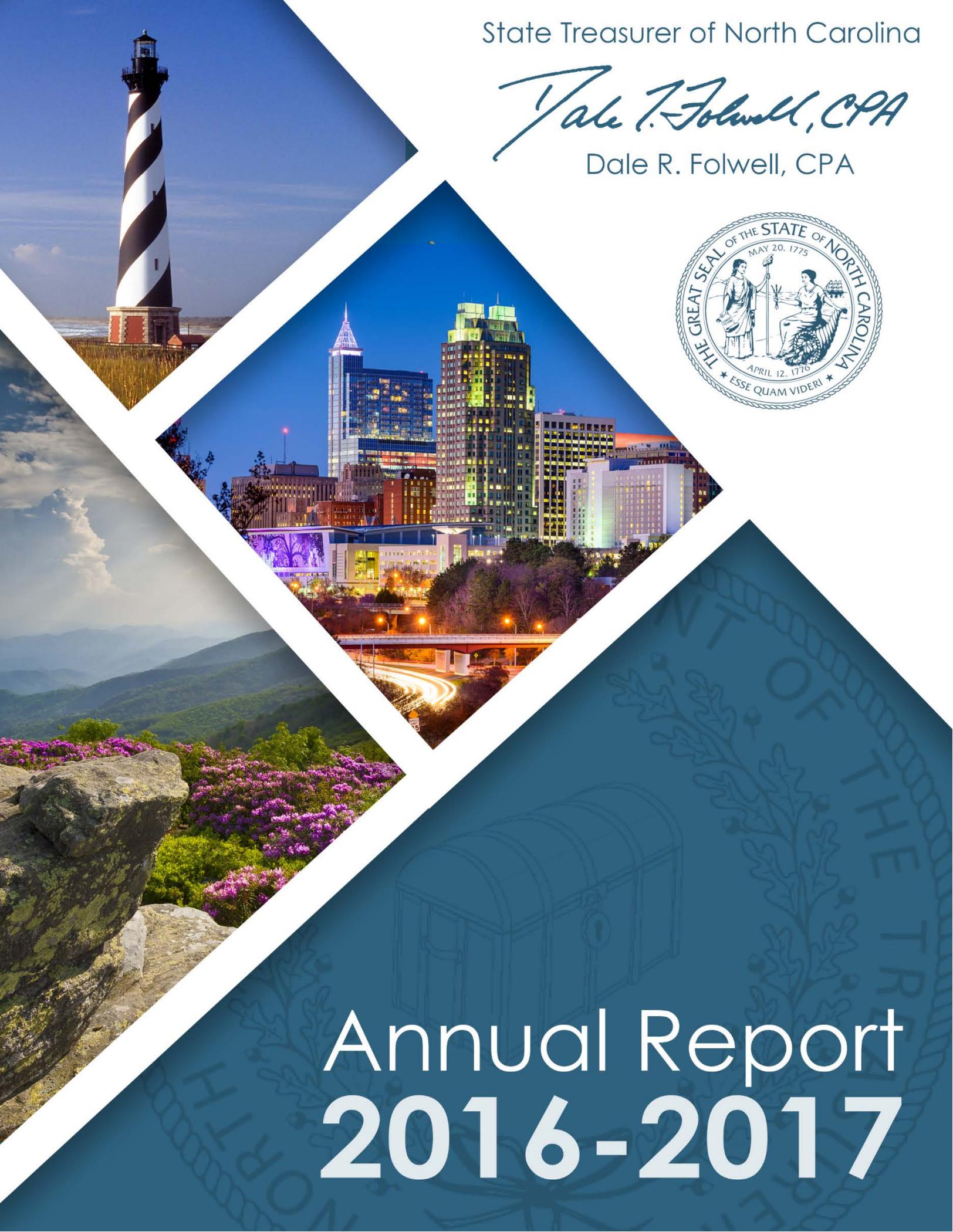


State Treasurer of North Carolina

*Dale R. Folwell, CPA*

Dale R. Folwell, CPA



# Annual Report 2016-2017



## A LETTER FROM TREASURER FOLWELL



When I applied for the job of state treasurer, I promised to cut Wall Street fees by \$100 million over four years, freeze family health care premiums for teachers, law enforcement officers and other public workers, and increase transparency in the treasurer's office. Since I was sworn in, the hard-working team at the N.C. Department of State Treasurer (DST) has fulfilled those promises and so many more.

The North Carolina Retirement Systems is the 27th largest pool of public money in the world, providing retirement benefits to more than 900,000 members. Our Investment Management Division has more than \$98 billion in assets under management and the state pension plan is consistently rated as one of the best-funded in the country. DST also manages one of the largest governmental Defined Contribution Plans in the country. It is essential that we manage those funds as effectively as possible on behalf of the members who will rely on them during their retirement.

During my first month in office, I called 175 money managers representing 90 percent of the Retirement Systems' holdings and asked them who they are, where they are, and how much of our money they manage. I told them about my pledge to cut \$100 million and asked them how much they were willing to reduce their fees. The result? During the first half of 2017, we cut Wall Street fees by \$63 million, or more than \$250 million over four years.

The State Health Plan provides medical and pharmaceutical coverage for more than 720,000 teachers, state employees, retirees, current and former lawmakers, state university and community college personnel and their dependents. In 2017, the health plan spent more than \$3.2 billion on these benefits. That is more than the State of North Carolina spends each year on public safety or the entire University of North Carolina system.

Despite those accomplishments, the fact remains that rising medical and pharmaceutical costs have created a medical arms race in this country that severely impacts North Carolina's State Health Plan. We are not consumers of health care – it is consuming us.

Increasing costs and long-term health care liabilities create significant risks for taxpayers and the core functions of government. Today, North Carolina is facing a \$34 billion funding gap for retiree health care benefits because money has never been set aside to pay for the promise of lifetime health care coverage. Services like education, public safety and roads will be affected, as more and more of the state's budget is used to cover the unfunded liabilities.

You will learn more in this report about what we are doing to protect, preserve and sustain the health care and pension plans. You will also learn about the outstanding work our Financial Operations, State and Local Government Finance, and Unclaimed Property divisions are doing to ensure the financial health of our state, our communities and our citizens.

It has been a great honor to serve in my first year as North Carolina's 28th state treasurer. We have made considerable progress this year, many challenges remain. Paramount among them is how we sustain the pension and health care systems for future generations, while driving down the costs of medical and pharmaceutical services. I have no doubt that with the integrity, ability and passion of the employees at the N.C. Department of State Treasurer, we will be successful.

A handwritten signature in black ink that reads "Dale R. Folwell, CPA". The signature is written in a cursive, flowing style.

Dale R. Folwell, CPA  
State Treasurer of North Carolina

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# Overview of the Department

The N.C. Department of State Treasurer (DST) serves the people of North Carolina through a variety of functions related to the financial health of the state and its citizens. State Treasurer Dale R. Folwell, CPA serves as the state's banker and chief investment officer and is responsible for approximately \$110 billion in assets.

The department administers the employee retirement systems for more than 900,000 public workers, along with their 401(k), 457 and 403(b) plans. DST also oversees the State Health Plan, which provides health care coverage to more than 727,000 teachers, state employees, retirees, current and former lawmakers, state university and community college personnel, and their dependents. Fiscal assistance and expertise are provided by the department to local governmental units by aiding them in the sale of local government debt obligations and in maintaining sound budgeting, accounting, and reporting procedures. The department also administers the NC Cash unclaimed property database.

The N.C. Department of State Treasurer has approximately 400 employees and is comprised of the following divisions:

- Retirement Systems
- State Health Plan
- Unclaimed Property
- State and Local Government Finance
- Financial Operations
- Investment Management
- Information Technology

## Vision

Our vision is to sustain and advance the performance and efficiency of the N.C. Department of State Treasurer, always focusing on our loyalty and duty of care to participants.

## Mission

Our mission is to preserve, protect and sustain the state's pension and healthcare plans, reduce investment fees while maximizing returns, properly account for and report on all funds that are deposited, invested, and disbursed through the N.C. Department of State Treasurer, assure the financially sound issuance of debt for state and local governments, maintain the state's "AAA" bond rating, and provide exemplary service across all divisions of the department.

## Values

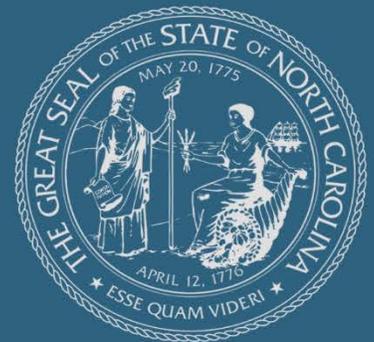
At the heart of the department's work are its core values, which are implemented consistently at all levels and across all divisions. They are:

- **Fiduciary Duty** – focus on the taxpayers of the State of North Carolina
- **Integrity, Ability and Passion** – ensure that all N.C. Department of State Treasurer employees are guided by these three principles as they perform their duties.
- **Make a Generational Difference** – focus on the big picture.
- **Transparency** – structure and conduct all aspects of our work with an open and transparent policy that promotes trust and accountability.

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA



# State Health Plan

# State Health Plan

## Overview

The State Health Plan for Teachers and State Employees provides health care coverage to more than 720,000 teachers, state employees, retirees, and their dependents.

Under the leadership of Treasurer Dale R. Folwell, CPA, the Plan has embraced a wide-ranging mission that includes, in part, improving the health and health care of North Carolina teachers, state employees, retirees, and their dependents in a financially sustainable manner, and serving as a model for the people of our state.

The State Health Plan's vision is to be a leader in North Carolina by providing access to cost-effective, quality health care and wellness programs for our membership. The plan's strategic priorities include: (1) improving members' health, (2) improving members' experience and (3) ensuring a financially stable Plan.

Active Plan members are valued public employees, and the taxpayers of North Carolina invest in them by offering eligible employees full medical and pharmacy benefits through the State Health Plan. Employing agencies contribute nearly \$500 each month to permanent employees' health benefits.

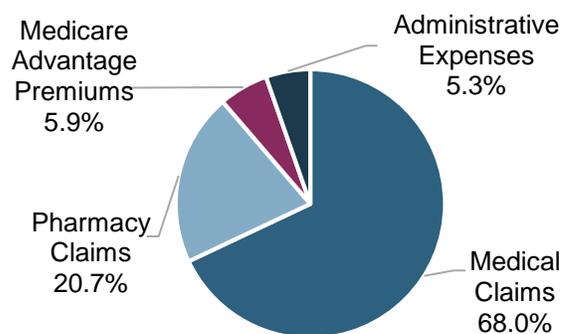
In fulfilling its mission, vision, and strategic priorities, the State Health Plan seeks to follow these values: focusing on our members; collaborating with our vendor partners and other stakeholders on behalf of our members; acting in a transparent manner with the highest degree of integrity; and striving for the best quality of care and service for our members. The plan is dedicated to providing members with an excellent customer experience and convenient access to health care.

## Funding

The State Health Plan is self-insured and exempt from the Employee Retirement Income Security Act (ERISA) as a government-sponsored plan.

In terms of its general funding structure, the Plan is 100% receipt-supported, primarily through the collection of premiums paid by employing units (including state agencies, school systems, universities and community colleges) and members. It is important to note that, through agency budgets, the state funds the employer contributions for active employees and qualifying retirees. The employer contributions cover nearly all of the premium costs for employee and retiree coverage. However, the state does not provide a direct subsidy for dependents, meaning employees and retirees who cover dependents pay 100% of the dependent premiums.

In calendar year 2017, employer contributions made up approximately 84% of premium collections, while employee premiums made up 16%. Premium collections, along with a relatively small amount of federal subsidy income and interest earnings, pay all State Health Plan expenses. The plan spent a total of \$3.307 billion in calendar year 2017.



## Governance

The State Treasurer, Executive Director and Board of Trustees are designated as fiduciaries for the State Health Plan, with ultimate decision-making entrusted to the treasurer. The plan is governed by a 10-member Board of Trustees, which is tasked with making decisions regarding the State Health Plan, such as approving large contracts, designing benefit programs and setting premium rates, copays and deductibles. The North Carolina General Assembly determines member eligibility rules and provides state funding for the Plan.

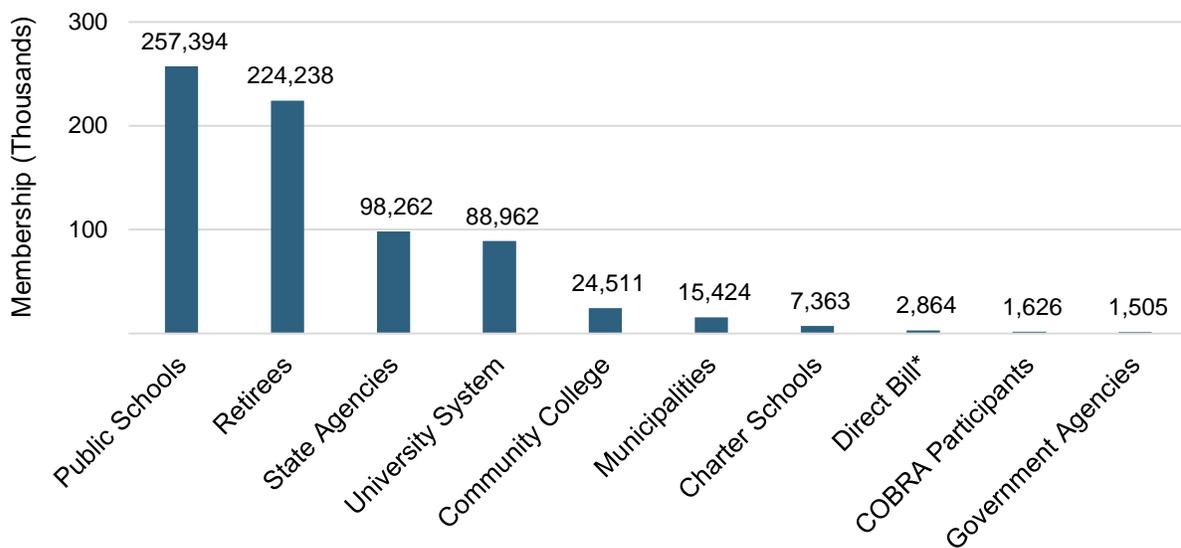
The Board of Trustees is comprised of: an employee of a state department, agency or institution; a teacher employed by a North Carolina public school system; a retired employee of a state department, agency or institution; and a retired teacher from a North Carolina public school system. The board is also to be made up of experts with relevant skills in areas such as health economics, health benefits and administration, and health law. The State Treasurer is an ex-officio member of the board and serves as its chair, but only votes in the event of a tie. The Director of State Budget serves as an ex-officio nonvoting member.

