



Georgia State Retirees Association

P.O. Box 108
Bethlehem, GA 30620

 [Forward to a friend](#)

Action Alert - SB 402 ERS/Alternative Investments

Dear Member,

Senators Tim Golden, Fran Millar, and others have introduced SB 402, Alternative Investments. This bill basically has the same provisions as SB 80 that was defeated several years ago. It applies to all “large retirement systems, except Teachers Retirement System” but including the Employees Retirement System administered plans—Public School Employees, Judicial Retirement System, and Legislative Retirement System. The authors of the bill state that the purpose of the bill is to “Enhance Investment Authority” to improve investment returns. Authors of the bill state that Georgia is the only state with assets the size of ERS that does not permit these types of investments and that the “rate of return” could be improved by 2-3%.

While the bill authorizes the respective boards of trustees to invest in all kinds of investment vehicles without limitation—privately placed investment pools and private placements and private investments—the total to be invested in these type of investments is limited to an annual amount of 1% of assets up to a total of 5% of assets—that’s about \$700 million for ERS. In order to reduce risk, the bill provides that investment pools must have at least \$100 million in assets and private placements must have at least 4 other investors who agree to the same basic terms.

SB 402 passed the full Senate and is scheduled to be considered in the House Retirement Committee on Wednesday, February 29th. The bill is moving very rapidly and has support of the ERS Board of Trustees, the Governor, and many members of the Senate and House.

Problem:

SB 402 is virtually as repugnant as versions in previous sessions, but supporters this time around have just too much strength, and former opponents have dropped out of the fight. Among your board's many objections, we note that the bill does not give ERS members anything we don't already have, and we are very concerned about ERS members being singled out for treatment that TRS members are so prominently exempted from. Unfortunately, after spending many hours talking to legislators, GSRA's officers conclude that GSRA does not have enough muscle to push for additional benefits to be included in the bill or to overcome the glaring disparity, let alone defeat the bill.

Although the bill provides measures to reduce some risk, it authorizes the respective boards of trustees to invest in highly risky instruments, such as hedge funds, unsecured, subordinated, non-recourse and/or uncollateralized corporate debt, mezzanine funds.

The bill does not require reports to the members of the respective retirement systems. Although there is a report to the Governor and Standing Retirement Committees of the General Assembly, there are no requirements to make that same information available to the members whose funds are being invested.

In addition, the bill requires the respective boards of trustees to adopt a code of ethics for the management of alternative investments, but it does not prohibit investment decisions as a result of undue political or personal influence. However, with your action we hope be able to amend the bill so that some of the more objectionable provisions are tempered.

Solution:

GSRA recommends that the bill be amended in three ways:

- reduce risky investments,
- add language that the large retirement systems are required to provide members with the annual alternative investment report by US mail or by posting to the respective retirement systems' websites,
- add language to prohibit investment decisions as a result of undue political or personal influence.

Action Needed:

Click on the Act Now button below to contact your legislators, both Representative and Senator, and ask them to support amendments to SB 402 to respond to these three issues. Senator Golden responded to GSRA representatives that he would be willing to work with us in making amendments to the bills in the House of Representatives.