

# NORTH CAROLINA DEPARTMENT OF STATE TREASURER INVESTMENT MANAGEMENT DIVISION

## IMD INVESTMENT 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 program for the Retirement Systems (the "Fund" or "Pension Fund Program"). The Investment Management Division (the "IMD") of the North Carolina Department of State Treasurer (the "DST") serves as the investment arm of the Treasurer. Under the direction of the Treasurer, the IMD manages the Fund and other investments.

### II. Committee Purpose

The IMD Investment Committee (the "Committee") is created by the Treasurer to provide oversight and policy guidance related to the Fund investments within the parameters established by the Treasurer under the *Investment Policy Statement for North Carolina Retirement Systems*. The Committee will also periodically address other investments managed by IMD as requested by the Treasurer or other authorized person.

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

1. Investment policies (e.g., Investment Policy Statement, rebalancing, risk budget, investment manager search)
2. Major investment research initiatives (e.g., cross-asset class initiatives, new asset classes and sub-classes, significant new asset class strategies)
3. Annual Investment Work Plans for individual asset classes
4. Tactical total fund activity (e.g., liquidity management, tilts, hedges, transitions)
5. Investment performance factors (e.g., returns and risk, fees and incentives, trade cost effectiveness)
6. Risk and compliance standards, reviews, exceptions, escalations, and related fiduciary issues to be addressed by the Treasurer or other authorized person
7. Investment managers/funds, including securities lenders
8. Investment-related service providers (e.g., consultants, custodian, broker/dealers) and operational processes
9. Proxy voting and other corporate governance guidelines (upon request of the General Counsel)
10. Any other investment policies and procedures, strategies, and tactics designated by the Chief Investment Officer

### **III. Committee Membership**

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

1. Chief Investment Officer (Chair)
2. Chief Administrative Officer (Vice Chair and Staff Director)
3. Director of Equities
4. Director of Fixed Income
5. Director of Alternative Investments
6. Director of Real Estate
7. Director of Credit and Inflation Protection
8. Director of Risk Management and Asset Allocation
9. Compliance Officer (Ex Officio)

From time to time, the Chief Investment Officer may appoint other members of the IMD staff to the Committee and may form subcommittees to develop and submit analysis to the Committee. In the absence of the Chief Investment Officer, the Chief Administrative Officer will serve as the Chair's designee.

### **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 Policy Statement for North Carolina Retirement Systems* and N.C. G.S. § 147-69.7:

1. Provide independent technical advice within their areas of expertise and span of control
2. Understand, evaluate, and advise on total fund and cross-functional investment 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):
  - a. Projected liquidity assessments inclusive of net benefit payments, anticipated cash needs for capital calls/funding, transitions, and rebalancing
  - b. Performance and risk measures, particularly as they relate to current and anticipated economic and market conditions, positioning of the Fund and asset classes, and risk budget
  - c. Forward Calendar of funds and investment managers in various stages of due diligence, approval, negotiations, and closing
    - i) Individual funds and investment managers will be taken up by the Committee on an exception basis
    - ii) The Committee will particularly focus on the introduction of new strategies, new vehicles or products, new or elevated risk exposures, non-standard terms, potential compounding of risk exposures across the Fund, and deviations from the

Annual Investment Work Plan

- d. Risk issues, compliance exceptions, or conflicts of interest deemed material by the Director of Risk Management and Asset Allocation, Compliance Officer, Internal Audit, or other control functions
- 2. On at least an annual basis, and prior to their submission as recommendations to the Treasurer or authorized person (as applicable), the Committee will review:
  - a. Investment Policy Statement
  - b. Risk budget and other total fund policies
  - c. Cost effectiveness measures for the Fund
  - d. Draft Annual Investment Work Plans
  - e. Potential investment process enhancements, including internal and external resourcing, and strategic initiatives
  - f. Legislative proposals
  - g. This charter and a member self-assessment of Committee effectiveness
- 3. The Chief Investment Officer approves final agendas, tabling of issues, requests for further study, and designation of sub-committees. The Chief Administrative Officer, as Staff Director, has the responsibility for preparing and distributing work papers, as necessary, prior to each scheduled meeting. The Staff Director, or their 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.
- 4. Notwithstanding the foregoing, the Chief Investment Officer, Chief Administrative Officer, Director of Risk Management and Asset Allocation, Compliance Officer, or internal legal counsel may request an ad hoc Committee meeting to consider risk issues, compliance exceptions, or conflicts of interest that they deem a material event requiring immediate review.
- 5. The Committee meetings will be a cooperative and collaborative venue for senior investment staff to develop consensus advice for the Chief Investment Officer and Treasurer. A majority of the members of the Committee will typically be present in order to develop a consensus. 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.

This Charter is effective July 1, 2013.

**SUBMISSION AND APPROVAL**

Submitted:

Approved:

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Kevin SigRist  
Chief Investment Officer

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Janet Cowell  
North Carolina State Treasurer

Date: \_\_\_\_\_

Date: \_\_\_\_\_