Two members are appointed by the governor, two members are appointed by the State Treasurer, two members are appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives and two members are appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate.

## Membership Statistics

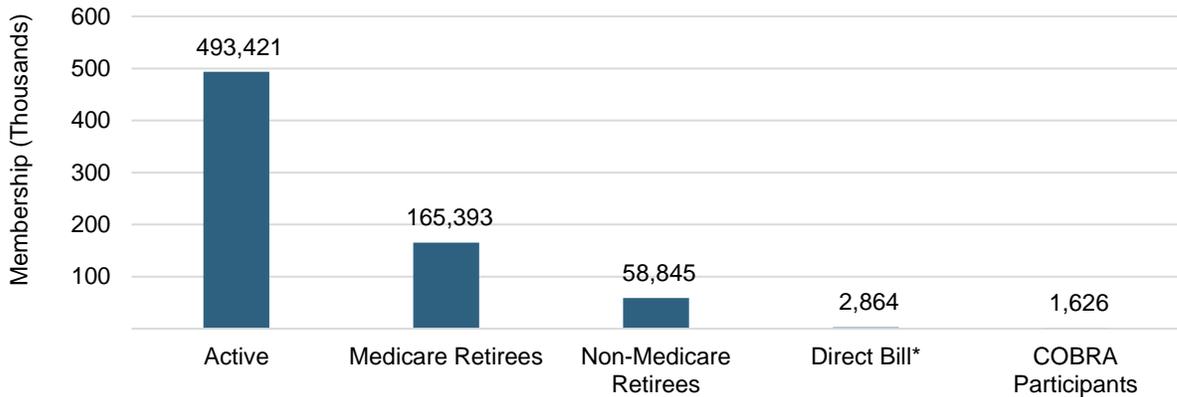
The State Health Plan’s membership categories include active employees, COBRA participants, Medicare-eligible members and non-Medicare members.

Figure 1- Membership by Entity



\*Members who do not have premiums automatically deducted from paychecks are billed directly for benefits.

Figure 2-Membership by Employment



\*Members who do not have premiums automatically deducted from paychecks are billed directly for benefits.

## Plan Options

The State Health Plan currently offers two Preferred Provider Organization (PPO) plans for active and non-Medicare members, using the Blue Options network. They are the 80/20 Plan and the 70/30 Plan. These plans offer freedom of choice among in-network providers and lower out-of-pocket costs and an emphasis on preventive health. Please note: the State Health Plan also offered the Consumer-Directed Health Plan (CDHP) through the 2017 calendar year.

- The 80/20 Plan has higher premiums in exchange for lower copays, coinsurance and deductibles. This plan includes the ability to lower monthly premiums for non-tobacco users and for tobacco users who agree to enroll in QuitlineNC's multi-call program.
- The 70/30 Plan has lower premiums in exchange for higher copays, coinsurance and deductibles. This plan also includes the ability to lower monthly premiums for non-tobacco users and for tobacco users who agree to enroll in QuitlineNC's multi-call program.

Both plans are administered by Blue Cross and Blue Shield of North Carolina (Blue Cross NC). They act as the State Health Plan's Third Party Administrator, but health care claims are paid by the state – not by Blue Cross NC.

Likewise, CVS Caremark is the State Health Plan's Pharmacy Benefit Manager. They manage prescription drug benefits on behalf of the state, but pharmacy claims are paid by the state.

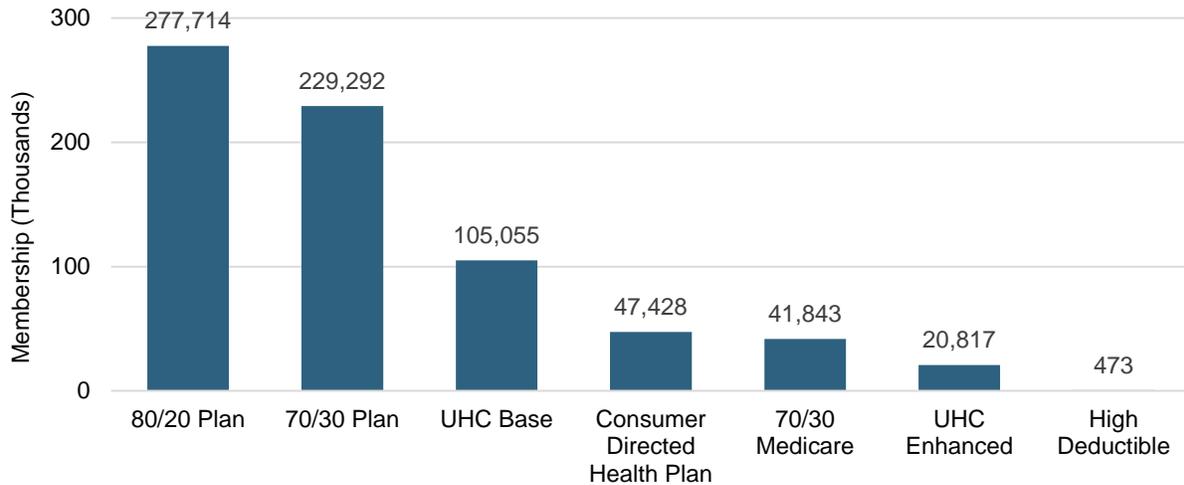
For Medicare members, the Plan offers three health plan options. They include:

- The UnitedHealthcare® Group Medicare Advantage (PPO) Base Plan. This plan is customized to combine Medicare Parts A and B along with Medicare Part D (prescription coverage) into one plan with additional benefits, services and discount offers. These include access to the SilverSneakers® Fitness Program, a nurse help line and disease and case management services.
- The UnitedHealthcare® Group Medicare Advantage (PPO) Enhanced Plan. This plan is also customized to combine Medicare Parts A and B along with Medicare Part D (prescription coverage) into one plan, and offers lower out-of-pocket expenses. It also offers additional benefits, services and discounts, including access to the SilverSneakers® Fitness Program, a nurse help line and disease and case management services.
- The 70/30 Plan, administered by Blue Cross NC.

The State Health Plan also offers a High Deductible Health Plan for full-time non-permanent employees working at least 30 hours per week and deemed eligible by their employing agency. This plan is administered by MedCost.

As of December 31, 2017, the membership by plan breakdown was as follows:

**Figure 3- Membership by Plan**



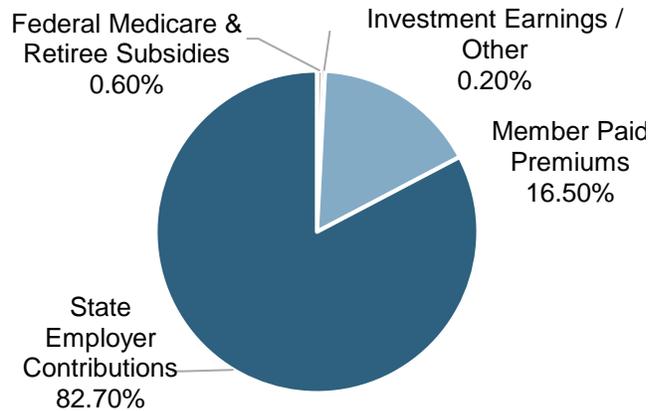
## Milestones

In 2017, the State Health Plan froze family premiums, copays and deductibles in order to increase affordability. Treasurer Folwell also worked with UnitedHealthcare in an effort to stabilize premiums for Medicare members. A reduction in the rate for the base plan was successfully negotiated in 2017, despite a national trend that saw an average increase in premiums purchased through the exchange or private market of 25 percent.

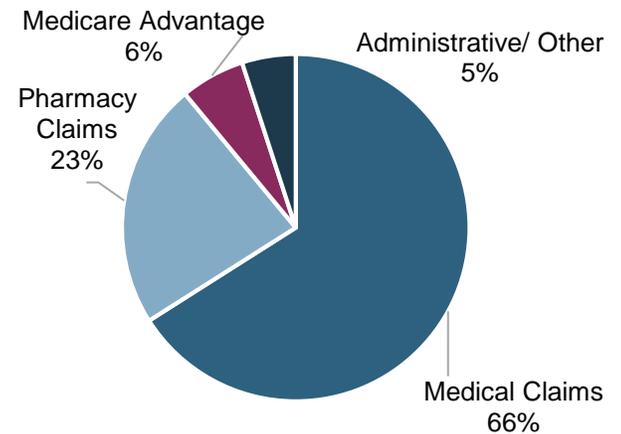
## Financial Statistics

The North Carolina General Assembly does not appropriate funds directly to the State Health Plan. Instead, it provides funds to state agencies, universities, community colleges, local school systems and the retirement system to pay an “employer contribution” or monthly premium on behalf of employees and retirees. As such, the Plan is 100 percent receipt-supported, with premium receipts, including employer contributions and amounts paid by employees and retirees for their own and dependent coverage, representing approximately 99.2 percent of total revenues in fiscal year 2016-17.

**Figure 4- 2016-2017 Plan Revenues (\$Millions)**



**Figure 5-2016-2017 Plan Cost Structure**



Per Comprehensive Annual Financial Report (CAFR)

While the General Assembly does not appropriate funds directly to the State Health Plan, the state's General Fund is the primary source of funding for employer contributions.

The state pays the large majority of the total premium cost for employee coverage. Currently, employees and retirees may enroll their eligible dependents in the plan on a "fully contributory" basis, meaning the member is responsible for paying the full premium cost of dependent coverage.

Premium rates are established for each state fiscal biennium based on an actuarially-based forecast prepared by the State Health Plan's consulting actuary. The forecast model produces a projected premium increase that is required to cover the plan's expenses during the upcoming forecast period or fiscal biennium, and that premium increase is typically applied to all rates across the board.

Future premium rates are impacted by the State Health Plan's actual financial performance. If claims experience is less (i.e. better) than projected, the plan's cash reserves increase over the year and the required premium increase in the next year will be lower than originally projected. Conversely, if expenses are higher than projected, the plan will spend down or use its reserve to cover the increased cost, and the required premium increase in the next year will be higher than originally projected.

**Table 1- State Health Plan Financial Summary**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
<b>Premium Contributions</b>	\$2,934,170,041	\$2,982,000,909	\$3,075,791,037	\$3,247,140,382
<b>Other Receipts</b>	\$78,704,160	\$73,246,037	\$29,317,800	\$27,344,732
<b>Total Revenues</b>	\$3,012,874,201	\$3,055,246,946	\$3,105,108,837	\$3,274,485,114
<b>Medical Claims</b>	\$1,958,967,484	\$2,044,139,664	\$2,095,478,943	\$2,227,555,655
<b>Pharmacy Claims</b>	\$648,029,368	\$671,686,515	\$682,433,565	\$760,272,958
<b>Premiums for Fully Insured Plans</b>	\$78,538,847	\$162,400,395	\$183,856,885	\$194,836,231
<b>Total Claims</b>	\$2,685,535,700	\$2,878,226,574	\$2,961,769,394	\$3,182,664,844
<b>Administrative Expenses</b>	\$145,569,134	\$173,291,390	\$187,640,668	\$174,341,715
<b>Total Expenditures</b>	\$2,831,104,834	\$3,051,517,964	\$3,149,410,062	\$3,357,006,558
<b>Plan Income/ (Loss)</b>	\$181,769,366	\$3,728,983	\$(44,301,225)	\$(82,521,445)

Per Comprehensive Annual Financial Report (CAFR)

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA



# Retirement Systems

# Retirement Systems

The Retirement Systems Division (RSD) of the N.C. Department of State Treasurer administers the North Carolina Total Retirement Plans, which include seven defined benefit (pension) plans, the NC Supplemental Retirement Plans NC 401(k), NC 457 and NC 403(b) voluntary defined contribution plans and the NC ABLE Program. Additionally, RSD administers the state's death benefit plans and disability plans. These plans and programs provide benefits to more than 900,000 members and beneficiaries.

RSD administers seven pension plans:

**Table 2- Pension Plans Administered**

<b>System</b>	<b>Number of Members*</b>	<b>Total Assets*</b>
Teachers' and State Employees' Retirement System (TSERS)	672,514	\$64.2 billion
Local Governmental employees' Retirement System (LGERS)	256,259	\$23.3 billion
Consolidated Judicial Retirement System (CJRS)	1,256	\$539 million
Legislative Retirement System (LRS)	554	\$27 million
Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF)	56,524	\$384 million
National Guard Pension Fund (NGPF)	16,032	\$113 million
Legislative Fund (LF)	2	\$0.0 million
Registers of Deeds' Supplemental Pension Fund (RDSPF)	203	\$48 million

\* Member and total assets counts reflect December 31, 2016 Actuarial Valuation results.

