

**INVESTMENT MANAGEMENT DIVISION
STATEMENT OF POLICY**

INVESTMENT ADVISORY COMMITTEE CODE OF ETHICS

DRAFT – FOR DISCUSSION PURPOSES ONLY

DECEMBER 2014

I. Purpose

The General Assembly has established the Investment Advisory Committee (“IAC”) to advise the State Treasurer with duties related to the management of the investments of the Teachers’ and State Employees’ Retirement System, the Local Governmental Employees’ Retirement System, the Legislative Retirement System, the Firemen’s and Rescue Workers’ Pension Fund, the Consolidated Judicial Retirement System, and the North Carolina National Guard Pension Fund (hereinafter referred to collectively as the “Retirement System”).¹

II. To preserve Ethical Principles

Unless otherwise provided², IAC membership is not considered a public office under law³ subject to the valueoversight of the State Ethics Commission; however, IAC members should act with integrity that includes maintaining high, competence, diligence, respect, and in an ethical standards in conducting business, it is important that manner while performing their responsibilities as outlined in the IAC Charter. The advice of the IAC may influence the decision-making of the State Treasurer; therefore, the knowledge and expertise of the members on the IAC shall be applied solely for the benefit of the participants of the Retirement Systems. TheseIAC members should not advance their personal interests. It is important, therefore, that participants of the Retirement Systems and general public are assured that IAC members will not or engage in conductbehavior that appears to be influenced by a desire for personal gain rather than a desire to protect the interestsconflict of interest (“Conflict of Interest⁴”) with the Retirement Systems.System.

At the same time, it is important to recognize that IAC members volunteer their time in a spirit of public service and contribute their expertise without compensation in a spirit of public service. Accordingly, persons serving on the IAC should be free to pursue their

¹ N.C.G.S. § 147-69.2(b1)

² The State Treasurer and the two IAC members selected from among the members of the boards of trustees of the Retirement Systems are subject to the oversight of the State Ethics Commission by virtue of their positions.

³ N.C.G.S. § 147-69.2(b1)

⁴ A Conflict of Interest shall mean circumstances that create a material risk that professional judgment or actions regarding advice or assistance given to the State Treasurer have been or will be unduly influenced by a direct or indirect personal interest.

personal and professional financial interests without ~~restriction~~limitation unless those interests would foreseeably result in a ~~conflict~~Conflict of ~~interest~~Interest with the interests of the Retirement Systems.

Acknowledgment

~~The Treasurer has approved the following Code of Ethics setting forth standards of conduct for members of the IAC. Copies of the Code of Ethics shall be provided to each person serving on or appointed to the IAC. Each IAC member shall acknowledge receipt of a copy of the Code of Ethics and shall agree to be bound by the provisions contained~~restriction as defined in this Code ~~by signing the Acknowledgment at the end of this document.~~of Ethics (“Code”).

H.III. Restrictions on Transactions between the ~~Investment Advisory Committee~~IAC Members and the Retirement Systems

- A. Interested Party.** As used in this Policy, “interested party” shall mean: (1) an IAC member; (2) the spouse⁵ of an IAC member; (3) any partnership in which the IAC member or spouse is a general partner or owns ten percent of either the capital or profits interest of such partnership; and (4) any corporation in which the IAC member, or his or her spouse, individually or collectively, own or control ten percent or more of the outstanding stock.
- B. Prohibition on Transactions.** No interested party shall engage in a transaction if such transaction constitutes:
1. The sale, exchange, or lease of any property between the Retirement Systems and an interested party;
 2. The loan of money or other extension of credit between the Retirement Systems and an interested party;
 3. The furnishing of goods, services, or facilities between the Retirement Systems and an interested party; or
 4. The transfer of any assets of the Retirement Systems to, or the use of any assets of the Retirement Systems by or for the benefit of, an interested party.
- C. Prohibition as Broker-Agent.** An IAC member shall not, in his or her individual capacity or in any other capacity, act as a broker or agent for or otherwise represent any party in any transaction with the Retirement Systems.

⁵ Spouse includes live-in domestic partners that are similar to marriage.

D. No Consideration. No interested party shall receive any consideration from any party in connection with a transaction with the Retirement Systems.

E. Prohibition of Receipt of Gifts. No interested party may use their position to secure, solicit or accept things of value, including gifts, travel, meals and lodging, from parties doing or seeking to do business with the Department of State Treasurer Investment Management Division or interested in matters before the IAC.

