

The House Committee on Retirement offers the following substitute to HB 371:

A BILL TO BE ENTITLED
AN ACT

To amend Article 7 of Chapter 20 of Title 47 of the Official Code of Georgia Annotated, relating to the "Public Retirement Systems Investment Authority Law," so as to change the investment authority of large retirement systems; to provide that public retirement systems having assets in excess of \$200 million shall be a large retirement system; to provide investment options; to provide an effective date; to repeal conflicting laws; and for other purposes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

SECTION 1.

Article 7 of Chapter 20 of Title 47 of the Official Code of Georgia Annotated, relating to the "Public Retirement Systems Investment Authority Law," is amended by revising Code Section 47-20-84, relating to large retirement systems, as follows:

"47-20-84.

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

(1) Any retirement system created by this title which has an accumulated unfunded actuarial accrued liability not greater than 25 percent of the total of its assets;

(2) The Georgia Municipal Employees Benefit System created by Chapter 5 of this title;

(3) Any association of like political subdivisions which, on, before, or after July 1, 1999, contracts with its members for the pooling of assets; and

(4) Any public retirement system other than a retirement system defined in paragraphs (1), (2), and (3) of this subsection which meets the following criteria:

(A) The retirement system ~~has: assets are in excess of \$50 million;~~

(i) An accumulated unfunded actuarial liability not greater than 25 percent of the total of its assets; or

(ii) Assets in excess of \$50 million and an accumulated unfunded actuarial liability not greater than 30 percent of the total of its assets;

(B) The retirement system provides a defined benefit plan;

(C) The retirement system investments are managed by one or more independent professional investment managers recognized by the National Association of Securities Dealers and the United States Securities and Exchange Commission and which adhere to the code of ethical standards and conduct of the Association for Investment Management and Research; and

(D) The retirement system investments are limited to those equities of investment grade quality or better, provided that leverage techniques, option techniques, futures, commodities, private placements, and direct participation plans may not be used in making equity investments; and

~~(E) Has an accumulated unfunded actuarial liability not greater than 25 percent of the total of its assets~~

(5) Any public retirement system which has more than \$200 million in assets.

(b) A large retirement system may ~~not invest more than 15 percent of the retirement system assets~~ in corporations or in obligations of corporations organized in a country other than the United States or Canada subject to the provisions of paragraph (1) of subsection (a) of Code Section 47-20-83.

(c) A fund shall not invest more than 55 percent of retirement system assets in equities; provided, however, that prior to July 1, 2010, a large retirement system shall invest not more than 60 65 percent of its assets in equities; on and after July 1, 2010, a large retirement system shall invest not more than 70 percent of its assets in equities; and on and after July 1, 2011, a large retirement system shall invest not more than 75 percent of its assets in equities. Any fund which is not in compliance with the limitations imposed by this subsection shall be granted a two-year period to come into compliance; provided, however, that during such two-year period, the fund shall not increase the percentage of its assets invested in equities.

~~(d) In the event the value of a fund's assets decreases so as to render such fund ineligible to invest in foreign equities as provided in subsection (b) of this Code section and to invest in excess of 55 percent of its assets in total equities as provided in subsection (c) of this Code section, such fund shall have 12 months from the date of such event to come into compliance with the investment authority provided by this article; provided, however, that during such period such fund shall not increase its holdings in foreign equities and shall not increase its total holdings in equities.~~

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

(1) That is listed on a securities exchange;

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

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

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

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

SECTION 2.

This Act shall become effective upon its approval by the Governor or upon its becoming law without such approval.

SECTION 3.

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