for a period of five fiscal years for which the necessary statistical data are  
20 available next preceding the date of investment, such corporation as disclosed by its published  
21 fiscal annual statements shall have had an average annual net income plus its average annual  
22 fixed charges (as herein used, fixed charges shall mean interest on funded or unfunded debt,  
23 contingent interest charges, amortization of debt discount and expense and rentals for leased  
24 property and, in the case of consolidated earnings statements of parent and subsidiary  
25 corporations shall include all fixed charges and preferred dividend requirement, if any, of the  
26 subsidiaries) at least equal to one and one-half times the sum of its average annual dividend  
27 requirement for preferred stock and its average annual fixed charges for the same period ;  
28 however, during neither of the last two years of such period shall the sum of its annual net  
29 income and its annual fixed charges have been less than one and one-half times the sum of its  
30 dividend requirements for preferred stock and its fixed charges for the same period;

31 "(b) That such corporation shall have no arrears of dividends on its preferred stock;

32 "(c) That such common stock is registered on a National securities exchange as provided  
33 in the Federal Securities Exchange Act, but such registration shall not be required of the  
34 following stocks:

35 "(1) The common stock of a bank which is a member of Federal Deposit  
36 Insurance Corporation and has capital funds, represented by capital, surplus  
37 and undivided profits, of at least twenty million dollars (\$20,000,000.00);

38 "(2) The common stock of a life insurance company which has capital funds  
39 represented by capital, special surplus funds and unassigned surplus, of at  
40 least fifty million dollars (\$50,000,000.00);

41 "(3) The common stock of a fire or casualty insurance company, or a  
42 combination thereof, which has capital funds represented by capital, net

1 surplus and voluntary reserves, of at least fifty million dollars  
2 (\$50,000,000.00);

3 "(d) That the preferred stock of such corporation, if any be outstanding, shall qualify for  
4 investment under this division;

5 "(e) That such corporation, having no preferred stock outstanding, shall have had  
6 earnings for the five fiscal years next preceding the date of investment of at least twice the  
7 interest on all mortgages, bonds, debentures, and funded debts, if any, after deduction of the  
8 proper charges for replacements, depreciation, and obsolescence;

9 "(f) That such corporation shall have paid a cash dividend on its common stock in each  
10 year of the ten-year period next preceding the date of investment and the aggregate net earnings  
11 available for dividends on the common stock of such corporation for the whole of such period  
12 shall have been at least equal to the amount of such dividends paid;

13 "(g) That in applying the earnings test under this division to any issuing, assuming, or  
14 guaranteeing corporation, where such corporation shall have acquired its property or any  
15 substantial part thereof within a five-year period immediately preceding the date of investment  
16 by consolidation, merger, or by the purchase of all or a substantial portion of the property of  
17 any other corporation or corporations, or shall have acquired the assets of any unincorporated  
18 business enterprise by purchase or otherwise, net income, fixed charges and preferred dividends  
19 of the several predecessor or constituent corporations or enterprises shall be consolidated and  
20 adjusted so as to ascertain whether or not the applicable requirements of this Section have been  
21 complied with;

22 "(h) That the total value of common and preferred stocks shall not exceed ten per centum  
23 of the total value of all invested funds of the Retirement System; provided, further:

24 "(1) Not more than one and one-half per centum of the total value of such funds  
25 shall be invested in the stock of a single corporation, and provided further;

26 "(2) The total number of shares in a single corporation shall not exceed eight per  
27 centum of the issued and outstanding stock of such corporation, and  
28 provided further;

29 "(3) Not more than one and one-half per centum of the total value of such funds  
30 shall be invested in stocks during any year;

31 "(4) As used in this paragraph (h), value shall consist of the par value or unpaid  
32 balance of all unmatured or unpaid investments requiring the payment of a  
33 fixed amount at payment date and the cost price of all other investments.

34 "In order to carry out the duties and exercise the powers imposed and granted by this  
35 Section, the chairman of the board of trustees is authorized to appoint an investment committee  
36 consisting of five members, three of whom shall be members of the board of trustees  
37 designated ex officio by the chairman and two of whom shall not be members of the board.  
38 Such investment committee shall have such powers and duties as the board of trustees may  
39 prescribe. The members of the investment committee shall receive for their services the same  
40 per diem and other allowances as are granted the members of State boards and commissions  
41 generally."

42 **Sec. 2.** All laws and clauses of laws in conflict with this Act are hereby repealed.

43 **Sec. 3.** This Act shall become effective July 1, 1961.

44 In the General Assembly read three times and ratified, this the 6th day of June,  
45 1961.