In addition to the pension plans, RSD provides several other supplemental benefits and services to active and retired state and local employees and their beneficiaries:

**Table 3- Types of Supplemental Plans/Programs**

<b>Types of Supplemental Plans/Programs</b>	<b>Benefit/Service</b>
<b>Disability Benefits</b>	Provides equitable replacement income for eligible members of TSERS who are temporarily or permanently disabled, as well as for LGERS members who are permanently disabled.
<b>Social Security Benefits</b>	Administers the state's responsibility under the Social Security Agreement of July 16, 1951, which is an agreement between the federal government and the state government allowing local governments and other qualifying groups of the state to participate in Social Security.
<b>Employee Death Benefits</b>	Provides group death benefits for members of TSERS, CJRS and LGERS. These benefits include: death benefits for active employees in TSERS, CJRS, LRS and LGERS; the Separate Insurance Benefits Plan for active and retired state and local governmental law enforcement officers; and the line-of-duty death benefit for certain civil service and emergency services workers.
<b>Supplemental Retirement Income Plan – NC 401(k)</b>	Provides members with voluntary investment opportunities to supplement retirement income.

<b>Public Employee Deferred Compensation Plan – NC 457</b>	Provides members with voluntary investment opportunities to supplement retirement income.
<b>Teachers' and Professional Educators' Investment Plan – NC 403(b)</b>	Provides teachers and school employees with voluntary investment opportunities to supplement retirement income.
<b>NC 401(k)/NC 457 Lifetime Income/Transfer Benefit</b>	Enables members to receive an additional monthly benefit that they are eligible to receive under TSERS or LGERS by transferring all or a portion of the balance in their NC 401(k) and/or NC 457.
<b>Contributory Death Benefit for Retired Members</b>	Offers an optional benefit that gives retirees a one-time death benefit of up to \$10,000.
<b>Supplemental Insurance</b>	Provides retired members with optional supplemental dental and vision insurance.
<b>Retiree Health Benefits</b>	Acts as the Health Benefits Representative for retired members covered under the State Health Plan of North Carolina.
<b>NC ABLE Program</b>	Tax-advantaged savings accounts for individuals with disabilities and their families. Participants save for qualified disability expenses without losing their eligibility for certain assistance programs like SSI and Medicaid.

A key purpose of the retirement systems and benefit plans is to assist public employers in attracting and retaining high-quality employees by providing valuable post-employment benefits, including replacement income at retirement, as well as death, disability and survivor benefits. RSD staff members continuously review features and options within the benefit plans to ensure that all promised benefits are attainable over time and are an efficient use of employees' and taxpayers' contributions.

**Table 4- Total Benefits and Assets (as of June 30, 2017)**

<b>Category</b>	<b>Amount</b>
Total Number of Retirees Receiving Benefits	305,072
Total Dollar Amount of Benefits Paid (FY ending June 30, 2017)	\$3.4 Billion
Total Assets of All State-Administered Pension Funds	\$94,057 Million

# The NC Total Retirement Plans 401(k), 457, and 403(b)

Nearly 1,000 employers offer one or more of the NC Total Retirement Plans 401(k), 457 and 403(b) supplemental retirement plans.

**Table 5-NC Total Retirement Plans**

<b>Supplemental Plan</b>	<b>Number Of Members*</b>
NC 401(k) Plan	250,305
NC 457 Plan	53,837
NC 403(b) Program	1,204
<b>Total</b>	<b>273,800</b>

*\* Member counts reflect 2017 calendar year values.*

These award-winning plans offer a diverse range of customized investment options and high-quality plan features at very low costs. The Supplemental Retirement Board of Trustees, with State Treasurer Folwell as chair, provides continual, strong fiduciary oversight of plan design and features, investments, fund managers and all fees.

Participants have personal, local support across the state from highly-trained retirement education counselors and access to tools such as the asset allocation program GoalMaker. These plans and their features help North Carolina public servants plan and save to be “retirement ready” – able to replace 80 percent of their pre-retirement income throughout retirement. In fact, 72 percent of those who participate are retirement ready, versus 47 percent for members who participate in the NC pension plans alone.

The NC Total Retirement Plans 401(k), 457 and 403(b) have received multiple national awards for plan design, communications and marketing. Most recently the plans received the 2017 National Association of Government Defined Contribution Administrators Leadership Award and the 2016 Plan Sponsor Corporation of American Signature Award.

## The NC ABLE Program

The NC Achieving a Better Life Experience (ABLE) Act, passed in 2015, dramatically changed rules that previously limited savings and assets for people with disabilities to just \$2,000. The law, which mirrors the federal ABLE Act of 2014, opened the door to financial freedom for people with disabilities, allowing savings and investments to reach \$100,000 before affecting Social Security Income (SSI) benefits and \$450,000 total.

The N.C. Department of State Treasurer administers the NC ABLE Program, which launched in January 2017. Qualified individuals can contribute up to \$15,000 a year, and parents/guardians can open and manage accounts for those who qualify. The 2017 federal Tax Cuts and Jobs Act increased the power of NC ABLE, permitting rollovers from 529 college savings accounts and allowing more savings from income for account owners who are employed.

With NC ABLE, family members and friends may direct deposit or “gift” money into NC ABLE accounts without jeopardizing supports and benefits – an impactful feature that changed a decades-old federal law and boosts financial freedom for people with disabilities. NC ABLE account earnings grow federal tax free and NC ABLE account distributions used for Qualified Disability Expenses are not considered income.

The NC ABLE Program provides extensive outreach activities, supported by a strong partnership with an extensive network of state and national nonprofit member associations and disability services groups, stakeholders in the financial services community, as well as key state agency partners and the NC ABLE Program Board of Trustees.

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA



# State And Local Government Finance

# State and Local Government Finance

## Overview

Table 6- Overview

	FY 2014-15	FY 2015-16	FY 2016-17
<b>Maintained the AAA Bond Rating</b>	Yes	Yes	Yes
<b>Number of Local Government Units Contacted Regarding their Fiscal Health of Compliance with General Statues</b>	528	267	338
<b>Total Debt Issued by Local Governments</b>	\$4.2 Billion	\$4.4 Billion	\$5.2 Billion
<b>Debt Issued for Special State and Local Authorities and Agencies</b>	\$2.2 Billion	\$2.6 Billion	\$1.8 Billion
<b>Total State Debt Issued</b>	\$0.8 Billion	\$0.3 Billion	\$0.5 Billion

The State and Local Government Finance Division (SLGFD) handles the sale and delivery and monitors the repayment of all state and local government debt. Staff counsel assists local governments in determining the feasibility of projects, the size of the financing, and the most expedient form of financing. The division also monitors and analyzes the fiscal and accounting practices of all local governments.

SLGFD is comprised of the Debt Management section, which issues and monitors all state and local debt; and the Fiscal Management section, which monitors fiscal and accounting standards for local governments. The division also provides the State Treasurer, the Local Government Commission and the North Carolina Capital Facilities Finance Agency with staff assistance in fulfilling their respective statutory functions.

Table 7- Fiscal Year Summary of Debt Issued

Total State	\$0.5 Billion
Total Local Governments	\$5.2 Billion
<b>Total</b>	<b>\$5.7 Billion</b>

## The Local Government Commission

The Local Government Commission (LGC) provides assistance to local governments and public authorities in North Carolina. Staffed by the N.C. Department of State Treasurer, the SLG approves the issuance of debt for all units of local government and assists these units with fiscal management. The commission is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the General Assembly upon the recommendation of the President Pro Tempore, and one by the General Assembly upon the recommendation of the Speaker of the House of Representatives). The State Treasurer serves as chair and selects the Secretary of the Commission, who heads the administrative staff serving the commission. The full commission meets monthly, but if a quorum of the full commission is not present, the Executive Committee of the Local Government Commission may meet to conduct the business on the agenda.

## The North Carolina Capital Facilities Finance Agency

Private colleges, universities, nonprofit and for-profit corporations providing certain services may receive financing assistance through bonds issued by the North Carolina Capital Facilities Finance Agency. The agency's Board of Directors includes seven members: the State Treasurer, the State Auditor, and five others by appointment (three by the Governor, one by the President Pro Tempore of the Senate and one by the Speaker of the House of Representatives). The agency meets monthly and receives administrative support from the N.C. Department of State Treasurer.

The staff reviews the feasibility, desirability, financial capability and responsibility of projects and presents recommendations to the agency board and the LGC for approval. Since its inception, the agency has provided over \$8.59 billion in tax-exempt capital financing. At June 30, 2017, there were \$2.47 billion in outstanding obligations. Each issue is payable solely from revenues derived from each entity financed, is separately secured, and is separate and independent from all other series of bonds as to source of payment and security. During the fiscal year ended June 30, 2017, the agency issued \$636 million in bonds for six institutions. The agency's annual report is available from the N.C. Department of the State Treasurer.

## Debt Management

The Debt Management section issues and monitors all state debt, including debt secured by a pledge of the taxing power of the state, and debt for which repayment is subject to appropriation. With the assistance of other state agencies, the section determines the cash needs and plans for the repayment of debt (maturity schedules) and schedules the sale at the most appropriate time. Debt Management handles the actual sale and delivery of the debt, maintains the state bond records and register of bonds, and monitors the debt service payments. At June 30, 2017, the state had General Obligation bonds outstanding of approximately \$2.9 billion and certificates of participation, limited obligation bonds and lease-purchase bonds outstanding of approximately \$2.0 billion. (See Tables 8 and 9.) This section is also responsible for the authorization and sale of revenue bonds for the North Carolina Medical Care Commission, the Municipal Power Agencies, the North Carolina Capital Facilities Finance Agency and the North Carolina Housing Finance Agency.

Debt Management assists the State Treasurer in representing the state in all presentations to Moody's Investors Service, Inc., Standard & Poor's Corporation and Fitch Ratings, Inc. – the three national bond rating agencies used by the State and local governmental units in North Carolina. At June 30, 2017, the State had "Triple-A" ratings, the highest rating possible, from all three national rating agencies. Only eleven other states enjoyed this distinction. These ratings allow the state to sell its bonds at interest rates considerably below the Bond Buyer's Index at a significant savings to North Carolina taxpayers.

In addition, this section staffs the State's Debt Affordability Committee and drafts an annual Debt Affordability Study, which provides the North Carolina General Assembly with an overview of the state's debt load and borrowing capacity. The February 1, 2017 study determined that the state's annual General Fund debt capacity was approximately \$181 million in fiscal year 2017. The study also provided an estimate of the annual debt capacity for the transportation funds (the State Highway Fund and Highway Trust Fund) and projected that there is approximately \$270 million of new transportation debt capacity.

Another primary function of Debt Management is the approval, sale and delivery of all North Carolina local government bonds and notes. This includes the sale of revenue bonds, which are secured only by specific revenue pledged in payment of the bonds. Staff counsels and assists local governmental units in determining the necessity of a project, the size of the issue, and the most expedient form of financing. A review is made of the debt management policies of the unit, the effect of the financing

on the unit's tax rate and the unit's compliance with the Local Government Budget and Fiscal Control Act. Sale dates are scheduled depending on the need for the money, the anticipated interest rates and the most favorable times bonds can be sold with a minimum of competition. The staff works to resolve outstanding issues and determine that all statutory requirements are met before applications are presented to the Local Government Commission for approval.

Debt records are maintained for all units on principal and interest payments coming due in the current and future years. All debt service payments are monitored through a system of monthly reports. At June 30, 2017, authorized and unissued general obligation bonds for local governments and authorities amounted to \$3.4 billion and general obligation debt outstanding amounted to \$9.1 billion. (See Table 8.)

Debt Management staff is also responsible for assisting units that propose to enter into agreements to finance the lease or installment purchase of capital assets. Before approving such agreements, the LGC must find that the proposed project is necessary and expedient, the proposed undertaking cannot be economically financed by a bond issue, and that the contract will not require an excessive increase in taxes. During the fiscal year ended June 30, 2017, the LGC approved contracts or other agreements (including refundings) totaling \$1.2 billion. (See Tables 6 and 7).

Staff continues to ensure compliance with Internal Revenue Service, Securities and Exchange Commission and other requirements relating to the ongoing management of tax exempt debt; including monitoring, arbitrage rebate compliance, preparing and filing secondary market disclosures information and other post issuance compliance duties. Staff also prepares information for use by the General Assembly, bond counsel and other outside finance and legal professionals.

A comparison of bond issuances by the categories above in fiscal year 2016-17 with issuances in the past two fiscal years is shown below in Table 11.