F. Exceptions to Prohibition of Receipt of Gifts. This Code intends to be in harmony with the law⁶ with respect to gifts that a public servant is permitted to accept. This includes the gift and receipt of honorariums for participating in meetings, advertising items or souvenirs of nominal value, or meals furnished at banquets, as well as customary gifts or favors between employees or officers and their friends and relatives where it is clear that it is the relationship rather than the business of the individual concerned which is the motivating factor for the gift or favor. However, all such gifts knowingly made or received are required to be reported by the IAC member to Compliance Counsel.

III.IV. Restrictions to Perform Certain Services or Evaluate or Vote on Certain Matters

If an IAC member is an officer, director, or employee of any entity which recommends, or seeks to engage in, a transaction not otherwise prohibited by this Code ~~of Ethics~~ and the IAC member is required to evaluate or vote on such transaction, the IAC member shall notify in advance the IAC or his or her relationship to the entity and shall not participate in such an evaluation or vote. Further, such IAC member shall not knowingly perform services in connection with that transaction.

An IAC member shall not participate in any evaluation of, discussion of any evaluation of, or vote on, any transaction if the investment manager or other organization under consideration employs an interested party or an entity of which he or she is an officer, director, or employee ~~has an interest adverse to the Retirement Systems in connection with such transaction.~~

The provisions of this paragraph, however, shall not preclude an IAC member from evaluating or voting on an investment matter which the only relationship between the Retirement Systems and the entity is that of co-investors in limited partnerships or other investment structures where management responsibility is ~~not~~not vested in the entity.

IV.V. Post-Service Restriction

⁶ N.G.C.S. § 133-32 (d) and § 138A-32.

An IAC member shall not, for a period of two ~~years~~ after termination ~~of such service,~~ appear, make an unsolicited appearance before the IAC ~~on which he or she formally served~~ or any Investment Management Division staff for the purpose of influencing the actions of the Department of State Treasurer ~~in connection with any transaction which was under active consideration by the IAC on which he or she formerly served during the member's service.~~ Such individual also shall not, after termination of such service, appear before and/or the IAC on which he or she formerly served or any staff of the Department of State Treasurer in connection with any matter under circumstances in which it could reasonably be inferred that such person is attempting to use his or her former position to secure unwarranted privileges or exemptions for himself or herself or others.

V.VI. Confidential Information

IAC members may be provided or have access to confidential information, including material, nonpublic information. It is the duty of IAC members to use care and discretion in the handling of confidential information. No IAC member shall use or disclose confidential information which he or she has gained in the course of or by reason of his or her official position on the IAC for purposes of advancing his or her personal or financial interest.

VI.VII. Interpretation and Meaning of this Code

When an IAC member has a doubt as to the application of any part of this PolicyCode to a particular situation, he or she may request the General Counsel or his or her designee for an advisory opinion. The IAC ~~or committee~~ member shall have the opportunity to present his or her interpretation of the facts at issue and of the applicability of provisions of this PolicyCode before such an advisory opinion is made. Such interpretations made by the General Counsel or his or her designee shall be binding upon the IAC and committees members.

VIII. Disclosure Requirement

Each member of the IAC shall have an affirmative duty to proactively identify and promptly disclose to the Compliance Counsel any personal, social, employment or business activities and relationships that impact his or her objectivity, create potential Conflicts of Interest, impair his or her ability to make impartial decisions, or otherwise interfere with the proper performance of his or her responsibilities as a member. In addition, each member shall have a duty to report to Compliance Counsel, personal or professional investments that would foreseeably result in a Conflict of Interest with the interests of the Retirement Systems and receipts of gifts from vendors.

Each member of the IAC shall also have an affirmative duty to immediately report knowledge of any actual or suspected act by another IAC member or Department of State Treasurer staff directly to Compliance Counsel that constitutes: (1) fraud or misconduct,

(2) a material error that adversely affects the Retirement Systems' assets or interests, (3) misrepresentation or omission of material information in reporting and communications, and/or (4) violations of laws, rules, or Department of State Treasurer policies.

IX. Annual Ethics Session

Each member of the IAC shall annually be required to participate in an ethics session that is arranged by the Department of State Treasurer.

VII.X. Acknowledgment

The State Treasurer has approved this Code setting forth standards of conduct for members of the IAC. A copy of the Code shall be provided to each person upon appointment to the IAC and annually thereafter.

Each IAC member shall acknowledge that they have received and read the Code and agree to be bound by the provisions contained within, and the requirements to: (1) annually attest compliance with the Code, (2) to voluntarily disclose any potential lack of compliance with the Code, and (3) recertify acceptance of the Code.

XI. Violation of Code of Ethics

Any violation of this Code or failure to annually attest compliance by an IAC member may be grounds for removal with cause by the State Treasurer.

Adopted by State Treasurer Janet Cowell on ~~February 17, 2010~~ _____, 201__.

