DEPARTMENT OF STATE TREASURER
INVESTMENT MANAGEMENT DIVISION

INVESTMENT POLICY STATEMENT FOR THE ANCILLARY GOVERNMENTAL PARTICIPANTS INVESTMENT PROGRAM

DST Reference:	**IMD-POL-7001-IMD**
Title:	**Ancillary Governmental Participants Investment Program ("AGPIP") Investment Policy Statement**
Chapter:	**AGPIP**
Current Effective Date:	**Effective when signed by the Treasurer:** March 20, 2014
Original Effective Date:	March 20, 2014

Applies to: **NC Department of State Treasurer – Investment Management Division**

I. INTRODUCTION AND PURPOSE

A. Overview. The Treasurer is vested by statute with the authority and responsibility to establish and manage an investment program for certain governmental entities outside of the Retirement Systems.[1] The program is referred to as the Ancillary Governmental Participants Investment Program ("AGPIP"). The governmental entities that participate in AGPIP ("Participants") include voluntary participants as well as entities that are placed in AGPIP by statute. For the latter group, the Treasurer directly manages their AGPIP assets, while the investments of the former group are Participant-directed, subject to statutory restrictions and the investments options offered by the Treasurer.

In both situations, the Treasurer serves in a fiduciary capacity to Participants regarding the selection and oversight of externally-managed investment options and the management of internally-managed investment options. The Treasurer also serves as a fiduciary regarding the asset allocations of funds that are contributed by mandatory Participants. However, the responsibility for determining the amount of funds to contribute and withdraw from AGPIP resides solely with Participants – both voluntary and mandatory. In addition, voluntary Participants have the sole responsibility for deciding whether to participate in AGPIP and how to allocate their assets across investment options, including compliance with applicable legal restrictions.

In addition, the types of investments for which a Participant is eligible – and sometimes the allocations to such investments – are prescribed by statute.

Primary responsibility for administering AGPIP resides with the North Carolina Department of State Treasurer's ("NCDST") Investment Management Division ("IMD").

B. Purpose of this Policy. This Ancillary Governmental Participants Investment Program Investment Policy Statement (this "Policy") establishes the Treasurer's long-term strategy and guidelines for the investment of AGPIP assets.

[1] For purposes of this policy, the Retirement Systems are defined as the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, and the North Carolina National Guard Pension Fund.

C. Related Laws and Policies.

N.C.G.S. § 147-69.2 establishes the eligible investments and allocation restrictions for the AGPIP assets of Participants.

N.C.G.S. § 147-69.3 contains provisions regarding the administration of the Treasurer's investment programs.

N.C.G.S. § 147-69.7 describes the Treasurer's fiduciary duties to Participants, including limitations on those duties.

This Policy is subject at all times to the Treasurer's Signatory Authority Policy, which authorizes certain IMD staff to act on behalf of the Treasurer with respect to investment-related matters in specific, limited situations.

This Policy is subject at all times to North Carolina and Federal law, as such law may be amended from time to time.

II. ROLES AND RESPONSIBILITIES

A. Treasurer. The Treasurer is responsible for the following:

1. Approve this Policy and the Signatory Authority Policy, including any revisions to such polices;
2. Approve the investments and managers for AGPIP; and
3. Delegate management and other fiduciary responsibilities to IMD and provide oversight of IMD.

B. Investment Management Division. The Investment Management Division is responsible for the following:

1. Act as a fiduciary in regard to the duties delegated by the Treasurer;
2. Monitor contractual and policy compliance by investment managers, investment consultants, and other service providers;
3. Select and manage internally-managed investments;
4. Monitor the performance of investments and managers;
5. Research and conduct due diligence on investments and managers;
6. Recommend to the Treasurer the investments and managers for AGPIP;
7. Recommend to the Treasurer the termination of investments and managers, as necessary;
8. Review and provide recommendations to the Treasurer on the cost-efficiencies of investments and funds;
9. Produce and review risk analyses of the investments and managers;
10. Monitor and manage the custodial bank relationship for investments held at NCDST's custodian;
11. Review and recommend to the Treasurer the retention and, if necessary, the termination of investment consultants and other service providers;
12. Facilitate transactions on behalf of the Participants;
13. Prepare performance, portfolio positioning, and risk reports for the Treasurer and the Investment Advisory Committee, as necessary;
14. Provide performance reports and position reports to Participants; and

15. Consult with legal counsel regarding contracts, compliance, and other legal matters.

C. Participants. Participants in AGPIP are responsible for the following:

1. All Participants: Adhere to the Terms of Participation as written in the Enrollment Package;
2. All Participants: Decide the amount of funds to contribute and withdraw from AGPIP;
3. All Participants: Monitor investment performance and account balance; and
4. Discretionary Participants: Select investments and allocations, subject to statutory restrictions.

