

NORTH CAROLINA DEPARTMENT OF STATE TREASURER INVESTMENT VALUATION COMMITTEE CHARTER

I. Background

The North Carolina Retirement Systems include the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firemen's and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, and the Retiree Health Benefit Fund (collectively, the "Retirement Systems" or the "NCRS"). The Treasurer of the State of North Carolina ("Treasurer") maintains the investment programs for the Retirement Systems and other ancillary investments ("investments"). The Treasurer of the State of North Carolina and the North Carolina Supplemental Retirement Board of Trustees provide oversight for the investment programs of the North Carolina Supplemental Retirement Plans, which include the Supplemental Retirement Income Plan of North Carolina ("NC 401(k)"), North Carolina Public Employee Deferred Compensation Plan ("NC 457"), and North Carolina Public School Teachers' and Professional Educators' Investment Plan ("NC 403(b)"). The Treasurer of the State of North Carolina and North Carolina ABLE Program Board of Trustees provide oversight for the investment programs of the North Carolina ABLE Program Trust ("NC ABLE"). The Investment Management Division ("IMD") of the North Carolina Department of State Treasurer ("DST") serves as the investment arm of the Treasurer. Under the direction of the Treasurer, the IMD manages the investments. The Financial Operations Division ("FOD") is responsible for the accounting and financial reporting for the investments.

II. Committee Purpose

The DST Investment Valuation Committee (the "Committee") is created by the Treasurer to provide oversight and policy guidance related to the valuation of investments managed by the Department of State Treasurer. The Committee is an integral part of the internal control framework to prepare the financial statements and disclosures accurately and completely.

The Committee's scope of oversight includes, but is not limited to, the valuation of investments in the following funds: the Retirement Systems, the Supplemental Retirement Plans, the ABLE Program Trust, Escheat Fund, Bond Investment Fund, Equity Index Fund, and Short-Term Investment Fund. The Committee's scope does not include the Bond Proceeds Fund or Capital Management Trust Fund, which are externally managed pools.

The Committee's scope of oversight includes, but is not limited to, the following matters:

1. Investment Manager and Vehicle Monitoring and Termination Policy (including monitoring documented responses to valuation issues and material exceptions)
2. Investment Valuation Policy and Procedure
3. New technical accounting guidance and implementation, such as Governmental Accounting Standard Board (GASB) standards
4. Results of investment valuation testing
5. Internal control framework and documentation related to investment valuation
6. Changes in the Custodians Global Pricing Guidelines.
7. Any other investment policies and procedures, projects, strategies, and tactics designated by the Chief Investment Officer or Chief Financial Officer that impact investment valuation

III. Committee Membership

The Committee consists of professional staff of the Department of State Treasurer:

1. Chief Financial Officer (Chair)
2. Chief Investment Officer (Vice Chair)
3. IMD Chief Risk and Operating Officer
4. IMD Director of Investment Operations and Risk
5. IMD Operations and Administration Manager
6. FOD Accounting Director
7. FOD Accounting Manager
8. SRP Deputy Director
9. Investments Legal Counsel
10. Internal Audit and Compliance Director (Ex Officio)

From time to time, the Chief Financial Officer or the Chief Investment Officer may require other members of the FOD or IMD staff to participate in the Committee's deliberations and may form subcommittees to develop and submit analysis to the Committee. In the case that one of the above positions are vacant, the division head for that person will appoint a temporary replacement to serve during the absence. In the absence of the Chief Financial Officer at any meeting, the Chief Investment Officer will serve as the Chair's designee or other designee appointed by the Chief Financial Officer. A majority of the Committee's members shall constitute quorum for each meeting.