ACKNOWLEDGMENT

My signature below indicates that I have read, understand and agree to be bound by the terms of the ~~above~~ Investment Advisory Committee Code of Ethics. I affirm that I do not presently have any Conflicts of Interest as defined within this Code.

NAME (print)

SIGNATURE

DATE

ANNUAL RECERTIFICATION

INVESTMENT ADVISORY COMMITTEE

CODE OF ETHICS COMPLIANCE FORM

My signature below indicates that I certify that I presently am and have been in compliance with all requirements of the Investment Advisory Committee Code of Ethics for the time period indicated.

Applicable Time Period: _____
(Month/Day/Year – Month/Day/Year)

NAME (print)

SIGNATURE

DATE

INVESTMENT ADVISORY COMMITTEE CODE OF ETHICS

DRAFT – FOR DISCUSSION PURPOSES ONLY

DECEMBER 2014

I. Purpose

The General Assembly has established the Investment Advisory Committee (“IAC”) to advise the State Treasurer with duties related to the management of the investments of the Teachers’ and State Employees’ Retirement System, the Local Governmental Employees’ Retirement System, the Legislative Retirement System, the Firemen’s and Rescue Workers’ Pension Fund, the Consolidated Judicial Retirement System, and the North Carolina National Guard Pension Fund (hereinafter referred to collectively as the “Retirement System”).¹

II. Ethical Principles

Unless otherwise provided², IAC membership is not considered a public office under law³ subject to the oversight of the State Ethics Commission; however, IAC members should act with integrity, competence, diligence, respect, and in an ethical manner while performing their responsibilities as outlined in the IAC Charter. The advice of the IAC may influence the decision-making of the State Treasurer; therefore, the knowledge and expertise of the members on the IAC shall be applied solely for the benefit of the participants of the Retirement Systems. IAC members should not advance their personal interests or engage in behavior that appears to be a conflict of interest (“Conflict of Interest⁴”) with the Retirement System.

At the same time, it is important to recognize that IAC members volunteer their time in a spirit of public service and contribute their expertise without compensation. Accordingly, persons serving on the IAC should be free to pursue their personal and professional financial interests without limitation unless those interests would foreseeably result in a Conflict of Interest with the interests of the Retirement Systems or a restriction as defined in this Code of Ethics (“Code”).

¹ N.C.G.S. § 147-69.2(b1)

² The State Treasurer and the two IAC members selected from among the members of the boards of trustees of the Retirement Systems are subject to the oversight of the State Ethics Commission by virtue of their positions.

³ N.C.G.S. § 147-69.2(b1)

⁴ A Conflict of Interest shall mean circumstances that create a material risk that professional judgment or actions regarding advice or assistance given to the State Treasurer have been or will be unduly influenced by a direct or indirect personal interest.

III. **Restrictions on Transactions between the IAC Members and the Retirement Systems**

- A. Interested Party.** As used in this Policy, “interested party” shall mean: (1) an IAC member; (2) the spouse⁵ of an IAC member; (3) any partnership in which the IAC member or spouse is a general partner or owns ten percent of either the capital or profits interest of such partnership; and (4) any corporation in which the IAC member, or his or her spouse, individually or collectively, own or control ten percent or more of the outstanding stock.
- B. Prohibition on Transactions.** No interested party shall engage in a transaction if such transaction constitutes:
1. The sale, exchange, or lease of any property between the Retirement Systems and an interested party;
 2. The loan of money or other extension of credit between the Retirement Systems and an interested party;
 3. The furnishing of goods, services, or facilities between the Retirement Systems and an interested party; or
 4. The transfer of any assets of the Retirement Systems to, or the use of any assets of the Retirement Systems by or for the benefit of, an interested party.
- C. Prohibition as Broker-Agent.** An IAC member shall not, in his or her individual capacity or in any other capacity, act as a broker or agent for or otherwise represent any party in any transaction with the Retirement Systems.
- D. No Consideration.** No interested party shall receive any consideration from any party in connection with a transaction with the Retirement Systems.
- E. Prohibition of Receipt of Gifts.** No interested party may use their position to secure, solicit or accept things of value, including gifts, travel, meals and lodging, from parties doing or seeking to do business with the Department of State Treasurer Investment Management Division or interested in matters before the IAC.
- F. Exceptions to Prohibition of Receipt of Gifts.** This Code intends to be in harmony with the law⁶ with respect to gifts that a public servant is permitted to accept. This includes the gift and receipt of honorariums for participating in meetings, advertising items or souvenirs of nominal value, or meals furnished at banquets, as well as customary gifts or favors between employees or officers and

⁵ Spouse includes live-in domestic partners that are similar to marriage.