D. Investment Advisory Committee. The Treasurer's Investment Advisory Committee shall be informed of this policy.

III. INVESTMENT OBJECTIVES

The investments for AGPIP shall be consistent with the following objectives:

1. Provide investment returns consistent with the applicable benchmarks;
2. Meet the anticipated liquidity needs of Participants;
3. Ensure the custody and security of Participants' assets;
4. Apply a conservative approach to risk management;
5. Provide cost-efficient investments; and
6. Comply with applicable North Carolina and federal laws, including restrictions on the types of investments and the allocations to certain investments;

IV. ASSET ALLOCATION

A. Participant-Directed Assets. Some Participants are granted discretionary authority pursuant to North Carolina law to participate in AGPIP and direct the investment of their funds ("Discretionary Participants"). State law also may restrict the funds in which Discretionary Participants can invest as well as the asset allocations across the funds. Discretionary Participants are responsible for selecting their investments and determining their asset allocations, consistent with the authority granted them pursuant to North Carolina law.

B. Treasurer-Directed Assets. The Treasurer is responsible for investing the assets of some Participants. For these Participants, it is the goal of the Treasurer to maintain a diversified and balanced investment approach, while recognizing the liquidity needs, risk tolerance, and return objectives of each Participant. In order to implement the Policy, the Treasurer will develop a portfolio for each Participant that is constructed (1) using the risk and return characteristics of the investments for which the Participant is eligible pursuant to North Carolina law; and (2) finding the most efficient portfolio for the appropriate level of risk for the Participant. The optimal asset mix is not necessarily the one that produces the highest absolute return but rather the one that attempts to achieve the highest return given the risk profile of the Participant. State law also may restrict the funds in which the Participants can invest as well as the asset allocations across the funds. Currently, the Treasurer is responsible for investing the assets of the following Participants:

1. Disability Income Plan of North Carolina (N.C.G.S. § 135-110(d))
2. Escheat Fund (N.C.G.S. §§ 116B-6(b) and 147-69.2(b)(12))
3. North Carolina Teachers' and State Employees' Benefit Trust (N.C.G.S § 135-7(c) and (g))
4. Register of Deeds' Supplemental Pension Fund (N.C.G.S. § 161-50.2(b))

V. FUND DESCRIPTIONS AND BENCHMARKS

The funds below represent the current available investment options through the program. Not all participants are permitted by statute to invest in each of these. Some are restricted to Short Term Investment Fund ("STIF") and Bond Index Fund ("BIF"), while others are permitted to invest across all three options. The Escheat Fund and the Register of Deeds' Supplemental Pension Fund have statutory authority that permits a broader variety of investment options.

A. **Short Term Investment Fund.** The Short Term Investment Fund is an IMD-managed fund that invests in highly diversified, liquid money market securities and short-to-intermediate Treasuries, Agencies, and AAA-rated corporate obligations pursuant to N.C.G.S. § 147-69.1(c)(1)-(7). STIF is designed to preserve capital and provide liquidity, while producing a return that is consistent with its benchmark, the iMoneyNet First Tier Institutional Money Market Fund Net Index.

B. **Bond Investment Fund.** The Bond Index Fund invests in high quality debt securities pursuant to N.C.G.S. § 147-69.2(b)(1)-(6). BIF, which invests through a separate account that is managed by BlackRock, follows a passive index strategy that tracks the Bloomberg Barclays U.S. Aggregate Bond Index.

C. **Equity Investment Fund.** The Equity Index Fund ("EIF") invests primarily in U.S. and foreign public equities pursuant to N.C.G.S. § 147-69.2(b)(8), with the objective of approximating the capitalization-weighted total return of global public equities. EIF, which invests in a collective investment trust that is managed by BlackRock, follows a passive index strategy that tracks the Morgan Stanley Capital International All Country World Index.

APPROVAL

Approved by State Treasurer Dale R. Folwell, CPA _____

Date: 3/20/19

Revision/Review History

Version	Date Approved/Reviewed	Description of Changes
1.0	3/20/2014	New Policy
1.0	7/7/2020	Reviewed - No changes
1.0	9/30/2021	Reviewed 3rd Qtr 2021 - No Changes

For questions or clarification on any of the information contained in this policy, please contact the policy owner or designated contact point: Director of Investment Operations, Matthew.Krimm@nctreasurer.com. For general questions about department-wide policies and procedures, contact the DST Policy Coordinator.