

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE DRH50536-LL-238A (3/31)

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

Sponsors: Representatives Coleman, Faison, Hurley, and Dollar (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-7(c) reads as rewritten:

"§ 135-7. **Management of funds.**

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

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

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

27 "**§ 128-29. Management of funds.**

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

33 (b) Annual Allowance of Regular Interest. – The Board of Trustees annually
34 shall allow regular interest on the mean amount for the preceding year in each of the
35 funds with the exception of the expense fund. The amounts so allowed shall be due and
36 payable to said funds, and shall be annually credited thereto by the Board of Trustees
37 from interest and other earnings on the moneys of the Retirement System. Any
38 additional amount required to meet the interest on the funds of the Retirement System
39 shall be paid from the pension accumulation fund, and any excess of earnings over such
40 amount required shall be paid to the pension accumulation fund. Regular interest shall
41 mean interest at the rate of four per centum (4%) per annum with respect to all
42 calculations and allowances on account of members' contributions and at the rate of
43 three per centum (3%) per annum with respect to employers' contributions, with the
44 right reserved to the Board of Trustees to set a different rate or rates from time to time.

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

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

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

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

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

33 **"§ 135-7A. Investments authorized for funds held by the Board.**

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

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

37 (2) The Consolidated Judicial Retirement System.

38 (3) The Teachers' and State Employees' Comprehensive Major Medical
39 Plan.

40 (4) The Disability Income Plan.

41 (5) The Local Governmental Employees' Retirement System.

42 (6) The Legislative Retirement System.

43 (7) The Firemen's and Rescue Workers' Pension Fund.

44 (8) The Legislative Retirement Fund.

1 (9) North Carolina National Guard Pension Fund.

2 (10) Death Benefit Trust.

3 (11) Register of Deeds Supplemental Pension Fund.

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

7 (1) Any of the investments authorized to the State Treasurer by
8 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
11 Carolina.

12 (4) Obligations of any company, other organization, or legal entity
13 incorporated or otherwise created or located within or outside the
14 United States if the obligations bear one of the four highest ratings of
15 at least one nationally recognized rating service and do not bear a
16 rating below the four highest by any nationally recognized rating
17 service which rates the particular security.

18 (5) Asset-backed securities (whether considered debt or equity) provided
19 they bear ratings by nationally recognized rating services as provided
20 in subdivision (4) of this subsection and that they do not bear a rating
21 below the four highest by any nationally recognized rating service that
22 rates the particular securities.

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

36 (7) Preferred or common stocks issued by any company incorporated or
37 otherwise created or located within or outside the United States
38 provided the investments meet the conditions of this subdivision.

39 The investments authorized under this subdivision cannot exceed
40 sixty-five percent (65%) of the market value of all invested assets of
41 the Retirement Systems. Up to five percent (5%) of the amount that
42 may be invested under this subdivision may be invested in the stocks
43 or shares of a diversified investment company registered under the

1 "Investment Company Act of 1940" that has total assets of at least fifty
2 million dollars (\$50,000,000).

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

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

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

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

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

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

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

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

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

22 **"§ 135-7B. Administration of Board's investment programs.**

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

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

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

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

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

1 shall be covered by an appropriation to the Board of Trustees for this purpose in the
2 Current Operations Appropriations Act.

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

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

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

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

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

24 (3) The revenues derived from the investments.

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

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

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

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

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

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

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

37 **"§ 147-69.2. Investments authorized for special funds held by State Treasurer.**

38 (a) This section applies to funds held by the State Treasurer to the credit of each
39 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' Hospital and Medical Insurance~~
43 ~~Plan.~~

44 (4) ~~The General Assembly Medical and Hospital Care Plan.~~

- 1 (5) ~~The Disability Salary Continuation Plan.~~
- 2 (6) ~~The Firemen's and Rescue Workers' Pension Fund.~~
- 3 (7) ~~The Local Governmental Employees' Retirement System.~~
- 4 (8) ~~The Legislative Retirement System.~~
- 5 (9) The Escheat Fund.
- 6 (10) ~~The Legislative Retirement Fund.~~
- 7 (11) The State Education Assistance Authority.
- 8 (12) The State Property Fire Insurance Fund.
- 9 (13) The Stock Workers' Compensation Fund.
- 10 (14) The Mutual Workers' Compensation Fund.
- 11 (15) The Public School Insurance Fund.
- 12 (16) The Liability Insurance Trust Fund.
- 13 (16a) The University of North Carolina Hospitals at Chapel Hill funds,
14 except appropriated funds, deposited with the State Treasurer pursuant
15 to G.S. 116-37.2.
- 16 (17) Trust funds of The University of North Carolina and its constituent
17 institutions deposited with the State Treasurer pursuant to
18 G.S. 116-36.1.
- 19 (17a) North Carolina Veterans Home Trust Fund.
- 20 (17b) ~~North Carolina National Guard Pension Fund.~~
- 21 (17c) Retiree Health Premium Reserve Account.
- 22 (17d) The Election Fund.
- 23 (17e) The North Carolina State Lottery Fund.
- 24 (17f) Funds deposited with the State Treasurer by public hospitals pursuant
25 to G.S. 159-39(g).
- 26 (18) Any other special fund created by or pursuant to law for purposes
27 other than meeting appropriations made pursuant to the Executive
28 Budget Act.
- 29 (b) It shall be the duty of the State Treasurer to invest the cash of the funds
30 enumerated in subsection (a) of this section in excess of the amount required to meet the
31 current needs and demands on such funds, selecting from among the following:
 - 32 (1) Any of the investments authorized by G.S. 147-69.1(c)(1)-(7).
 - 33 (2) General obligations of other states of the United States.
 - 34 (3) General obligations of cities, counties and special districts in North
35 Carolina.
 - 36 (4) Obligations of any company, other organization or legal entity
37 incorporated or otherwise created or located within or outside the
38 United States if the obligations bear one of the four highest ratings of
39 at least one nationally recognized rating service and do not bear a
40 rating below the four highest by any nationally recognized rating
41 service which rates the particular security.
 - 42 (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.
 - 43 (6) Asset-backed securities (whether considered debt or equity) provided
44 they bear ratings by nationally recognized rating services as provided

