

House Bill 371

By: Representative Ehrhart of the 36th

A BILL TO BE ENTITLED
AN ACT

1 To amend Article 7 of Chapter 20 of Title 47 of the Official Code of Georgia Annotated,
2 relating to the "Public Retirement Systems Investment Authority Law," so as to provide for
3 an increase in allowable retirement system fund investment in equities to 75 percent; to
4 change the definition of the term "large retirement system" for purposes of enhanced
5 investment authority; to repeal conflicting laws; and for other purposes.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

7 **SECTION 1.**

8 Article 7 of Chapter 20 of Title 47 of the Official Code of Georgia Annotated, relating to the
9 "Public Retirement Systems Investment Authority Law," is amended in Code Section
10 47-20-83, relating to certificated or uncertificated forms of investment and real estate
11 investments, by adding a new subsection to read as follows:

12 "(c) Prior to July 1, 2010, a fund may invest not more than 65 percent of retirement system
13 assets in equities. On and after July 1, 2010, a fund may invest not more than 70 percent
14 of retirement system assets in equities. On and after July 1, 2011, a fund may invest not
15 more than 75 percent of its assets in equities. Any fund which is not in compliance with
16 the investment limitations provided in this subsection shall be granted a two-year period
17 to come into compliance, but no such fund shall increase the percentage of investments in
18 equities during such period."

19 **SECTION 2.**

20 Said article is further amended by revising Code Section 47-20-84, relating to large
21 retirement systems, as follows:

22 "47-20-84.

23 (a) As used in this Code section, the term 'large retirement system' means:

- 24 (1) Any retirement system created by this title which has ~~an accumulated unfunded~~
 25 ~~actuarial accrued liability not greater than 25 percent of the total of its assets in excess of~~
 26 ~~\$200 million;~~
- 27 (2) The Georgia Municipal Employees Benefit System created by Chapter 5 of this title;
 28 ~~and~~
- 29 (3) Any association of like political subdivisions which, on, before, or after July 1, 1999,
 30 contracts with its members for the pooling of assets; ~~and.~~
- 31 ~~(4) Any public retirement system other than a retirement system defined in paragraphs~~
 32 ~~(1), (2), and (3) of this subsection which meets the following criteria:~~
- 33 ~~(A) The retirement system assets are in excess of \$50 million;~~
- 34 ~~(B) The retirement system provides a defined benefit plan;~~
- 35 ~~(C) The retirement system investments are managed by one or more independent~~
 36 ~~professional investment managers recognized by the National Association of Securities~~
 37 ~~Dealers and the United States Securities and Exchange Commission and which adhere~~
 38 ~~to the code of ethical standards and conduct of the Association for Investment~~
 39 ~~Management and Research;~~
- 40 ~~(D) The retirement system investments are limited to those equities of investment~~
 41 ~~grade quality or better, provided that leverage techniques, option techniques, futures,~~
 42 ~~commodities, private placements, and direct participation plans may not be used in~~
 43 ~~making equity investments; and~~
- 44 ~~(E) Has an accumulated unfunded actuarial liability not greater than 25 percent of the~~
 45 ~~total of its assets.~~
- 46 (b) A large retirement system may ~~not invest more than 15 percent of the retirement~~
 47 ~~system assets in corporations or in obligations of corporations organized in a country other~~
 48 ~~than the United States or Canada subject to the provisions of paragraph (1) of subsection~~
 49 ~~(a) of Code Section 47-20-83.~~
- 50 (c) A fund shall ~~not invest more than 55 percent of retirement system assets in equities;~~
 51 ~~provided, however, that a large retirement system shall invest not more than 60 percent of~~
 52 ~~its assets in equities. Any fund which is not in compliance with the limitations imposed~~
 53 ~~by this subsection shall be granted a two-year period to come into compliance; provided,~~
 54 ~~however, that during such two-year period, the fund shall not increase the percentage of its~~
 55 ~~assets invested in equities.~~
- 56 (d) ~~In the event the value of a fund's assets decreases so as to render such fund ineligible~~
 57 ~~to invest in foreign equities as provided in subsection (b) of this Code section and to invest~~
 58 ~~in excess of 55 percent of its assets in total equities as provided in subsection (c) of this~~
 59 ~~Code section, such fund shall have 12 months from the date of such event to come into~~
 60 ~~compliance with the investment authority provided by this article; provided, however, that~~

61 ~~during such period such fund shall not increase its holdings in foreign equities and shall not~~
62 ~~increase its total holdings in equities.~~

63 (e) Subject to all other limitations in this chapter, a large retirement system may invest in
64 securities issued by a unit investment trust or an open-end company:

65 (1) That is listed on a securities exchange;

66 (2) The assets of which consist of securities managed so that the fund replicates a listed
67 index or specific market sector;

68 (3) In which continuous markets are quoted by market makers in the applicable unit
69 investment trust or open-end company; and

70 (4) That has the capability of creating or redeeming shares as necessary to reflect
71 demand.

72 (f)(d) A large retirement system may enter into contracts, agreements, and other
73 instruments designed to manage risk exposure."

74 **SECTION 3.**

75 All laws and parts of laws in conflict with this Act are repealed.