⁶ N.G.C.S. § 133-32 (d) and § 138A-32.

their friends and relatives where it is clear that it is the relationship rather than the business of the individual concerned which is the motivating factor for the gift or favor. However, all such gifts knowingly made or received are required to be reported by the IAC member to Compliance Counsel.

IV. Restrictions to Perform Certain Services or Evaluate or Vote on Certain Matters

If an IAC member is an officer, director, or employee of any entity which recommends, or seeks to engage in, a transaction not otherwise prohibited by this Code and the IAC member is required to evaluate or vote on such transaction, the IAC member shall notify in advance the IAC or his or her relationship to the entity and shall not participate in such an evaluation or vote. Further, such IAC member shall not knowingly perform services in connection with that transaction.

An IAC member shall not participate in any evaluation of, discussion of any evaluation of, or vote on, any transaction if the investment manager or other organization under consideration employs an interested party or an entity of which he or she is an officer, director, or employee.

The provisions of this paragraph, however, shall not preclude an IAC member from evaluating or voting on an investment matter which the only relationship between the Retirement Systems and the entity is that of co-investors in limited partnerships or other investment structures where management responsibility is not vested in the entity.

V. Post-Service Restriction

An IAC member shall not, for a period of two-years after termination, make an unsolicited appearance before the IAC or any Investment Management Division staff for the purpose of influencing the actions of the Department of State Treasurer and/or the IAC.

VI. Confidential Information

IAC members may be provided or have access to confidential information, including material, nonpublic information. It is the duty of IAC members to use care and discretion in the handling of confidential information. No IAC member shall use or disclose confidential information which he or she has gained in the course of or by reason of his or her official position on the IAC for purposes of advancing his or her personal or financial interest.

VII. Interpretation and Meaning of this Code

When an IAC member has a doubt as to the application of any part of this Code to a particular situation, he or she may request the General Counsel or his or her designee for an

advisory opinion. The IAC member shall have the opportunity to present his or her interpretation of the facts at issue and of the applicability of provisions of this Code before such an advisory opinion is made. Such interpretations made by the General Counsel or his or her designee shall be binding upon the IAC and its members.

VIII. Disclosure Requirement

Each member of the IAC shall have an affirmative duty to proactively identify and promptly disclose to the Compliance Counsel any personal, social, employment or business activities and relationships that impact his or her objectivity, create potential Conflicts of Interest, impair his or her ability to make impartial decisions, or otherwise interfere with the proper performance of his or her responsibilities as a member. In addition, each member shall have a duty to report to Compliance Counsel, personal or professional investments that would foreseeably result in a Conflict of Interest with the interests of the Retirement Systems and receipts of gifts from vendors.

Each member of the IAC shall also have an affirmative duty to immediately report knowledge of any actual or suspected act by another IAC member or Department of State Treasurer staff directly to Compliance Counsel that constitutes: (1) fraud or misconduct, (2) a material error that adversely affects the Retirement Systems' assets or interests, (3) misrepresentation or omission of material information in reporting and communications, and/or (4) violations of laws, rules, or Department of State Treasurer policies.

IX. Annual Ethics Session

Each member of the IAC shall annually be required to participate in an ethics session that is arranged by the Department of State Treasurer.

X. Acknowledgment

The State Treasurer has approved this Code setting forth standards of conduct for members of the IAC. A copy of the Code shall be provided to each person upon appointment to the IAC and annually thereafter.

Each IAC member shall acknowledge that they have received and read the Code and agree to be bound by the provisions contained within, and the requirements to: (1) annually attest compliance with the Code, (2) to voluntarily disclose any potential lack of compliance with the Code, and (3) recertify acceptance of the Code.

XI. Violation of Code of Ethics

Any violation of this Code or failure to annually attest compliance by an IAC member may be grounds for removal with cause by the State Treasurer.

Adopted by State Treasurer Janet Cowell on _____, 201_.

ACKNOWLEDGMENT

My signature below indicates that I have read, understand and agree to be bound by the terms of the Investment Advisory Committee Code of Ethics. I affirm that I do not presently have any Conflicts of Interest as defined within this Code.

NAME (print)

SIGNATURE

DATE

ANNUAL RECERTIFICATION
INVESTMENT ADVISORY COMMITTEE
CODE OF ETHICS COMPLIANCE FORM

My signature below indicates that I certify that I presently am and have been in compliance with all requirements of the Investment Advisory Committee Code of Ethics for the time period indicated.

Applicable Time Period: _____
(Month/Day/Year – Month/Day/Year)

NAME (print)

SIGNATURE

DATE