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To: Investment Advisory Committee Members
From: Kevin SigRist
CC: Tony Solari, Edgar Starnes, and Blake Thomas
Date: April 14, 2016
Subject: April 19, 2016 Meeting Memo

We will be discussing a number of important topics at the April 19, 2016 IAC meeting, including:

1. Initiatives and Performance Update
2. NCRS Asset Liability Study
3. Opportunistic Fixed Income Update
4. Executive Session on CIO Evaluation (Closed Door Session)

Within the Initiatives and Performance Update, we will outline our potential legislative agenda for the upcoming session of the General Assembly. Attached to this memorandum you will find two summaries of draft legislation being developed by the Department of State Treasurer ("DST"). As background:

1. The *State Treasurer's 2016 Investment Administrative Changes Act* is designed to update outdated and inconsistent statutes, adopt unanimous recommendations of the Treasurer's bipartisan Investment Fiduciary Governance Commission, codify in statute certain key Treasurer policies on topics like audit and reporting, and allow greater internal management of assets.
2. The *State Treasurer's 2016 Investment Modernization Act* is designed to implement components of the Asset Liability Study findings and address operating flexibility.
 - a. The attached draft creates additional flexibility within the statutory permitted asset allocation for individual asset classes, but not the limit on aggregate alternatives exposure. We do not expect to request these changes without clear support from the IAC.
 - b. The draft also provides operational flexibility to DST Banking and Investment Divisions in the form of authority to create investment-related positions, allow DST (after consultation with legislature and approval of Department of Information Technology) to improve investment and banking IT systems, and pay all investment-related fees and expenses directly from assets with consolidated annual transparent reporting to the IAC and General Assembly.

Please contact me should there be any questions or additional information IAC members would like to receive before the meeting.

We look forward to discussing these important topics.