**Table 8- Bond Issuances for 2016-2017**

	<b>FY #</b>	<b>Amount</b>
<b>Bonds Sold for the State</b>		
G.O. Bonds (General Fund)	1	\$200,000,000
G.O. Bonds (Highway Fund)	-	-
Special Indebtedness	-	-
Grant Anticipation Revenue Vehicle Bonds <sup>1</sup>	-	-
North Carolina Turnpike Authority Revenue Bonds	3	\$337,600,000
<b>Total Issued</b>	<b>4</b>	<b>\$537,600,000</b>
<b>Bonds and Notes Sold for Local Government Units</b>		
G.O. Bonds	38	\$1,551,200,000
Revenue Bonds	78	\$2,502,600,000
Special Obligation Bonds	2	\$48,800,000
G.O. Notes <sup>2</sup>	37	\$367,900,000
Revenue Notes <sup>2</sup>	20	\$80,800,000
<b>Subtotal Bonds &amp; Notes Issued</b>	<b>175</b>	<b>\$4,551,300,000</b>
Installment/Lease Contracts Sold for Local Units	99	\$635,300,000
Water & Sewer Revolving Loans	27	\$56,400,000
<b>Total for Local Government</b>	<b>301</b>	<b>\$5,243,000,000</b>
<b>Revenue Bonds Sold For</b>		
Medical Care Commission	18	\$690,100,000
Housing Finance Agency	3	\$472,300,000
Power Agencies	-	-
Industrial Facilities & Pollution Control Financing Authorities <sup>3</sup>	1	\$13,500,000
NC Department of Transportation	-	-
Capital Facilities Finance Agency	6	\$636,000,000
<b>Total Issued</b>	<b>28</b>	<b>\$1,811,900,000</b>
<b>GRAND TOTAL ISSUED</b>	<b>333</b>	<b>\$7,592,500,000</b>

*1 The GARVEES are bonds issues of the N.C. Department of Transportation for transportation construction and improvement costs. They are payable solely from certain federal transportation revenues received on behalf of the state and do not create a liability or obligation of the state or any political subdivision. The state issued no new GARVEE bonds in FY 2017.*

*2 These are ongoing programs involving more than a year in duration. The purpose of these projects is to allow interim funding of large ongoing programs until a sufficient amount of bonds or favorable market conditions justify replacing the notes with permanent financing.*

*3 Bonds Issued by these authorities are commonly referred to as Industrial Revenue Bonds and are used to attract and retain manufacturing industries to the state.*

## Fiscal Management

The Fiscal Management section monitors certain fiscal and accounting standards prescribed for local governmental units by the Local Government Budget and Fiscal Control Act. The act requires each unit of local government to have its accounts audited annually by a Certified Public Accountant or by an accountant certified by the commission as qualified to audit local government accounts. As a part of its role in assisting local units and monitoring their fiscal programs, the division provides guidance in following generally accepted accounting principles. Each local government is required to file a copy of its annual audit report with the division and submit all audit invoices to the division for approval.

Staff in the Fiscal Management section annually review the audited financial statements of approximately 1,340 local governments and public authorities. The staff determines that all reports are prepared in accordance with generally accepted accounting principles and that applicable auditing standards have been followed. The staff also reviews audit reports to evaluate the financial condition of the unit to determine if the unit complied with the Local Government Budget and Fiscal Control Act and other state laws, and to determine if the unit has an adequate system of internal controls in place.

When Fiscal Management staff notes problems, local governments and public authorities along with their independent auditors, receive written communication expressing the staff's concerns, suggestions for improvements and an offer of assistance. On behalf of the LGC, staff requests a response detailing the unit's plans to take corrective action. In fiscal year 2016-17, staff sent approximately 88 audit letters to units of local government and visited 250 units to deal with corrective action issues. Letters typically address issues such as over expenditures in the budget, fiscal weaknesses in the water and sewer system, internal control challenges with the accounting system, credit cards or deposits, late delivery of audits or problems with the unit's level of fund balance. Local governments units are counseled in accounting systems and internal controls, cash and investment management, budget preparation, risk management, capital planning and changes in laws and regulations. Educational programs in the form of seminars and classes are also provided in order to accomplish these tasks.

In the 2016-2017 fiscal year, the State and Local Government Finance Division formalized the processes by which it determines the local entities that are most in need of assistance from staff. The resulting report is known as the Unit Assistance List (UAL). While being identified on the UAL is not intended to be a punitive measure, most units realize that they need to take the steps necessary to be removed from the UAL if they can. Fiscal management staff uses the list to assist in prioritizing the scheduling of unit visits to maximize resources.

With the formalization of the UAL process, other changes resulted, primarily with how information is presented to the LGC about units wishing to seek debt approval. Units on the UAL are not prohibited from issuing debt, but they must provide the LGC with either evidence that they have addressed their deficiencies or an actionable plan that will address their problems. Fiscal management staff will visit with the unit to determine if real progress is being made. This same process applies to any unit that has received a unit letter on its most recent audit. Fiscal staff also follows up with units once their debt is approved to ensure that corrective action is still being followed.

**Table 9 - General Obligation Bonds | Local Government | Referenda & Authorizations**

	Propositions			Bonds		
	# proposed	# approved	% approved	\$ proposed	\$ approved	% approved
<b>Counties</b>						
<b>Voted</b>						
School	5	5	100%	\$792,090,000	\$792,090,000	100%
Community College	3	3	100%	\$125,395,000	\$125,395,000	100%
Library	2	2	100%	\$54,825,000	\$54,825,000	100%
Museum	1	1	100%	\$14,210,000	\$14,210,000	100%
Housing	1	1	100%	\$5,000,000	\$5,000,000	100%
Parks & Recreation	1	1	100%	\$15,000,000	\$15,000,000	100%
<b>Subtotal</b>	<b>13</b>	<b>13</b>	<b>100%</b>	<b>\$1,006,520,000</b>	<b>\$1,006,520,000</b>	<b>100%</b>
<b>Non Voted</b>						
Refunding	3	3	100%	\$444,000,000	\$444,000,000	100%
2/3rds	2	2	100%	\$48,995,000	\$48,995,000	100%
<b>Subtotal</b>	<b>5</b>	<b>5</b>	<b>100%</b>	<b>\$492,995,000</b>	<b>\$492,995,000</b>	<b>100%</b>
<b>Districts</b>						
<b>Voted</b>						
Water	-	-	-	-	-	-
Sewer	-	-	-	-	-	-
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>
<b>Non Voted</b>						
Refunding	3	3	100%	\$16,750,000	\$16,750,000	100.00%
<b>Subtotal</b>	<b>3</b>	<b>3</b>	<b>100%</b>	<b>\$16,750,000</b>	<b>\$16,750,000</b>	<b>100%</b>
<b>Municipalities</b>						
<b>Voted</b>						
Streets & Sidewalks	1	1	100%	\$7,000,000	\$7,000,000	100%
Water	1	1	100%	\$25,000,000	\$25,000,000	100%
Sewer	-	-	-	-	-	-
Greenway	-	-	-	-	-	-
Transportation	3	3	100%	\$208,440,000	\$208,440,000	100%
Telecommunications	-	-	-	-	-	-
Housing	3	3	100%	\$65,000,000	\$65,000,000	
Parks & Recreation	4	4	100%	\$84,965,000	\$84,965,000	100%
Stormwater	-	-	-	-	-	-
Solid Waste	-	-	-	-	-	-
Community Development	1	1	100%	\$38,500,000	\$38,500,000	100%
Neighborhoods	1	1	100%	\$55,000,000	\$55,000,000	100%
<b>Subtotal</b>	<b>14</b>	<b>14</b>	<b>100%</b>	<b>\$483,905,000</b>	<b>\$483,905,000</b>	<b>100%</b>

<b>Non Voted</b>						
Refunding	9	9	100%	\$238,105,000	\$238,105,000	100%
2/3rds	4	4	100%	\$14,215,000	\$14,215,000	100%
<b>Subtotal</b>	<b>13</b>	<b>13</b>	<b>100%</b>	<b>\$252,320,000</b>	<b>\$252,320,000</b>	<b>100%</b>
<b>Total Voted</b>	<b>27</b>	<b>27</b>	<b>100%</b>	<b>\$1,490,425,000</b>	<b>\$1,490,425,000</b>	<b>100%</b>
<b>Total Non-Voted</b>	<b>21</b>	<b>21</b>	<b>100%</b>	<b>\$762,065,000</b>	<b>\$762,065,000</b>	<b>100%</b>
<b>GRAND TOTAL</b>	<b>48</b>	<b>48</b>	<b>100%</b>	<b>\$2,252,490,000</b>	<b>\$2,252,490,000</b>	<b>100%</b>

Table 10- Installment Purchase Agreements Approved By Purpose

<b>Municipalities</b>	
<b>Utilities</b>	
Sanitary Sewer	\$11,591,370
Electric	\$450,000
Gas	-
Water	\$18,631,259
<b>Subtotal</b>	<b>\$30,672,629</b>
<b>Public Buildings</b>	
Fire Station	-
Municipal Buildings	\$58,051,147
Town Hall	\$400,000
Stadium & Auditorium	-
Community Center	\$1,415,000
Library	\$203,949
<b>Subtotal</b>	<b>\$60,070,096</b>
Land	\$6,417,883
Recreation	\$20,017,458
Streets & Sidewalks	\$13,942,649
Airport	\$432,306
Economic Development	\$875,000
Parking	\$550,000
Vehicles	\$2,932,713
Flood & Erosion	\$1,118,191
Refunding	\$450,000
Communication	\$33,900,000
<b>Subtotal</b>	<b>\$80,636,200</b>
<b>Municipalities Total</b>	<b>\$171,378,925</b>

<b>Counties</b>	
<b>Schools</b>	
<b>Subtotal</b>	<b>\$548,904,294</b>
<b>Public Buildings</b>	
Recreation Center	\$3,476,378
Courthouse/Law Enforcement/ Jail	\$50,958,791
County Buildings	\$118,490,099
Library	\$2,805,525
<b>Subtotal</b>	<b>\$175,731,793</b>
<b>Utilities</b>	
Water	\$10,000,000
Sanitary Sewer	\$9,764,302
<b>Subtotal</b>	<b>\$19,764,302</b>
Community College	\$76,135,280
Equipment	\$744,342
Vehicles	\$805,669
Land Acquisition	\$2,502,500
Solid Waste	\$3,319,188
Parking	\$195,000
Streets	\$1,845,286
Refunding	\$131,505,000
Industrial Development	\$1,450,000
Telecommunication	\$3,293,250
Museum	\$193,202
Economic Development	\$20,000,000
<b>Subtotal</b>	<b>\$241,988,717</b>
<b>Counties Total</b>	<b>\$986,389,106</b>
<b>Community Colleges</b>	
Guaranteed Energy Savings Contract/ Qualified School Construction	\$8,534,441
<b>Districts/Authorities</b>	
Water	\$800,000
<b>GRAND TOTAL</b>	<b>\$1,167,102,472</b>

**Table 11- Installment and Lease Agreements Approved By the Local Government Commission**

	FY 2014-15		FY 2015-16		FY 2016-17	
	#	Amount	#	Amount	#	Amount
Counties	22	\$349,898.37	35	\$527,252	34	\$854,884
Municipalities	67	\$407,243.25	69	\$423,177	51	\$170,929
Authorities/Districts	1	\$800.00	4	\$4,459.90	1	\$800
Comm. College	9	\$20,055.59	4	\$16,809	2	\$8,534
<b>Subtotal</b>	<b>99</b>	<b>\$777,997.21</b>	<b>112</b>	<b>\$971,697.40</b>	<b>88</b>	<b>\$1,035,147</b>
Refunding	31	\$1,001,003.82	16	\$545,172	5	\$131,854
<b>GRAND TOTAL</b>	<b>130</b>	<b>\$1,779,001.03</b>	<b>128</b>	<b>\$1,516,869.50</b>	<b>93</b>	<b>\$1,167,001</b>

**Table 12- Summary of State and Local Government Debt and Authorizations as of June 30, 2017**

	General Obligation Debt	Special Indebtedness/ Installment/ Lease Purchase Debt	Revenue Bond/ Revolving & State Bond Loan/Special Obligation Bond Debt	Total	Industrial Revenue Bonds	Total Indebtedness	General Obligation Bonds Authorized and Unissued	Non- General Obligation Debt Authorized and Unissued
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
State of NC	2,851,695,000	1,990,775,000	-	4,842,470,000	-	4,842,470,000	1,800,000,000	
GARVEE	-	-	607,685,000	607,685,000	-	607,685,000	-	224,640,000
NC Turnpike	-	-	1,096,395,013	1,096,395,013	-	1,096,395,013	-	161,759,000
State Authorities & Institutions	-	-	17,329,187,625	17,329,187,625	-	17,329,187,625	-	-
<b>Subtotal</b>	<b>2,851,695,000</b>	<b>1,990,775,000</b>	<b>19,033,267,638</b>	<b>23,875,737,638</b>	<b>-</b>	<b>23,875,737,638</b>	<b>1,800,000,000</b>	<b>386,399,000</b>
Counties	6,502,255,155	4,711,152,667	978,984,052	12,192,391,874	-	12,192,391,874	1,973,050,168	-
Municipalities	2,288,537,521	2,995,924,493	6,086,606,824	11,371,068,838	-	11,371,068,838	1,443,405,626	-
Districts	319,197,221	10,906,040	1,246,458,221	1,576,561,482	-	1,576,561,482	15,333,000	-
Authorities	-	9,029,708	1,930,001,823	1,939,031,531	1,187,174,714	3,126,206,245	-	-
<b>Subtotal</b>	<b>9,109,989,897</b>	<b>7,727,012,908</b>	<b>10,242,050,920</b>	<b>27,079,053,725</b>	<b>1,187,174,714</b>	<b>28,266,228,439</b>	<b>3,431,788,794</b>	<b>-</b>
<b>GRAND TOTAL</b>	<b>11,961,684,897</b>	<b>9,717,787,908</b>	<b>29,275,318,558</b>	<b>50,954,791,363</b>	<b>1,187,174,714</b>	<b>52,141,966,077</b>	<b>5,231,788,794</b>	<b>386,399,000</b>

*Note: Outstanding indebtedness above does not include the bonded indebtedness for which funds have refunding proceeds or other sources to cover the debt.*

**Table 13- Revenue Bonds and Other Indebtedness of State Authorities and Institutions**

<b>Institution</b>	<b>Amount</b>
Appalachian State University	\$253,161,049
East Carolina University	\$349,804,765
Elizabeth City State University	\$31,894,684
Fayetteville State University	\$63,311,816
North Carolina A & T State University	\$106,279,544
North Carolina Central University	\$83,639,502
North Carolina School of the Arts	\$6,427,827
North Carolina State University at Raleigh	\$572,327,113
University of North Carolina at Asheville	\$88,257,372
University of North Carolina at Chapel Hill	\$1,373,972,456
University of North Carolina at Charlotte	\$521,848,191
University of North Carolina at Greensboro	\$339,320,626
University of North Carolina at Pembroke	\$46,331,626
University of North Carolina at Wilmington	\$210,782,286
Western Carolina University	\$122,431,865
Winston-Salem State University	\$102,664,325
North Carolina Capital Facilities Finance Agency	\$2,472,751,847
North Carolina Eastern Municipal Power Agency	\$386,215,000
North Carolina Housing Finance Agency	\$868,070,000
North Carolina Medical Care Commission	\$6,610,623,081
North Carolina Municipal Power Agency No. 1	\$1,055,970,000
North Carolina State Education Assistance Authority	\$1,449,186,863
North Carolina State Ports Authority	\$85,735,149
North Carolina Department of Transportation <sup>4</sup>	\$100,000,000
<b>GRAND TOTAL</b>	<b>\$17,329,187,625</b>

*Source: Chief fiscal officer of each authority or institution*

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<sup>4</sup> Does not include any North Carolina Turnpike Authority debt.

