

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE DRH10162-LL-123 (2/27)

Short Title: Retirement Systems/Investment Authority.

(Public)

Sponsors: Representative Blust.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH AN INVESTMENT MANAGEMENT BOARD AND TO
REQUIRE THE STATE TREASURER TO OBTAIN THE APPROVAL OF THAT
BOARD FOR ALL INVESTMENT DECISIONS MADE BY THE TREASURER
AS CUSTODIAN OF STATE RETIREMENT SYSTEM FUNDS.

The General Assembly of North Carolina enacts:

SECTION 1. Article 1 of Chapter 135 of the General Statutes is amended by
adding a new section to read:

"§ 135-7A. Investment Management Board.

(a) The Investment Management Board is established to advise the State Treasurer and to approve or disapprove the investment decisions made by the State Treasurer as custodian of the funds of the several Retirement Systems in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The Investment Management Board shall consist of 11 members: five members appointed by the Governor, three members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, and three members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives. All appointees shall have extensive experience in pension management, institutional management, or financial markets. In addition, one of the members appointed by the Governor shall be an attorney experienced in finance and investment matters and another member appointed by the Governor shall be a certified public accountant. The Governor shall designate one of the Governor's appointees to act as chair.

Members shall serve for four-year terms, beginning January 1, 2008, except for the initial terms that shall be as follows:

- (1) Three members appointed by the Governor shall serve an initial term of one year.

1 (2) Four members appointed by the General Assembly, two upon the
2 recommendation of the Speaker of the House of Representatives and
3 two upon the recommendation of the President Pro Tempore of the
4 Senate, shall serve initial terms of two years.

5 (3) Two members appointed by the Governor shall serve initial terms of
6 three years.

7 (4) Two members appointed by the General Assembly, one upon the
8 recommendation of the Speaker of the House of Representatives and
9 one member upon the recommendation of the President Pro Tempore
10 of the Senate, shall serve initial terms of four years.

11 Vacancies in appointments made by the Governor shall be filled by the Governor for
12 the remainder of any unfulfilled term. Vacancies in appointments made by the General
13 Assembly shall be filled in accordance with G.S. 120-122 for the remainder of any
14 unfulfilled term.

15 (b) The Investment Management Board shall:

16 (1) Assist the State Treasurer in establishing investment objectives for the
17 several Retirement Systems;

18 (2) Approve or disapprove investment decisions made by the State
19 Treasurer pursuant to G.S. 128-29(c), 135-7(c), and 135-66;

20 (3) Assist in the development of key investment policies, including asset
21 allocation, asset class strategies, and performance evaluation criteria;

22 (4) Ensure that the investment activities of the Retirement Systems are
23 conducted in an efficient, effective, and prudent manner;

24 (5) Monitor staff, investment managers, and consultants to ensure that
25 investments are made in accordance with approved policies, and
26 evaluate the performance of investments against established criteria;
27 and

28 (6) Otherwise advise the State Treasurer and the Retirement Systems in all
29 matters relating to the investment of Retirement System funds.

30 (c) Members of the Investment Management Board shall be compensated at the
31 prevailing rate established for members of State boards and commissions, and they shall
32 be reimbursed for all necessary expenses that they incur through service on the Board."

33 **SECTION 2.** G.S. 128-29(c) reads as rewritten:

34 "(c) Custodian of Funds. – The State Treasurer shall be the custodian of the
35 several funds and with the approval of the Investment Management Board established
36 under G.S. 135-7A shall invest their assets in accordance with the provisions of
37 G.S. 147-69.2 and 147-69.3. All payments from said funds shall be made by him only
38 upon vouchers signed by two persons designated by the Board of Trustees. The
39 secretary of the Board of Trustees shall furnish said Board a surety bond in a company
40 authorized to do business in North Carolina in such amount as shall be required by the
41 Board, the premium to be paid from the expense fund."

42 **SECTION 3.** G.S. 135-7(c) reads as rewritten:

43 "(c) Custodian of Funds; Disbursements; Bond of Director. – The State Treasurer
44 shall be the custodian of the several funds and with the approval of the Investment

1 Management Board established under G.S. 135-7A shall invest their assets in
2 accordance with the provisions of G.S. 147-69.2 and 147-69.3."

3 **SECTION 4.** G.S. 135-66 reads as rewritten:

4 "**§ 135-66. Administration; management of funds.**

5 The State Treasurer shall be the custodian of the assets of this Retirement System
6 and with the approval of the Investment Management Board established under
7 G.S. 135-7A shall invest them in accordance with the provisions of G.S. 147-69.2 and
8 147-69.3."

9 **SECTION 5.** G.S. 147-69.2 reads as rewritten:

10 "(b1) With respect to investments authorized by ~~subsections (b)(8) and (b)(9) for~~
11 ~~the assets of the Retirement Systems by subdivisions (8) and (9) of subsection (b) of this~~
12 ~~section, the State Treasurer shall appoint an Investment Advisory Committee, which~~
13 ~~shall consist of five members: the State Treasurer, who shall be chairman ex officio;~~
14 ~~two members selected from among the members of the boards of trustees of the~~
15 ~~Retirement Systems; and two members selected from the general public. The two public~~
16 ~~members must have experience in one or more of the following areas: investment~~
17 ~~management, real estate investment trusts, real estate development, venture capital~~
18 ~~investment, or absolute return strategies. The State Treasurer shall also appoint a~~
19 ~~Secretary of the Investment Advisory Committee who need not be a member of the~~
20 ~~committee. Members of the committee shall receive for their services the same per diem~~
21 ~~and allowances granted to members of the State boards and commissions generally. The~~
22 ~~committee shall have advisory powers only and membership shall not be deemed a~~
23 ~~public office within the meaning of Article VI, Section 9 of the Constitution of North~~
24 ~~Carolina or G.S. 128-1.1. obtain the approval of the Investment Management Board~~
25 established under G.S. 135-7A prior to exercising investment authority under those
26 subdivisions."

27 **SECTION 6.** This act becomes effective January 1, 2007, and applies to the
28 investment of assets on or after that date.