1 in G.S. 147-69.2(b)(4) and that they do not bear a rating below the four
2 highest by any nationally recognized rating service that rates the
3 particular securities.

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

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

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

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

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

- 1 a. The common stock or preferred stock of such corporation is
2 registered on a national securities exchange as provided in the
3 Federal Securities Exchange Act or quoted through the National
4 Association of Securities Dealers' Automated Quotations
5 (NASDAQ) system.
- 6 b. The corporation has paid a cash dividend on its common stock
7 in each year of the 5-year period next preceding the date of
8 investment and the aggregate net earnings available for
9 dividends on the common stock of the corporation for the whole
10 of that period have been at least equal to the amount of the
11 dividends paid.
- 12 c. In applying the dividend and earnings test under this section to
13 any issuing, assuming, or guaranteeing corporation, if the
14 corporation acquired its property or any substantial part thereof
15 within a five-year period immediately preceding the date of
16 investment by consolidation, merger, or by the purchase of all
17 or a substantial portion of the property of any other corporation
18 or corporations, or acquired the assets of any unincorporated
19 business enterprise by purchase or otherwise, the dividends and
20 net earnings of the several predecessor or constituent
21 corporations or enterprises shall be consolidated and adjusted so
22 as to ascertain whether or not the applicable requirements of
23 this subdivision have been complied with.
- 24 No more than one and one-half percent (1 1/2%) of the
25 market value of the Retirement Systems' assets that may be
26 invested under this subdivision can be invested in the stock of a
27 single corporation, and the total number of shares in that single
28 corporation cannot exceed eight percent (8%) of the issued and
29 outstanding stock of that corporation.
- 30 d. to f. Repealed by Session Laws 2001-444, s. 2, effective
31 October 1, 2001.
- 32 g. That investments may be made in securities convertible into
33 common stocks issued by any such company, if such securities
34 bear one of the four highest ratings of at least one nationally
35 recognized rating service and do not bear a rating below the
36 four highest by any nationally recognized rating service which
37 may then rate the particular security.

38 ~~(9) With respect to Retirement Systems' assets, as defined in subdivision~~
39 ~~(b)(8) of this subsection, they may be invested in limited partnership~~
40 ~~interests in a partnership or in interests in a limited liability company if~~
41 ~~the primary purpose of the partnership or limited liability company is~~
42 ~~to invest in public or private debt, public or private equity, or corporate~~
43 ~~buyout transactions, within or outside the United States. The amount~~

1 ~~invested under this subdivision shall not exceed five percent (5%) of~~
2 ~~the market value of all invested assets of the Retirement Systems.~~

3 (10) ~~Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s.~~
4 ~~2.~~

5 (11) With respect to assets of the Escheat Fund, obligations of the North
6 Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22),
7 not to exceed twenty-five million dollars (\$25,000,000), that have a
8 final maturity not later than October 1, 2007. The obligations shall
9 bear interest at the rate set by the State Treasurer. No commitment to
10 purchase obligations may be made pursuant to this subdivision after
11 September 1, 1993, and no obligations may be purchased after
12 September 1, 1994. In the event of a loss to the Escheat Fund by
13 reason of an investment made pursuant to this subdivision, it is the
14 intention of the General Assembly to hold the Escheat Fund harmless
15 from the loss by appropriating to the Escheat Fund funds equivalent to
16 the loss.

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

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

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

41 (b2) The State Treasurer may invest funds deposited pursuant to subdivision
42 (a)(17e) of this section in any of the investments authorized under subdivisions (1)
43 through (6) and subdivision (8) of subsection (b) of this section. The State Treasurer
44 may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and

1 may assess a reasonable fee, not to exceed 15 basis points, as a condition of
2 participation pursuant to this subsection. Funds deposited pursuant to this subsection by
3 a hospital shall remain the funds of that hospital, and interest or other investment
4 income earned thereon shall be prorated and credited to the contributing hospital on the
5 basis of the amounts thereof contributed, figured according to sound accounting
6 principles.

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

18 **SECTION 5.** This act becomes effective July 1, 2007.