**Table 14- Purposes for Which Local Governments Sold Bonds & Notes**

	<b>School</b>	<b>Utilities</b>	<b>Refunding</b>	<b>Other</b>	<b>#</b>	<b>Total Amount</b>
<b>G.O Bonds</b>						
Counties	\$555,516,800	-	\$407,920,000	\$210,413,200	16	\$1,173,850,000
Municipalities	-	-	\$233,683,000	\$117,225,000	17	\$350,908,000
Districts & Authorities	-	\$11,328,000	\$15,133,200	-	5	\$26,461,200
<b>Subtotal</b>	<b>\$555,516,800</b>	<b>\$11,328,000</b>	<b>\$656,736,200</b>	<b>\$327,638,200</b>	<b>38</b>	<b>\$1,551,219,200</b>
<b>Revenue Bonds</b>						
Counties	-	\$8,912,000	\$280,895,000	\$17,000,000	10	\$306,807,000
Municipalities	-	\$161,378,000	\$226,415,000	\$303,445,000	18	\$691,238,000
Districts & Authorities	-	\$2,525,000	\$556,750,000	\$945,317,551	50	\$1,504,592,551
<b>Subtotal</b>	<b>-</b>	<b>\$172,815,000</b>	<b>\$1,064,060,000</b>	<b>\$1,265,762,551</b>	<b>78</b>	<b>\$2,502,637,551</b>
<b>Special Obligation Bonds</b>						
<b>Subtotal</b>	<b>-</b>	<b>\$12,000,000</b>	<b>-</b>	<b>\$36,815,000</b>	<b>2</b>	<b>\$48,815,000</b>
<b>Water and Sewer Revolving Loans</b>						
Counties	-	\$8,805,127	-	-	5	\$8,805,127
Municipalities	-	\$40,054,441	-	-	3	\$40,054,441
Districts & Authorities	-	\$7,542,303	-	-	19	\$7,542,303
<b>Subtotal</b>	<b>-</b>	<b>\$56,401,871</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>\$56,401,871</b>
<b>Notes</b>						
G.O. Anticipation Notes	\$44,921,871	\$25,000,000	-	\$297,950,583	37	\$367,872,454
Revenue Notes	-	\$45,677,675	-	\$35,150,948	20	\$80,828,623
<b>Subtotal</b>	<b>\$44,921,871</b>	<b>\$70,677,675</b>	<b>-</b>	<b>\$333,101,531</b>	<b>57</b>	<b>\$448,701,077</b>
<b>TOTAL BONDS &amp; NOTES</b>	<b>\$600,438,671</b>	<b>\$323,222,546</b>	<b>\$1,720,796,200</b>	<b>\$1,963,317,282</b>	<b>202</b>	<b>\$4,607,774,699</b>

**Table 15- Debt Management Activities- State and Local**

	FY 2014-15		FY 2015-16		FY 2016-17	
	#	Amount (millions)	#	Amount (millions)	#	Amount (millions)
<b>Bonds Sold for the State</b>						
G.O Bonds (General Fund)	1	\$231.4	1	\$329.4	1	\$200.0
G.O Bonds (Highway Fund)	-	-	-	-	-	-
Special Indebtedness	1	\$299.0	-	-	-	-
Grant Anticipation Revenue Vehicle Bonds	1	\$264.9	-	-	-	-
NC Turnpike Authority Revenue Bonds	-	-	-	-	3	\$337.6
<b>Total</b>	<b>3</b>	<b>\$795.3</b>	<b>1</b>	<b>\$329.4</b>	<b>4</b>	<b>\$537.6</b>
<b>Bonds and Notes Sold for Local Government Units</b>						
G.O Bonds	45	\$1,227.7	50	\$934.8	38	\$1,551.2
Revenue Bonds	46	\$1,012.2	57	\$1,963.9	78	\$2,502.6
Special Obligations Bonds (Solid Waste)	2	\$21.0	6	\$59.6	2	\$48.8
G.O Notes	31	\$105.5	31	\$176.4	37	\$367.9
Revenue Notes	23	\$157.3	13	\$53.9	20	\$80.8
<b>Subtotal Bonds &amp; Notes</b>	<b>147</b>	<b>\$2,523.7</b>	<b>157</b>	<b>\$3,188.6</b>	<b>175</b>	<b>\$4,551.3</b>
Installment/ Lease Contracts Sold for Local Unite	143	\$1,529.5	126	\$1,169.1	99	\$635.3
<b>Total</b>	<b>361</b>	<b>\$4,204.8</b>	<b>325</b>	<b>\$4,430.2</b>	<b>301</b>	<b>\$5,243.0</b>
<b>Revenue Bonds Sold For</b>						
Medical Care Commission	20	\$919.6	16	\$683.6	18	\$690.1
Housing Finance Agency	-	-	1	\$66.0	3	\$472.3
Power Agencies	-	-	7	\$970.9	-	-
Industrial Facilities and Pollution Control Financing Authorities	2	\$20.4	2	\$10.5	1	\$13.5
NC Department of Transportation (I-77)	1	\$100.0	-	-	-	-
Capital Facilities Finance Agency	12	\$1,110.0	11	\$860.4	6	\$636.0
<b>Total</b>	<b>35</b>	<b>\$2,150.0</b>	<b>37</b>	<b>\$2,591.4</b>	<b>28</b>	<b>\$1,811.9</b>
<b>GRAND TOTAL</b>	<b>399</b>	<b>\$7,150.1</b>	<b>363</b>	<b>\$7,351.0</b>	<b>333</b>	<b>\$7,592.5</b>

**Table 16- Annual Debt Service Requirements for General Obligation Bonds & Special Indebtedness**

Fiscal Year	General Obligation Existing Debt		Highway Existing Debt		Special Indebtedness Existing Debt		Total Existing Debt <sup>56</sup>	
	Principal (\$)	Principal + Interest (\$)	Principal (\$)	Principal + Interest (\$)	Principal (\$)	Principal + Interest (\$)	Principal (\$)	Principal + Interest (\$)
2017-18	352,573,188	477,876,157.16	45,331,812	52,160,867.84	135,230,000	227,571,318.76	533,135,000	757,608,343.76
2018-19	354,962,812	463,447,824.54	45,387,188	50,036,450.46	138,765,000	224,408,106.26	539,115,000	737,892,381.26
2019-20	313,093,000	403,302,760.81	55,877,000	59,774,014.19	157,765,000	236,201,881.26	526,735,000	699,278,656.26
2020-21	289,880,000	366,694,525	-	-	158,990,000	229,721,431.26	448,870,000	596,415,956.26
2021-22	271,625,000	335,088,875	-	-	163,550,000	226,369,431.26	435,175,000	561,458,306.26
2022-23	267,025,000	318,034,875	-	-	168,475,000	223,153,981.26	435,500,000	541,188,856.26
2023-24	240,880,000	279,984,200	-	-	172,000,000	218,938,306.26	412,880,000	498,922,506.26
2024-25	162,420,000	189,480,200	-	-	141,185,000	180,700,806.26	303,605,000	370,181,006.26
2025-26	103,320,000	122,259,200	-	-	135,690,000	168,648,706.26	239,010,000	290,907,906.26
2026-27	86,620,000	100,393,200	-	-	138,485,000	165,125,531.26	225,105,000	265,518,731.26
2027-28	59,230,000	68,903,600	-	-	134,465,000	154,836,706.26	193,695,000	223,740,306.26
2028-29	42,900,000	49,814,487.50	-	-	120,690,000	135,619,331.26	163,590,000	185,433,818.76
2029-30	42,745,000	47,816,875	-	-	79,000,000	88,371,537.50	121,745,000	136,188,412.50
2030-31	21,565,000	25,396,700	-	-	82,730,000	88,558,712.50	104,295,000	113,955,412.50
2031-32	21,565,000	24,749,750	-	-	46,430,000	48,638,750.00	67,995,000	73,388,500.00
2032-33	21,565,000	24,102,800	-	-	17,325,000	17,844,750.00	38,890,000	41,947,550.00
2033-34	21,565,000	23,340,200	-	-	-	-	21,565,000	23,340,200.00
<b>Total</b>	<b>\$2,705,099,000</b>	<b>\$3,353,513,830</b>	<b>\$146,596,000</b>	<b>\$161,971,332</b>	<b>\$1,990,775,000</b>	<b>\$2,634,709,287</b>	<b>\$4,842,470,000</b>	<b>\$6,150,194,450</b>

<sup>5</sup> Table includes refunding debt but not refunded debt since sufficient funds have been placed with an escrow agent to pay all principal and interest and any premium on the debt refunded to and including their respective maturities or dates

<sup>6</sup> Does not include North Carolina Turnpike Bonds (which are payable from the Highway Trust Fund).

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



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STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA



# Unclaimed Property

# Unclaimed Property

N.C. Department of State Treasurer (DST) oversees and maintains the unclaimed property for the citizens of North Carolina. Under state law, unclaimed property is escheated, or turned over, to DST for safekeeping. The Unclaimed Property Division (UPD) is responsible for recovering and returning such property to its rightful owners.

Unclaimed property is a property that was previously held by financial institutions, insurance companies, government agencies and other businesses, which are referred to as “holders”. Unclaimed property can be in the form of bank accounts, wages, utility deposits, insurance policy proceeds, stocks, bonds, other sources of funds, and the content of safe deposit boxes. Property is considered unclaimed when the apparent owner fails to communicate interest in it for a period of time called the dormancy period, typically from one to five years. Once the property has met its dormancy limit and the holder has made a good faith effort to locate an apparent owner, any funds they are holding are escheated to UPD and maintained in the Escheat Fund by directive of a 1971 state law. Upon receipt of property and owner information, UPD works to locate the owners by various means, including listing names on the [NCCash.com](http://NCCash.com) website, earning media coverage through print, broadcast and online news outlets, participating in community events such as the North Carolina State Fair, utilizing DST’s digital and social media platforms, and various other efforts to reunite owners with their money and promote public awareness about the program.

The interest earned on these funds pays for the operating costs of the Unclaimed Property Division and all remaining interest is sent to the State Education Assistance Authority (SEAA) to provide grants, loans and scholarships for North Carolina students attending public colleges and universities. Subsequent to the end of the 2017 fiscal year ending June 30, a total of \$3.5 million from interest earned and \$33.8 million from the principal of the Escheat Fund was sent to SEAA. As a result, a total of 75,935 students received financial assistance from the Escheat Fund during the 2016-2017 academic year. The North Carolina General Assembly mandated that additional principal from the Escheat Fund of \$16.3 million go to the State Board of Community Colleges, and \$6.5 million to the N.C. Department of Military and Veterans Affairs to provide educational assistance for needy and worthy students.

In addition to online outreach through the NCCash.com website, UPD’s NC Cash outreach program looked up thousands of names at events across the state, resulting in 1,088 claims totaling \$452,060. During the 2016-17 fiscal year, the Unclaimed Property Division continued to expand its efforts to assist holders in complying with North Carolina’s unclaimed property reporting requirements. To increase holder access to information and resources, UPD staff also traveled throughout the state providing holder education at association conferences and meetings.

Holders reported \$159.2 million in unclaimed property in the 2016-17 fiscal year. As of June 30, 2017, the Escheat Fund balance was \$659 million. This is a combination of unclaimed property collected from holders and interest earnings from the investment of the fund. As the custodian of these funds, the State of North Carolina remains liable to the rightful owners for the full amount of unclaimed property reported to DST.

## Unclaimed Property Division Statistics

	2016-17	2015-16	2014-15	2013-14
<b>Amount of funds deposited</b>	\$159.2 million	\$201.7 million	\$155.6 million	\$157.4 million
<b>Interest Used for Student Scholarships</b>	\$3.5 million	\$5 million	\$7.6 million	\$2.8 million
<b>Principal Used for Student Scholarships</b>	\$33.8 million	\$55.1 million	\$52.4 million	\$64.2 million

## Unclaimed Property Outreach

	2016-17	2015-16	2014-15	2013-14
NCCash.com Page Views	2.1 million	2.3 million	4.3 million	4.1 million
Total Number of Claims Paid	68,377	91,912	35,664	30,770
Amount Paid to Rightful Owners	\$53.9 million	56.3 million	\$49.8 million	\$59.3 million

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



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STATE TREASURER OF NORTH CAROLINA  
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# Investment Management

# Investment Management

## Overview

The Investment Management Division (IMD) serves as the investment arm for the N.C. Department of State Treasurer (DST). The division employs more than 30 investment professionals who provide the expertise for institutional investing. IMD is responsible for the management of the Short Term Investment Fund (STIF), the Pension Fund Investment Program (pension fund), and the Ancillary Governmental Participant Investment Program (AGPIP).