IV. Committee Member Duties

All Committee members shall proactively discharge the following duties in accordance with the applicable fiduciary standards of care as described in the Investment Valuation Policy and Procedure (FOD-POL-7070-MUL) and the Investment Manager and Vehicle Monitoring and Termination Policy (IMD-POL-1013-IMD):

1. Provide independent technical advice within their areas of expertise and span of control
2. Understand, evaluate, and advise on investment valuation issues
3. Engage in constructive, fair, open and critical deliberations within the Committee
4. Engage in a collaborative and cooperative consensus-building process that promotes excellence in the Department of State Treasurer's investment programs

V. Committee Responsibilities

1. The Committee will meet as needed and review the following items as regular business (i.e., typically on a monthly basis) to discuss and evaluate:
 - a. Application and appropriateness of the valuation methodology to investments
 - b. Determination of valuation, including sources of market information
 - c. Valuation adjustments to be made
 - d. Consistent application of methodologies based on available information
 - e. Proper application of appropriate accounting standards based on available information (including whether the practical expedient should be applied)
 - f. Variances between estimates and final valuation deemed material
 - g. Instances of stale pricing or hard pricing
 - h. Managers who have not submitted estimates or final net asset values
 - i. Risk issues, compliance exceptions, audit recommendations or findings, or conflicts of interest

deemed material by the Chief Risk and Operating Officer, Internal Audit and Compliance Director, or other control functions

2. On at least an annual basis, the Committee will review:
 - a. Investment Policy Statement
 - b. Investment valuation related policies and procedures (i.e. IMD External Manager Monitoring Policy, FOD Investment Valuation Policy and Procedure)
 - c. Investment financial statements and disclosures as prepared by management
 - d. Potential investment process enhancements, including internal and external resourcing, and strategic initiatives
 - e. Legislative proposals
 - f. This charter and a member self-assessment of Committee effectiveness
3. Instituting a governance structure that separates, to the extent practicable, oversight functions from management functions (and in instances where a clear separation of duties is not feasible, developing well-defined roles and responsibilities and implementing compensating controls to reduce the risk of potential control weaknesses).
4. Approving valuation processes, including pricing sources and hierarchies and shall routinely assess relevant risks identified through formal risk assessments and/or by group members on an ad-hoc basis.
5. The Chief Financial Officer approves final agendas, tabling of issues, requests for further study, and designation of sub-committees. The IMD Operations and Administration Manager, has the responsibility for preparing minutes and agendas, and distributing work papers, as necessary, prior to each scheduled meeting.
6. Notwithstanding the foregoing, the Chief Investment Officer, Chief Financial Officer, or internal legal counsel may request an ad hoc Committee meeting to consider risk issues, compliance exceptions related to this charter (i.e., Investment Valuation Policy, valuation requirements in the Investment Manager and Vehicle Monitoring and Termination Policy), or conflicts of interest that they deem a material event requiring immediate review.
7. The Committee meetings will be a cooperative and collaborative venue for IMD and FOD staff to develop consensus advice for the Chief Financial Officer, Chief Investment Officer and Treasurer. A majority of the members of the Committee will typically be present in order to develop a consensus. The Committee will strive to work in a consensus-based matter, but the final decision-maker is the Chair. The Chair has the authority to formally poll the members on a specific issue or pending decision, but any such poll shall remain advisory in nature. The Committee's power is limited to making recommendations that would be adopted and implemented, or rejected, by the Treasurer or other authorized person. If a formal poll is taken, the results shall be noted in the minutes.
8. The IMD Operations and Administration Manager, or other Chair designee, shall develop minutes of the Committee meetings. Minutes may describe items taken up for discussion, open items requiring additional follow-up, and any Committee consensus, or lack thereof. Minutes should also include any recommendations with regard to valuation exceptions, policy changes (including custody bank pricing guidelines), pricing sources, valuation/pricing process changes, etc.

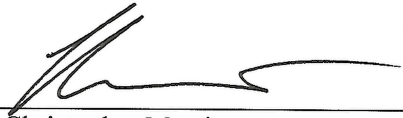
This Charter is effective March 31, 2016.

Annual recertification effective September 30, 2016

Annual recertification effective December 28, 2017

Annual recertification effective December 20, 2018

SUBMISSION AND APPROVAL



Christopher Morris
(Interim) Chief Investment Officer
Date: 12-10-2018



Fran Lawrence
Chief Financial Officer
Date: 12/11/18



Dale Forwell, CFA
State Treasurer
Date: 12/11/18