

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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SENATE BILL 573

Short Title: Parental Trust Fund/Nonresident Participation. (Public)

Sponsors: Senators Rand; Albertson, Ballance, Carter, Clodfelter, Cunningham, Dalton, Dannelly, Garrou, Gulley, Hagan, Harris, Hartsell, Hoyle, Jordan, Kerr, Kinnaird, Lucas, Martin of Guilford, Metcalf, Miller, Odom, Plyler, Purcell, Reeves, Robinson, Shaw of Cumberland, Soles, Swindell, Thomas, Warren, Weinstein, and Wellons.

Referred to: Commerce.

March 21, 2001

A BILL TO BE ENTITLED

AN ACT TO CLARIFY THAT NONRESIDENTS MAY PARTICIPATE IN THE PARENTAL SAVINGS TRUST FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 116-209.25 reads as rewritten:

"§ 116-209.25. (V2)(Effective July 1, 2001) Parental Savings Trust Fund.

(a) Policy. – The General Assembly of North Carolina hereby finds and declares that encouraging parents and other interested parties to save for the postsecondary education expenses of eligible students is fully consistent with and furthers the long-established policy of the State to encourage, promote, and assist education as more fully set forth in G.S. 116-201(a).

(b) Parental Savings Trust Fund. – There is established a parental savings trust fund to be administered by the State Education Assistance Authority to enable qualified parents to save funds to meet the costs of the postsecondary education expenses of eligible students.

(c) Contributions to the Trust Funds. – The Authority is authorized to accept, hold, invest, and disburse contributions, and interest earned on such contributions, from qualified parents and other interested parties as trustee of the Parental Savings Trust Fund. The Authority shall hold all contributions to the Parental Savings Trust Fund, and any earnings thereon, in a separate trust fund and shall invest the contributions in accordance with this section. The assets of the Parental Savings Trust Fund shall at all times be preserved, invested, and expended solely for the purposes of the trust fund and shall be held in trust for the parents and other interested parties and their designated beneficiaries. Nothing in this Article shall be construed to prohibit the Authority from

1 accepting, holding, and investing contributions from persons who reside outside of
2 North Carolina. Neither the contributions to the Parental Savings Trust Fund, nor the
3 earnings thereon, shall be considered State moneys, assets of the State, or State revenue
4 for any purpose.

5 (c1) Investments. – The Authority shall determine an appropriate investment
6 strategy for the Parental Savings Trust Fund. The strategy may include a combination of
7 fixed income assets and preferred or common stocks issued by any company
8 incorporated, or otherwise located within or without the United States, or other
9 appropriate investment instruments to achieve long-term return through a combination
10 of capital appreciation and current income. The Authority may deposit all or any portion
11 of the Parental Savings Trust Fund for investment either with the State Treasurer, or in
12 the individual, common, or collective trust funds of an investment manager or managers
13 that meet the requirements of this subsection. Contributions to the Parental Savings
14 Trust Fund on deposit with the State Treasurer shall be invested by the State Treasurer
15 as authorized in G.S. 147-69.2(b)(1) through (6) and the applicable provisions of G.S.
16 147-69.3. Contributions to the Parental Savings Trust Fund may be invested in the
17 individual, common, or collective trust funds of an investment manager provided that
18 the investment manager meets both of the following conditions:

- 19 (1) The investment manager has assets under management of at least one
20 hundred million dollars (\$100,000,000) at all times.
- 21 (2) The investment manager is subject to the jurisdiction and regulation of
22 the United States Security and Exchange Commission.

23 (d) Administration of the Trust Fund. – The Authority is authorized to develop
24 and perform all functions necessary and desirable to administer the Parental Savings
25 Trust Fund and to provide such other services as the Authority shall deem necessary to
26 facilitate participation in the Parental Savings Trust Fund. The Authority is further
27 authorized to obtain the services of such investment advisors or program managers as
28 may be necessary for the proper administration and marketing and investment strategy
29 for the Parental Savings Trust Fund.

30 (e) Loan Program. – The Authority is authorized to develop and administer a
31 loan program in conjunction with the Parental Savings Trust Fund to provide loan
32 assistance to qualified parents and interested parties in order to facilitate the
33 postsecondary education of eligible students. All funds appropriated to, or otherwise
34 received by the Authority for loans under this section, all funds received as repayment
35 of such loans, and all interest earned on these funds shall be placed in an institutional
36 trust fund. This institutional trust fund may be used only for loans made to qualified
37 parents and interested parties who contributed to the Parental Savings Trust Fund and
38 administrative costs associated with the recovery of funds advanced under this loan
39 program.

40 (f) Limitations. – Nothing in this section shall be construed to create any
41 obligation of the Authority, the State Treasurer, the State, or any agency or
42 instrumentality of the State to guarantee for the benefit of any parent, other interested
43 party, or designated beneficiary the rate of return or other return for any contribution to

1 the Parental Savings Trust Fund and the payment of interest or other return on any
2 contribution to the Parental Savings Trust Fund."

3 **SECTION 2.** This act becomes effective July 1, 2001.