

The Senate Retirement Committee offered the following substitute to HB 371:

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 change the  
3 investment authority of large retirement systems; to provide that public retirement systems  
4 having assets in excess of \$200 million shall be a large retirement system; to provide  
5 investment options; to provide an effective date; to repeal conflicting laws; and for other  
6 purposes.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

**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 by revising Code  
10 Section 47-20-84, relating to large retirement systems, as follows:  
11

12 "47-20-84.

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

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

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

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

19 (4) Any public retirement system other than a retirement system defined in paragraphs  
20 (1), (2), and (3) of this subsection which meets the following criteria:

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

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

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

- 26 (B) The retirement system provides a defined benefit plan;
- 27 (C) The retirement system investments are managed by one or more independent  
 28 professional investment managers recognized by the National Association of Securities  
 29 Dealers and the United States Securities and Exchange Commission and which adhere  
 30 to the code of ethical standards and conduct of the Association for Investment  
 31 Management and Research; and
- 32 (D) The retirement system investments are limited to those equities of investment  
 33 grade quality or better, provided that leverage techniques, option techniques, futures,  
 34 commodities, private placements, and direct participation plans may not be used in  
 35 making equity investments; and
- 36 ~~(E) Has an accumulated unfunded actuarial liability not greater than 25 percent of the~~  
 37 ~~total of its assets~~
- 38 (5) Any public retirement system which has more than \$200 million in assets.
- 39 (b) A large retirement system may ~~not invest more than 15 percent of the retirement~~  
 40 ~~system assets~~ in corporations or in obligations of corporations organized in a country other  
 41 than the United States or Canada subject to the provisions of paragraph (1) of subsection  
 42 (a) of Code Section 47-20-83.
- 43 (c) A fund shall not invest more than 55 percent of retirement system assets in equities;  
 44 provided, however, that prior to July 1, 2010, a large retirement system shall invest not  
 45 more than ~~60~~ 65 percent of its assets in equities; on and after July 1, 2010, a large  
 46 retirement system shall invest not more than 70 percent of its assets in equities; and on and  
 47 after July 1, 2011, a large retirement system shall invest not more than 75 percent of its  
 48 assets in equities; provided, further, that no fund shall increase its assets in equities through  
 49 purchase by more than 20 percent in any fiscal year. Any fund which is not in compliance  
 50 with the limitations imposed by this subsection shall be granted a two-year period to come  
 51 into compliance; provided, however, that during such two-year period, the fund shall not  
 52 increase the percentage of its assets invested in equities.
- 53 ~~(d) In the event the value of a fund's assets decreases so as to render such fund ineligible~~  
 54 ~~to invest in foreign equities as provided in subsection (b) of this Code section and to invest~~  
 55 ~~in excess of 55 percent of its assets in total equities as provided in subsection (c) of this~~  
 56 ~~Code section, such fund shall have 12 months from the date of such event to come into~~  
 57 ~~compliance with the investment authority provided by this article; provided, however, that~~  
 58 ~~during such period such fund shall not increase its holdings in foreign equities and shall not~~  
 59 ~~increase its total holdings in equities.~~
- 60 ~~(e)~~(d) Subject to all other limitations in this chapter, a large retirement system may invest  
 61 in securities issued by a unit investment trust or an open-end company:
- 62 (1) That is listed on a securities exchange;

- 63 (2) The assets of which consist of securities managed so that the fund replicates a listed  
64 index or specific market sector;
- 65 (3) In which continuous markets are quoted by market makers in the applicable unit  
66 investment trust or open-end company; and
- 67 (4) That has the capability of creating or redeeming shares as necessary to reflect  
68 demand.
- 69 ~~(f)~~(e) A large retirement system may enter into contracts, agreements, and other  
70 instruments designed to manage risk exposure."

71 **SECTION 2.**

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

74 **SECTION 3.**

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