



# LEGISLATIVE *Update*

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## Cowell's Risky Investment Bill Advances by Razor-thin Margin

With legislators itching to get out of town, this session of the General Assembly seems to be nearing its end.

SEANC continues to fight State Treasurer Janet Cowell attempt to gamble with more of members' hard-earned retirement funds in investments such as high-risk hedge funds and real estate deals. Senate Bill 558 has been altered from its original form, but would still allow Cowell to gamble with 35 percent of the \$81 billion retirement fund on "alternative investments."



SEANC Legislative Affairs Director Ardis Watkins (center) speaks to House Finance Committee members Wednesday.

[SEANC Legislative Affairs Director Ardis Watkins addressed the House Finance Committee](#)

[Wednesday](#) and made the association's opposition to the bill clear. Since 2000, she said, the N.C. General Assembly has allowed investments in alternatives to grow from 5 to 34 percent of the retirement system and has no positive growth to show for it. She pointed out that Cowell is only using 20 percent of the fund for alternative investments currently, and that such investments usually come with high fees that cancel out any gains made by them.

"We're rolling the dice literally like it's Vegas," Watkins said.

After Watkins spoke, N.C. State Business Management Professor Richard Warr stood to concur with SEANC's argument. Warr told the committee that if they passed the bill, money managers on Wall Street would have a champagne toast in honor of their vote, since they stand to gain more than \$300 million in fees from the change.

"The risks here are horribly understated," Warr said. "In the end it's Wall Street that gets rich through fees. You could save \$200 million by firing Wall Street."

Cowell also testified before the committee in a rare appearance at the legislature. Despite her testimony, several legislators voiced their concerns about the bill and Cowell's role as the sole fiduciary of such a large pot of money. When asked directly about her role as the plan's sole decision-maker, a power that only four of the nation's 50 state treasurers have, Cowell touted the Investment Advisory Committee as proof that she does not make decisions alone. Further prodding by the committee,

### Ask Your Rep. to Vote No!

Let your legislators know that SB 558 is the wrong way to go by calling the General Assembly's main phone line at (919)733-4111.

however, revealed that she was the person who appoints those advisors, so if they do not agree with her, she is free to replace them with someone who does. That's not a check or a balance.

The bill passed through the committee by the slimmest of margins – the final vote was 14-13. It has yet to come before the full N.C. House for a reading or vote.

If it passes the House, the Senate will have the choice to concur with this version or call for a conference committee to negotiate between the bills. SEANC Executive Director Dana Cope met at length with Senate Leader Phil Berger (R-Rockingham) and Sen. Tom Apodaca (R-Henderson) to lobby against the bill on Wednesday as well.

### **Still Waiting on a Budget**

With the tax reform bill on Gov. Pat McCrory's desk for signature, the final piece of the puzzle is the bill that state employees are anxiously awaiting – the state budget. Details of the budget have yet to creep out as of Friday morning but were expected either later in the day or on Saturday.

House Speaker Thom Tillis said Thursday he expects the budget compromise to be read into the House on Sunday, with votes on Tuesday and Wednesday. The session will then wrap up by the end of next week.

If you'll recall, the Senate proposed a budget with no pay increases for state employees and no cost-of-living adjustments for retirees. It also cut 1,600 jobs and closed six prisons. The House's proposal was better for state employees, with half as many job cuts and an additional five days of bonus leave. McCrory gave state employees a 1-percent pay raise in his budget proposal but closed five prisons.

SEANC will continue to advocate for public services and the people who provide them throughout the budget process.

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*The SEANC Legislative Update is published when the N.C. General Assembly is in session by SEANC's Legislative Affairs Department. For more information, contact Legislative Affairs Director Ardis Watkins at [awatkins@seanc.org](mailto:awatkins@seanc.org).*