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February 6, 2012

The Honorable Tim Golden
State Senator
State Capitol, Room 121-G
Atlanta, Georgia 30334

**SUBJECT: State Auditor's Certification
Senate Bill 402 (LC 21 1594)**

Dear Senator Golden:

This bill would amend provisions relating to the Public Retirement Systems Investment Authority Law. Specifically, this bill would define the term 'alternative investments' and would allow 'eligible large retirement systems' to make such alternative investments. This bill would also provide limits regarding the amount of assets that may be invested in alternative investments. Under the provisions of this bill, alternative investments, in the aggregate, may not exceed 5% of the retirement system assets at any time. In the event a system is out of compliance with the limitations, this bill provides provisions for the system to come back into compliance. This bill would also provide for confidentiality of certain documents that are used in determining which alternative investments to hold, and would provide that all funds invested pursuant to this legislation, including any return on such investments, must remain funds of the retirement system. Finally, this bill would require large retirement systems to provide an annual report to the chairpersons of the House and Senate Retirement Committees detailing the performance of investments made pursuant to

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the provisions of this bill. It should be noted that this legislation excludes the Teachers Retirement System from participating in such investment practices.

This is to certify that this bill is a nonfiscal bill as defined in the Public Retirement Systems Standards Law.

Respectfully,

/s/ Russell W. Hinton
State Auditor

RWH/cs