**Table 17- Investment Programs**

<b>Program</b>	<b>Description</b>	<b>Total Assets (Millions)*</b>
Pension Fund	Assets of the North Carolina Retirement Systems <sup>7</sup> defined in NC G.S. 147-69.2(b)(8)( <u>Retirement Systems</u> ).	\$94,057
STIF	An internally managed portfolio of highly liquid fixed income securities. Investors include the state's General Fund, Highway Trust Fund, certain Retirement Systems funds, <sup>8</sup> and other investors.	\$16,449
Supplemental Retirement Programs	Defined contribution retirement plans administered by the North Carolina Supplemental Retirement Board of Trustees and the N.C. Department of State Treasurer.	\$10,097
AGPIP	Assets invested in programs such as the Escheat Fund, Public Hospital Funds, Local Government Other Post-Employment Benefits Funds, and other non-Retirement Systems investors. <sup>9</sup>	\$2,358

\* All asset levels are shown as of their respective fiscal year end. The Pension Fund, STIF, and AGPIP have a fiscal year end of June 30, 2017, while the Supplemental Retirement Programs have a fiscal year end of December 31, 2016. As such, total assets shown for the Supplemental Retirement Programs are as of December 31, 2016. 403(b) assets are unaudited.

The state treasurer is directed by statute to establish, maintain, administer, manage and operate investment programs for all funds on deposit pursuant to the applicable statutes. In doing so, the treasurer has full powers as a fiduciary and, along with IMD staff, manages the investment programs so assets may be readily converted into cash when needed.

In establishing the comprehensive management program, the state treasurer, utilizing a professional investment staff, has developed an investment strategy for each portfolio that recognizes the guidelines of the governing general statutes and provides appropriate diversification. In addition to the treasurer and IMD staff managing these programs, the Investment Advisory Committee (IAC) provides opinion on policies and general strategy for achieving investment results of the pension fund, including asset allocation.

<sup>7</sup> The Retirement Systems are 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, the North Carolina National Guard Pension Fund, and the Retiree Health Benefit Fund.

<sup>8</sup> In this table, Retirement Systems assets in the STIF are listed within the "Short-Term Investment Fund" row only if held in the operating accounts used to meet cash needs for payment of items such as member benefits and administrative expenses. All other Retirement Systems assets in the STIF are listed under the "Pension Fund Investment Program."

<sup>9</sup> Investment assets shown for the AGPIP include those of the Register of Deeds Supplemental Pension Plan

## Pension Fund Investment Program Review

IMD's goal is to strengthen and sustain the retirement systems by providing a long-term rate of return that approximates the actuarial rate of return while managing risk in the portfolio. The division conducts its activities in accordance with the Investment Policy Statement for the North Carolina Retirement Systems, which is approved by the state treasurer in consultation with the Investment Advisory Committee. This policy covers investment objectives, asset allocation ranges, rebalancing processes and other issues.

It is the policy of the state treasurer to invest consistent with the following objectives:

- A. Provide investment returns sufficient for the pension fund to make timely payment of statutory benefits to current and future members and keep contribution rates at a reasonable level over the long-term. To achieve this, long-term projected investment returns should be generally consistent with the actuarial assumed rate of return unless otherwise determined by the treasurer.<sup>10</sup>
- B. Avoid excessive volatility in contribution rates over the intermediate-term by maintaining a moderate risk profile and diversifying with respect to economic and financial risk factors. It is acceptable to limit the use of return-seeking strategies in order to avoid excessive volatility.
- C. Additionally:
  1. Achieve cost-efficiency in the overall investment program
  2. Exceed composite benchmark returns for the pension fund and broad categories of investments within reasonable risk limits and over market cycles
  3. Ensure sufficient liquidity to meet the pension fund's obligations over all time periods
  4. Comply with all governing statutes as consistent with fiduciary obligations

North Carolina's defined benefit plans are consistently ranked in the top ten of state retirement funding ratios.

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<sup>10</sup> *The Retirement Systems' actuary advises each applicable Retirement System's Board of Trustees (or in the case of the Retiree Health Benefit Fund, the Committee on Actuarial Valuation of Retired Employees' Health Benefits) with respect to setting the actuarial assumed rate of return and annual required contributions. These boards and the committee have been granted the authority by the legislature to set the actuarial assumed rate of return for the fund, which is 7.20% for the Retirement Systems.*

## Operating Policy

In all transactions executed for any investment program managed by the state treasurer, the objective is to perform such business in the best interest of the beneficial owners of the trusts' assets. For the pension fund, that includes participating state and local government employees, teachers, firefighters, police officers and other public workers.

In order to meet investment objectives, a strategic asset allocation is established through consideration of the pension fund's projected actuarial liabilities, liquidity needs, risk tolerance, and the role that different asset categories and strategies are expected to play in the overall portfolio construction. The strategic asset allocation will be reviewed no less than annually and a detailed asset-liability study will be conducted no less than triennially, assuming that benefit design and funding policy is unchanged. IMD utilizes rebalancing to ensure the overall portfolio weights stay in line with the target ranges. Asset allocation and a disciplined approach to rebalancing are important tools in helping to control the level of risk that an investment portfolio experiences.

The current Strategic Asset Allocation, including targets and authorized ranges, is detailed below.

**Table 18- Strategic Asset Allocation**

	<b>Market Value (Millions)</b>	<b>% as of 06/30/17</b>	<b>Target %</b>	<b>Minimum</b>	<b>Maximum</b>
<b>Growth</b>	<b>\$49,351</b>	<b>52.5%</b>	<b>58.0%</b>	<b>37.0%</b>	<b>71.0%</b>
Public Equity	\$35,332	37.6%	42.0%	37.0%	47.0%
Private Equity	\$4,825	5.1%	6.0%	0.0%	8.8%
Non-Core Real Estate	\$3,670	3.9%	3.0%	0.0%	8.0%
Opportunistic Fixed Income	\$5,524	5.9%	7.0%	0.0%	7.5%
<b>Rates &amp; Liquidity</b>	<b>\$31,931</b>	<b>33.9%</b>	<b>29.0%</b>	<b>24.0%</b>	<b>42.0%</b>
Investment Grade Fixed Income & Cash	\$28,248	30.0%	28.0%	24.0%	32.0%
Pension Cash	\$3,683	3.9%	1.0%	0.0%	10.0%
<b>Inflation Sensitive &amp; Diversifiers</b>	<b>\$11,020</b>	<b>11.7%</b>	<b>11.0%</b>	<b>4.0%</b>	<b>16.0%</b>
Inflation Sensitive	\$6,504	6.9%	6.0%	2.0%	7.5%
Core Real Estate	\$4,516	4.8%	5.0%	2.0%	10.0%
<b>Multi-Strategy</b>	<b>\$1,755</b>	<b>1.9%</b>	<b>2.0%</b>	<b>0.0%</b>	<b>4.0%</b>
<b>Total Pension Plan</b>	<b>\$94,057</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

More information about pension fund asset types is available in the "Investment Policy Statement for North Carolina Retirement Systems". The Investment Policy Statement may be found on the N.C. Department of State Treasurer's website at <https://www.nctreasurer.com/inv/Policies/InvestmentPolicyForNCRetirementSystems.pdf>.

Visit <https://www.nctreasurer.com/inside-thedepartment/OpenGovernment/Pages/Department-Policies.aspx> for links to the Investment Policy Statement and other Investment Management Division policies.

## Pension Fund Peer Comparison

The tradition of conservative fiscal management has served North Carolina’s public workers and taxpayers well throughout the years. The pension fund continues that tradition with a significant allocation in fixed income assets (bonds) combined with reasonable exposure to more volatile growth-oriented assets and an increasingly diversified portfolio. The result of this strategy is a fund that is a top performer in turbulent economic and financial market environments but obtains lower returns than the typical large public fund peer in bull markets. The below chart outlines the one-, three-, five- and 10-year average returns and exposure to risk within the different percentiles of public funds in comparison to the performance and exposure to the risk of the North Carolina pension fund.

**Table 19-National Average Gross of Fees Returns and Exposure to Risk**

<b>Returns</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
25th Percentile	12.89	6.10	9.12	5.46
Median	12.17	5.34	8.65	5.21
75th Percentile	10.58	4.62	7.59	4.46
<b>NC Pension Fund</b>	<b>11.42</b>	<b>5.16</b>	<b>8.32</b>	<b>5.65</b>
<b>Risk*</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
25th Percentile	3.46	5.80	5.53	9.82
Median	2.82	5.34	5.17	9.31
75th Percentile	2.67	4.79	4.54	8.58
<b>NC Pension Fund</b>	<b>2.86</b>	<b>4.87</b>	<b>4.75</b>	<b>8.14</b>

\* Volatility of returns (Standard Deviation)

Source: BNY Mellon Total Funds – Public Funds \$20+ billion (Gross of Fees)

## Total Pension Fund Performance

For the fiscal year 2017, the pension fund returned 10.8 percent, net of fees, outperforming its implementation benchmark by 1.4 percent. The chart below provides a snapshot for the total pension fund's annualized performance and performance by asset class through the fiscal year-end.

**Table 20- Total Annualized Performance as of June 30 2017 (Net of Fees)**

	1 Yr.	3 Yr.	5 Yr.	10 Yr.	15 Yr.	20 Yr.
<b>Growth</b>	<b>16.77</b>	5.55	10.99	4.38	7.15	6.61
<i>Benchmark<sup>1</sup></i>	15.61	4.63	9.69	3.64	6.71	5.98
Public Equity	18.99	4.97	11.39	4.51	7.25	6.65
<i>Benchmark<sup>2</sup></i>	18.07	4.62	10.56	3.80	6.65	5.87
Private Equity	9.73	7.85	9.43	6.45	6.22	7.00
<i>Benchmark<sup>3</sup></i>	9.25	6.60	9.71	7.67	10.60	12.62
Non-Core Real Estate	11.21	14.34	13.70	3.03	5.78	8.22
<i>Benchmark<sup>4</sup></i>	5.23	6.82	8.92	0.17	6.96	8.02
Opportunistic Fixed Income	11.51	1.98	7.06	6.81	-	-
<i>Benchmark<sup>5</sup></i>	11.07	1.33	3.05	0.19	-	-
<b>Rates &amp; Liquidity</b>	<b>(0.37)</b>	2.85	2.72	5.91	5.78	6.39
<i>Benchmark<sup>6</sup></i>	(0.60)	3.12	2.70	5.65	5.56	6.18
Investment Grade Fixed Income & Cash	(0.29)	2.97	2.82	5.96	5.81	6.41
<i>Benchmark<sup>7</sup></i>	(0.64)	3.22	2.76	5.68	5.58	6.20
Pension Cash	0.97	0.77	-	-	-	-
<i>Benchmark<sup>8</sup></i>	0.55	0.24	0.16	-	-	-
<b>Inflation Sensitive &amp; Diversifiers</b>	<b>10.68</b>	2.84	4.19	0.81	4.05	5.33
<i>Benchmark<sup>9</sup></i>	4.42	2.45	4.11	(0.17)	3.86	5.66
Inflation Sensitive	12.13	(0.94)	0.47	(1.38)	3.20	3.82
<i>Benchmark<sup>10</sup></i>	2.62	(3.43)	(0.88)	0.95	4.25	4.73
Core Real Estate	8.97	8.16	9.68	4.46	6.50	7.23
<i>Benchmark<sup>11</sup></i>	6.57	9.80	10.56	4.68	7.20	8.20
<b>Multi-Strategy</b>	<b>13.20</b>	4.22	9.31	5.17	-	-
<i>Benchmark<sup>12</sup></i>	12.39	2.90	8.45	4.45	-	-
<b>Total Pension Plan</b>	<b>10.77</b>	<b>4.52</b>	<b>7.70</b>	<b>5.14</b>	<b>6.82</b>	<b>6.68</b>
<i>Implementation Benchmark<sup>13</sup></i>	9.41	4.00	6.78	4.55	6.41	6.37
<i>Long-Term Policy Benchmark<sup>14</sup></i>	8.36	3.24	6.31	4.41	6.88	6.05

1. The Growth Benchmark is a blend of the Public Equity Benchmark, Private Equity Benchmark, Non-Core Real Estate Benchmark, & Opportunistic FI Benchmark at policy weights.

2. The Public Equity Benchmark is the dynamically weighted combination of the MSCI ACWI IMI Net (Long-Only) and a beta-adjusted MSCI ACWI IMI Net (Hedged Equity).

3. The Private Equity Benchmark is comprised of the following Burgiss Group Private iQ indices: 50% Buyout, 20% Venture Capital, and 30% Distressed.

4. The Non-Core Real Estate Benchmark is comprised of the following Burgiss Group Private iQ indices: 80% U.S. Non-Core Real Estate (Opportunistic and Value-Added) and 20% Non-U.S. Non-Core Real Estate (Opportunistic and Value-Added).

5. The Opportunistic Fixed Income Benchmark is a comprised of 50% HFRX Distressed Securities Index, 20% HFRX Relative Value Index, 15% Credit Suisse Leveraged Loan Index, and 15% BOAML High Yield Index.

6. The Rates & Liquidity Benchmark is a blend of the IG Fixed Income Benchmark and the Cash Benchmark at policy weights.

7. The Investment Grade Fixed Income & Cash Benchmark is comprised 10% iMoneyNet First Tier Institutional Money Market Funds Net Index and 90% custom BOAML Core Investment Grade Index. The custom BOAML core index comprised of the following weightings: 30% BOAML 5+ Years Governments, 35% BOAML 5+ Years Investment Grade Corporates, and 35% BOAML Mortgage Master.

