

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 301
Committee Substitute Favorable 4/14/15

Short Title: Escheat Fund Modifications.-AB

(Public)

Sponsors:

Referred to:

March 19, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY INVESTMENT AUTHORIZED FOR SPECIAL FUNDS HELD BY
3 THE STATE TREASURER, AS REQUESTED BY THE STATE TREASURER.

4 The General Assembly of North Carolina enacts:

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

6 "(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated
7 in subsection (a) of this section in excess of the amount required to meet the current needs and
8 demands on such funds. The State Treasurer may invest the funds as provided in this
9 subsection. If an investment was authorized by this subsection at the time the investment was
10 made or contractually committed to be made, then that investment shall continue to be
11 authorized by this subsection, and none of the percentage or other limitation on investments set
12 forth in this subsection shall be construed to require the State Treasurer to subsequently dispose
13 of the investment or fail to honor any contractual commitments as a result of changes in market
14 values, ratings, or other investment qualifications. For purposes of computing market values on
15 which percentage limitations on investments in this subsection are based, all investments shall
16 be valued as of the last date of the most recent fiscal quarter.

17 ...
18 (12) It is the intent of the General Assembly that the Escheat Fund (i) provide a
19 perpetual and sustainable source of funding for the purposes authorized by
20 the State Constitution; and (ii) retain sufficient monies as corpus to allow the
21 State Treasurer to prudently invest in long-term illiquid investments,
22 including those with a North Carolina nexus, in order to grow the amount of
23 earnings available for scholarships over the long-term. Accordingly, the
24 following provisions apply:

25 a. 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%) of such assets may be
28 invested in the investments authorized under subdivisions ~~(7)~~(6c)
29 through ~~(9)~~(9a) of this subsection, notwithstanding the percentage
30 limitations imposed on the Retirement Systems' investments under
31 those subdivisions.

32 b. The State Treasurer shall engage a third-party professional actuary or
33 consultant to conduct a valuation and projection of the financial
34 status of the Escheat Fund. The associated costs for the services may
35 be directly charged to the Escheat Fund. The State Treasurer shall
36 communicate the valuation of the actuary or consultant in an annual



1 report to the Governor, the Speaker of the House of Representatives,
2 the President Pro Tempore of the Senate, and the chairs of the
3 respective appropriations and appropriate substantive committees of
4 each chamber. The annual report shall evaluate claims by owners
5 upon the Escheat Fund, current and projected investment returns, and
6 projected contributions to the Escheat Fund. In the report, the State
7 Treasurer shall assess the status of utilizing the Escheat Fund as an
8 endowment fund and shall recommend an annual amount available
9 for the funding of scholarships, loans, and grants from the Fund. The
10 annual report shall be presented no later than December 31 of each
11 year.

12 c. The State Treasurer may invest, in addition to those investments
13 authorized by sub-subdivision a. of this subdivision, up to ten percent
14 (10%) of the net assets of the Escheat Fund in businesses with a
15 material nexus with this State; provided that such investments are of
16 an asset class and structure authorized for the Retirement System
17 under subdivisions (6c) through (9a) of this subsection.

18 d. The State Treasurer shall discharge his or her investment duties with
19 respect to the Escheat Fund consistent with the provisions of
20 G.S. 36E-3. When considering the factors stated in
21 G.S. 36E-3(e)(1)g., the State Treasurer may presume that the General
22 Assembly will fund scholarships, loans, and grants from the Escheat
23 Fund in the amount recommended in the annual report."

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