

House Resolution 1372 (AS PASSED HOUSE AND SENATE)

By: Representatives Smyre of the 136th, Walker of the 141st, Coleman of the 142nd and Reed of the 52nd

A RESOLUTION

1 Creating the Joint Study Committee on Economic Development Through the Investment of
2 State Pension Funds into Private Equities; and for other purposes.

3 WHEREAS, the General Assembly is concerned with stimulating continued economic
4 development in Georgia; and

5 WHEREAS, authorizing the investment of state pension funds into private equities provides
6 the opportunity to enhance economic development in Georgia by creating access to more
7 investment dollars nationally as well as in Georgia; and

8 WHEREAS, 80 percent of state pension plans across the country authorize private equities
9 in their investment portfolio; and

10 WHEREAS, Georgia needs the same investment tools as these states but is currently
11 prohibited from investing state pension funds in private equities; and

12 WHEREAS, an independent audit completed by KPMG in January, 2001, recommended that
13 Georgia should pursue legislative changes that would allow for the addition of private
14 equities to its two largest retirement plans; and

15 WHEREAS, the board of trustees of the Teachers Retirement System and the Employees'
16 Retirement System both voted unanimously to support allowing investments in private
17 equities; and

18 WHEREAS, diversification into private equities provides the opportunity to enhance the
19 pension fund's performance in order to improve benefits for members of the fund; and

20 WHEREAS, over the last 30 years private equity returns exceed traditional annual equity
21 returns by 4 to 6 percent per year; and

1 WHEREAS, pensions paid out to the Teachers Retirement System and the Employees'
2 Retirement System retirees are a guaranteed benefit and by law cannot be reduced; and

3 WHEREAS, as with current pension fund investments, funds invested in private equities will
4 be independently and prudently managed by professional, federally regulated asset
5 management firms; and

6 WHEREAS, current limitations on investments in private equities in Georgia hinders the
7 ability of Georgia based venture funds to attract investment dollars from the state retirement
8 funds of other states, thus reducing the amount of venture capital resident in Georgia, putting
9 Georgia at a disadvantage vis-a-vis other states in terms of supplying private equity capital
10 to Georgia based businesses and creating employment; and

11 WHEREAS, in 2001, current limitations led to a Georgia based venture capital firm being
12 denied an investment by seven state retirement funds; and

13 WHEREAS, the private and public sectors invest pension fund dollars into private equities,
14 with the permitted investment range being usually from 2 to 10 percent of total investments;
15 and

16 WHEREAS, those Georgia companies offering equity investment include United Parcel
17 Service, Synovus, Delta, and Coca-Cola, as well as foundations related to Emory, Georgia
18 Tech, and the University of Georgia.

19 NOW, THEREFORE, BE IT RESOLVED BY THE GENERAL ASSEMBLY OF
20 GEORGIA that there is created the Joint Study Committee on Economic Development
21 Through the Investment of State Pension Funds into Private Equities to be composed of 23
22 members as follows: four members of the Senate to be appointed by the President of the
23 Senate; four members of the House of Representatives to be appointed by the Speaker of the
24 House of Representatives; nine members appointed by the Governor to include the following:
25 one member of the Teachers Retirement System of Georgia, one member of the Employees'
26 Retirement System of Georgia, one member of the Professional Association of Georgia
27 Educators, one member of the Georgia Federation of Teachers, one member of the Service
28 Employees International Union, one member of the Georgia Association of Educators, one
29 member of the Georgia Retired Educators Association, and two citizens at large; the
30 chairperson of the Board of Industry, Trade, and Tourism; the director of the Office of
31 Planning and Budget; the director of the Office of Treasury and Fiscal Services; the state

1 auditor; the director of the Georgia Research Alliance; and the chairperson of the State Board
2 of Education. The Governor shall designate a member of the committee as chairperson of
3 the committee. The chairperson shall call all meetings of the committee.

4 BE IT FURTHER RESOLVED that the committee shall undertake a study of the conditions,
5 needs, issues, and problems mentioned above or related thereto, to specifically include, but
6 not be limited to, a review of this issue in other states, a review of the KPMG study from
7 2001, testimony from private sector companies and public foundations in Georgia that invest
8 pension funds in private equities, testimony from members of the Teachers Retirement
9 System of Georgia and Employees' Retirement System of Georgia, and testimony from
10 experts who can educate the committee as to the economic development opportunities
11 provided by authorizing the investment of state pension funds into private equities. The
12 committee may conduct such meetings at such places and at such times as it may deem
13 necessary or convenient to enable it to exercise fully and effectively its powers, perform its
14 duties, and accomplish the objectives and purposes of this resolution. The legislative
15 members of the committee shall receive the allowances authorized for legislative members
16 of interim legislative committees but shall receive the same for not more than five days
17 unless additional days are authorized. The public members of the committee who are not
18 public employees shall receive from legislative funds a daily expense allowance as provided
19 in subsection (b) of Code Section 45-7-21 of the O.C.G.A. Any public employees on the
20 commission shall receive no compensation from legislative funds but may be reimbursed for
21 expenses by their employers. The funds necessary to carry out the provisions of this
22 resolution shall come from the funds appropriated to the Senate and the House of
23 Representatives. The committee shall make a report of its findings and recommendations,
24 with suggestions for proposed legislation, if any, on or before December 1, 2002, on which
25 date the committee shall stand abolished.