8. The Pension Cash Benchmark is the iMoneyNet First Tier Institutional Money Market Funds Net Index.

9. The Inflation Sensitive & Diversifiers Benchmark is a blend of the Inflation Sensitive Benchmark and the Core Real Estate Benchmark at policy weights.

10. The Inflation Sensitive Benchmark is the dynamically weighted combination of the Bank of America Merrill Lynch 1-3 Years U.S. Inflation-Linked Treasury Index (TIPS), the Bloomberg Commodities Index (Commodities), and a combination of the benchmarks of investments classified within Private Natural Resources or Other Real Assets and Diversifiers.

11. The Core Real Estate Benchmark is comprised of 80% NCREIF ODCE Net and 20% FTSE EPRA NAREIT Global Index.

12. The Multi-Strategy Benchmark is comprised of a dynamically weighted combination of the HFRX ED: Multi-Strategy Index, net of fees, and the market value weighted benchmarks for any other total fund strategies within the Portfolio.

13. The Implementation Benchmark is a blend of the Asset Class Benchmarks at policy weights. It is currently weighted as follows: 58% Growth Benchmark, 29% Rates & Liquidity Benchmark, 11% Inflation Sensitive & Diversifiers Benchmark, and 2% Multi-Strategy Benchmark.

14. The Long-Term Policy Benchmark is comprised of 57% MSCI ACWI IMI Net, 33% BOAML 5+ Years U.S. Treasury Index, 6% Bloomberg Commodity Index, and 4% BOAML 1-3 Years U.S. Inflation-Linked Treasury Index.

## Cost

The Investment Management Division utilizes external managers for a portion of the pension fund in order to best maximize returns with limited internal resources.

Over time, the N.C. Department of State Treasurer, with the advice and counsel of the Investment Advisory Committee, has used a relatively lower-risk and lower-cost approach to investing the North Carolina Retirement System trust funds. While costs increased somewhat over time as more diverse external investment strategies were pursued, the all-in costs of investing the retirement trust fund remain modest.

During the fiscal year, the department engaged CEM Benchmarking, a leading independent cost and performance analysis firm, to review the cost structure of the funds. It is important to note that this review covered the calendar year ended December 31, 2016. The report showed that the funds' cost structure was below that of most institutional peers. This leads to savings of roughly 8.5 basis points compared to the median peer, which is summarized in Table X. Importantly, after deducting all fees, incentives, and expenses, the trust fund exceeded its performance benchmarks. This outperformance is a positive for plan beneficiaries, employers and taxpayers. At the same time, the department continues to proactively target improvements in cost-efficiency, transparency, risk management, and compliance.

**Table 21- Calendar Year 2016 NCRS Costs of Investment Operations Compared to Peers**

	<b>Total (bps)</b>
Median Peer	59.0
NCRS	50.5
Percentile	38%

(Expressed in basis points where 50 basis points equal 0.50%)

Source: CEM [Cost Effectiveness Measurement] Benchmarking Inc., The peer group consists of 14 U.S. public pension funds managing from \$44 billion to \$170 billion. The median peer managed \$71 billion versus NCRS' \$88 billion. In CEM's methodology, total cost excludes carry/performance fees for real estate, infrastructure, natural resources, and private equity funds. Performance fees are included for public market asset classes and hedge funds. All such fees and expenses have been deducted from all investment returns reported by NCRS.

Table 22 provides further detail on fees and incentives paid to external investment managers for the fiscal year. Additional detail is available within the annual report supplement, which can be found at the following location: <https://www.nctreasurer.com/inv/Pages/Annual-Supplemental-Reports.aspx>

**Table 22- Total NCRS External Fees Paid FY 2016-2017 (\$Millions)**

<b>Asset Classification</b>	<b>Management Fees (millions)</b>	<b>Incentive Fees (millions)</b>	<b>Total Fees (millions)</b>	<b>Ending Market Value (millions)</b>	<b>Ratio of Fees to Ending Market Value</b>
Public Equity	\$84.2	\$6.2	\$90.4	\$35,332	0.26%
Private Equity	\$65.9	\$55.3	\$121.2	\$4,825	2.51%
Non-Core Real Estate	\$53.2	\$50.4	\$103.6	\$3,670	2.82%
Opportunistic Fixed Income	\$53.6	\$35.9	\$89.5	\$5,524	1.62%
Investment Grade Fixed Income & Cash	-	-	-	\$28,248	0.00%
Pension Cash	-	-	-	\$3,683	0.00%
Inflation Sensitive	\$54.3	\$4.5	\$58.8	\$6,504	0.90%
Core Real Estate	\$30.8	\$0.9	\$31.7	\$4,516	0.70%
Multi-Strategy	\$4.2	-	\$4.2	\$1,755	0.24%
<b>Total Fund</b>	<b>\$346.2</b>	<b>\$153.2</b>	<b>\$499.4</b>	<b>\$94,057</b>	<b>0.53%</b>

*Note: Consistent with industry convention, cost figures do not include the fees and expenses of investment managers that are held within fund of fund vehicles. Such fees and expenses have been deducted from all reported investment returns.*

The table below provides additional transparency into the compensation collected by underlying investment managers within fund of fund structures. This compensation is determined by the fund of fund manager through contracts with the underlying manager. These figures are not included in the compensation disclosed in Table 18. This compensation has been deducted from all reported net returns.

<b>Asset Classification</b>	<b>Management Fees (Millions)</b>	<b>Incentive Fees (Millions)</b>	<b>Total Fees (Millions)</b>	<b>Ending Market Value (Millions)</b>	<b>Ratio of Fees to Ending Market Value</b>
NCRS Fund of Funds	\$27.0	\$15.2	\$42.2	\$1,918	2.20%

*Note: some legacy fund of funds do not disclose the compensation to underlying funds and are, therefore, are excluded from the above table.*

### **Cost Efficiencies Initiative**

During FY2016-2017, IMD made significant progress toward the state treasurer's pledge of cutting a cumulative \$100 million in fees over a four-year timeframe. This included incremental cost efficiencies gained through external investment managers and investment-related services. Current figures for these cost efficiencies may be found in the most recent quarter's Performance Review presentation to the IAC, which may be accessed at: <https://www.nctreasurer.com/inv/Pages/IAC-Reports.aspx>

## Fixed Income

The pension's fixed income allocation has two components – a core portfolio and a non-core portfolio. The pension fund's core Long-Term Investment Portfolio (LTIP) represented the bulk of the fixed income assets with a market value of \$25.3 billion as of June 30, 2017. The balance of the fixed income assets was in non-core strategies, which consists of a liquidity allocation to STIF. As of June 30, 2017, this allocation to STIF was \$3.0 billion.

### Core Fixed Income Structure

The LTIP is an internally managed investment grade fixed income portfolio that takes an enhanced approach to generate excess returns versus an assigned benchmark. The portfolio is structured to provide a long duration profile that better matches the pension fund's longer duration liability stream. Because of this approach, the duration of the portfolio tends to be relatively long versus an intermediate duration fixed income portfolio. Duration is a measure of a bond's price sensitivity to changes in interest rates. The portfolio comprises U.S. Treasuries, Agencies, Corporate Bonds, and Governmental National Mortgage Association (GNMA) mortgage-backed securities. The following charts display the allocation of the LTIP by investment sector and by credit quality, or rating, of investment.

Figure 6- LTIP Sector Allocation as of 06/30/17\* (Based on Valuation)

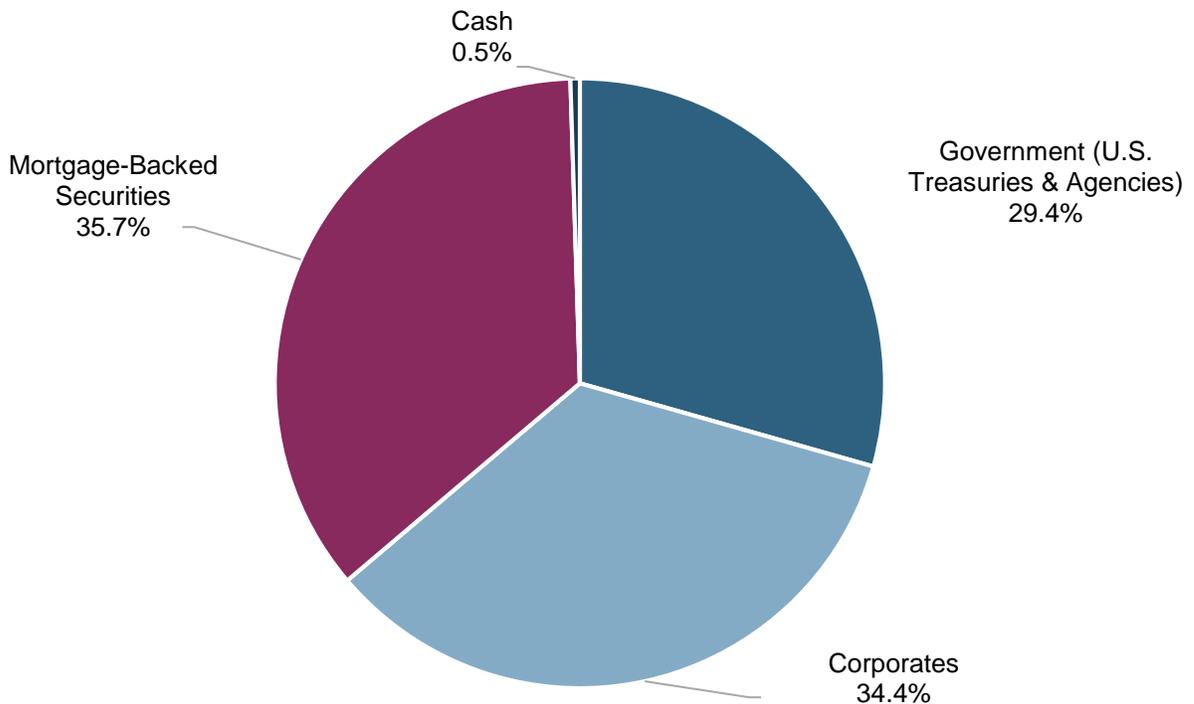
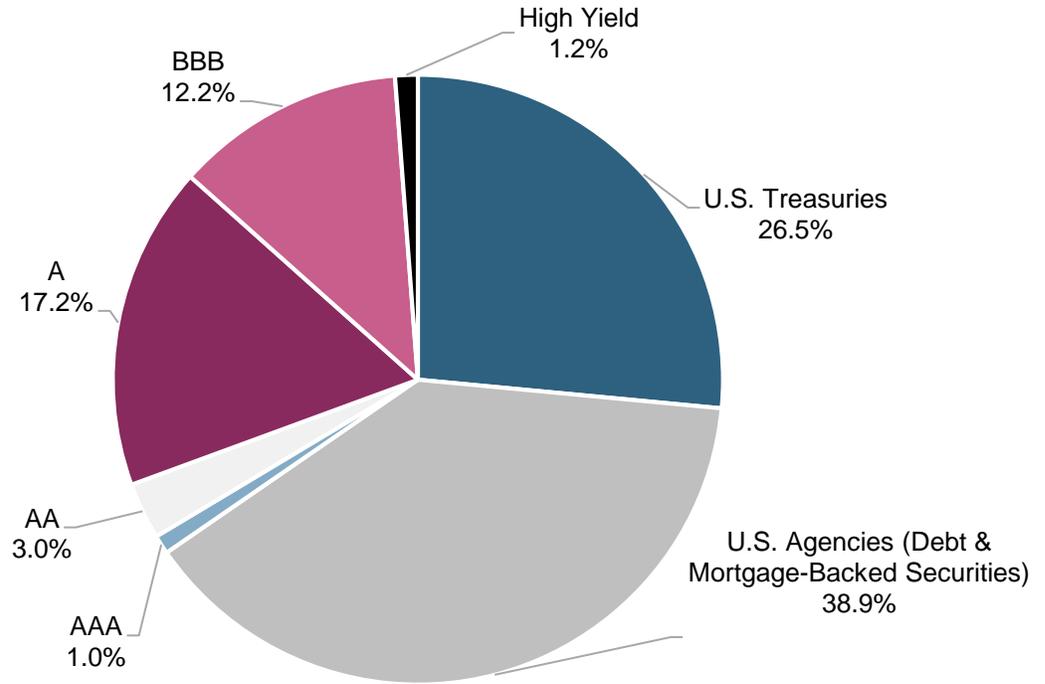


Figure 7- LTIP Credit Quality Allocation as of 06/30/17\* (Based on Valuation)



\*Credit Quality based on Moody's Ratings

## Public Equity

The Public Equity portfolio invests in a highly diversified mix of publicly traded global equities and has two major subcomponents: long-only public equity and hedged equity.

The long-only portfolio includes investments in publicly traded U.S. equity, non-U.S. equity, and global equity securities. Additionally, the portfolio is diversified across size and valuation style. Size divides stocks by their market valuation into large, mid, and small-sized stocks. Valuation style divides stocks into value, growth, and core orientations.

The hedged equity portfolio is limited to various hedge fund strategies implemented through externally managed investment vehicles which invest primarily in public equity securities. The portfolio is benchmarked to a modified version of the MSCI ACWI IMI Index, which assumes a lower-than-market beta, or systematic risk, of 0.4.

As of the fiscal year ended June 30, 2017, all investments of the public equity portfolio were managed externally according to one of two different strategies: passive or active. Passive investments track existing indexes in relatively efficient markets. Actively managed portfolios give the manager discretion to make investment decisions within the parameters of the portfolio's mandate with intent to outperform the benchmark over time.

The following charts provide a percentage of distribution between sub-sector allocation and implementation strategy.

**Figure 8- Public Equity Portfolio Sub-Sector Allocation (Based on Valuation)**

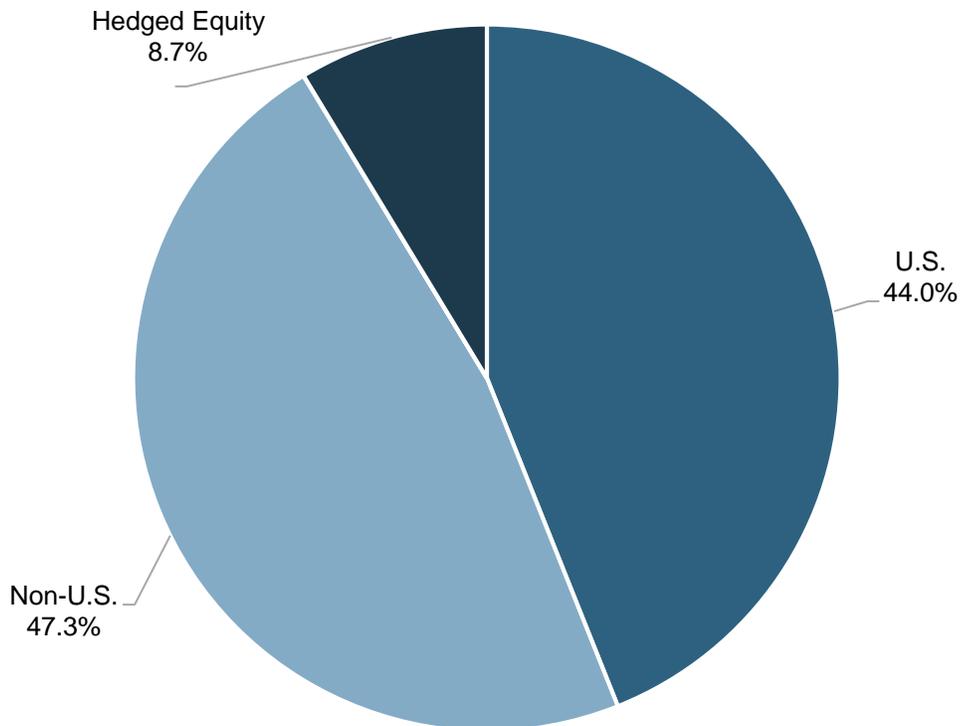
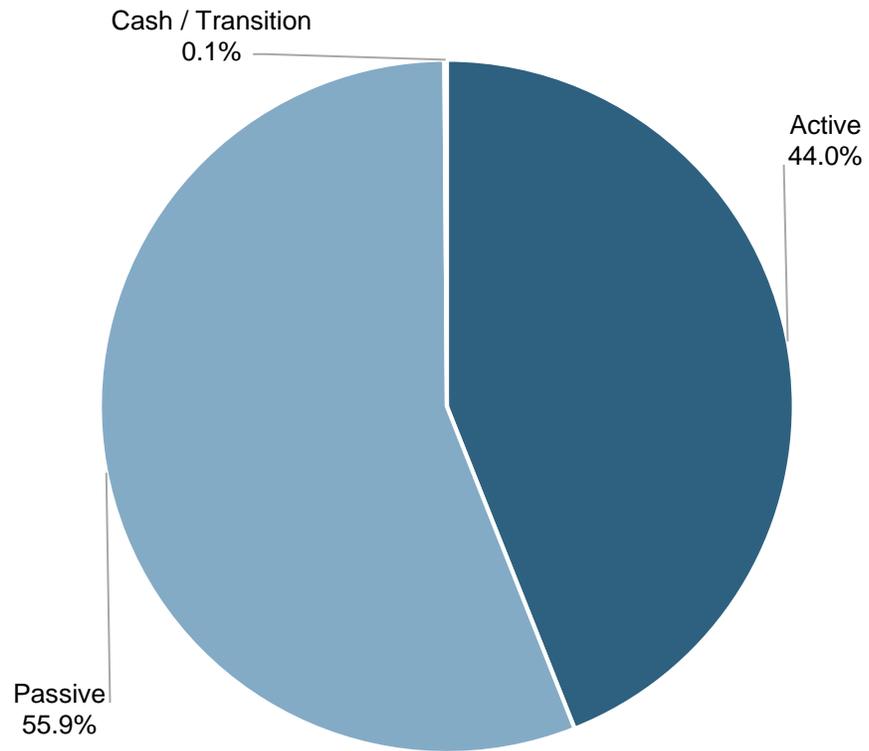


Figure 9- Public Equity Portfolio Implementation Strategy: Active vs. Passive (Based on Valuation)



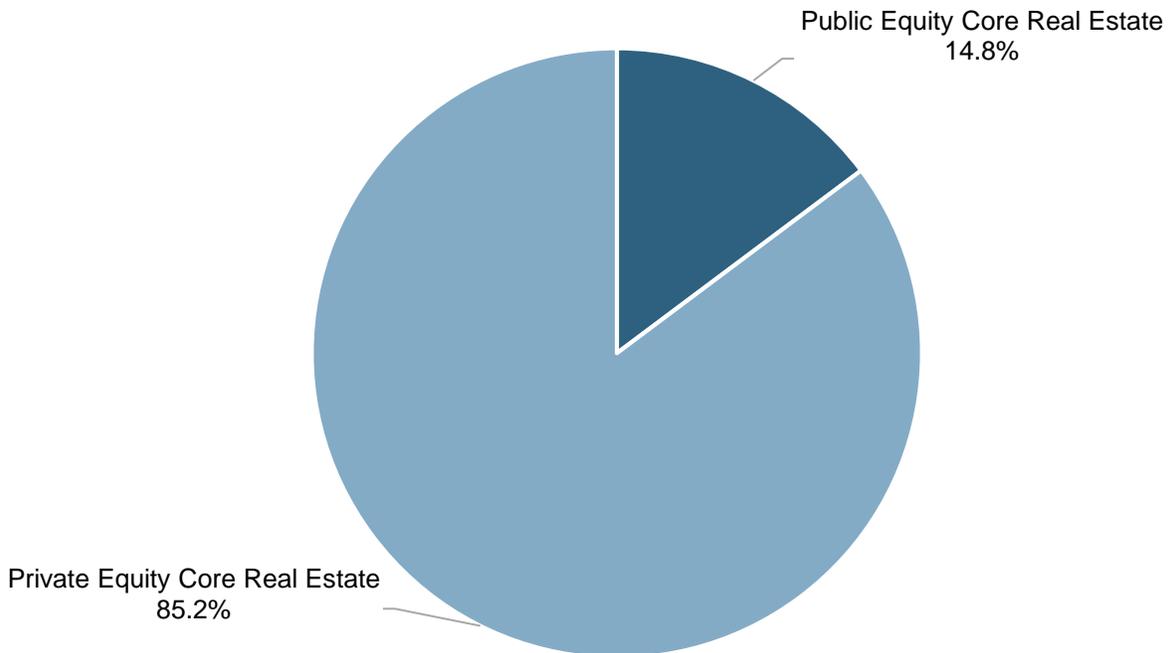
## Real Estate

The pension's real estate portfolio has two components – the Core portfolio and the Non-Core portfolio. The Core portfolio consists of both open-end and closed-end commingled funds, as well as separate account mandates. The Non-Core portfolio consists of closed-end commingled funds and separate account mandates.

The Core portfolio seeks returns from income and capital appreciation by investing in core public equity and private equity real estate. Public equity real estate is comprised primarily of real estate investment trusts (REIT). Private equity core real estate is represented by well-located, stable properties with high occupancy levels. Core investment returns are primarily driven by property income, with debt levels typically at 0-50 percent of property value.

The chart below outlines these allocations:

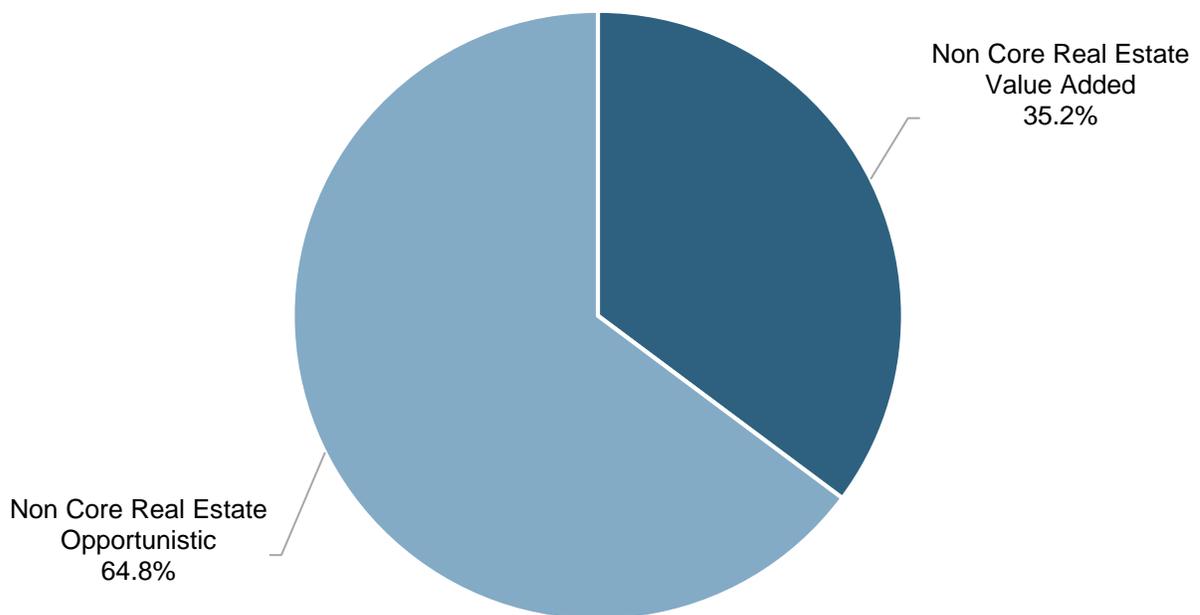
**Figure 10- Core Real Estate Portfolio Strategy Allocation (Based on Valuation)**



The Non-Core portfolio invests in value-added and opportunistic strategies. Value-added real estate generally requires some additional leasing and moderate capital expenditures before the properties are sold. Returns are derived from both income and capital appreciation, with debt levels ranging from 50 percent to 65 percent of property value. Upon completion of value-added strategies, assets become core and can be sold at premium valuations. Opportunistic real estate investments require significant capital expenditures. Returns are derived primarily from capital appreciation as the properties are improved and cash flows are stabilized. Opportunistic strategies include development, redevelopment, restructuring, land, and distressed properties. These investments have high debt levels typically between 65 percent and 80 percent of property value.

The chart below outlines these allocations:

**Figure 11-Non-Core Real Estate Portfolio Strategy Allocation (Based on Valuation)**



## Private Equity

The Private Equity portfolio invests in limited partnerships and other limited liability entities, which are externally managed by experienced private equity investment professionals. The Private Equity investment portfolio has three major subcomponents: Growth, Buyout, and Special Situations.

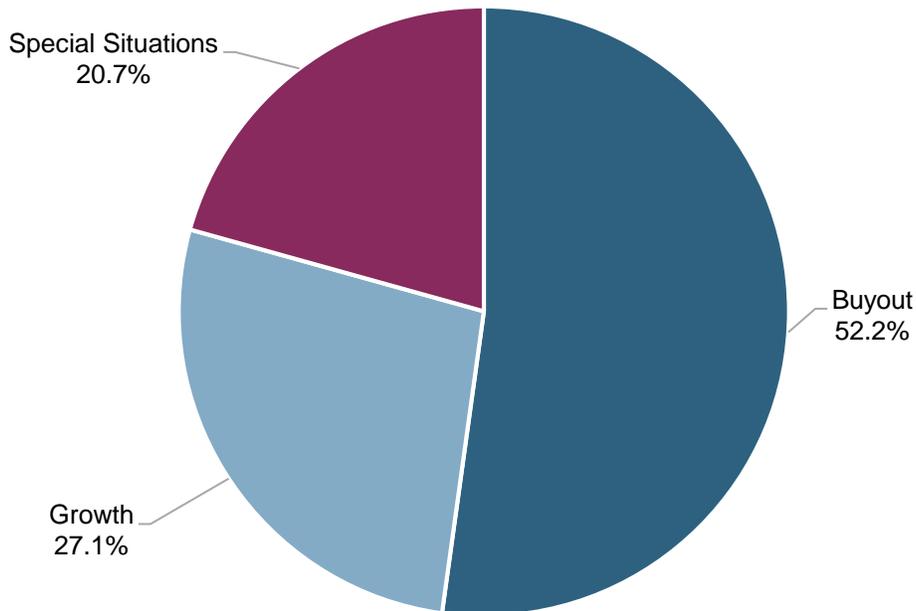
Growth includes venture capital and growth equity strategies. Venture capital refers to equity investments typically made in less mature companies, for the launch of a start-up company, early stage development, or expansion of a less mature business. Growth equity investments, most often minority investments, are in more mature companies that are looking for capital to expand or restructure operations, enter new markets or finance a major acquisition without a change of control of the business.

Buyout refers to making control investments in mature companies by which a company, business unit or business assets are acquired from the current owners typically with the use of both debt and equity.

Special Situations includes a broad set of strategies such as distressed for control, secondary strategies, co-investment, and other strategies not classified into buyout or growth.

The Private Equity portfolio's allocation to these subcomponents is displayed below.

**Figure 12- Private Equity Portfolio Strategy Allocation (Based on Commitments)**



## Opportunistic Fixed Income Portfolio

The Opportunistic Fixed Income portfolio invests in a diversified mix of credit-focused investment vehicles managed by experienced investment advisors. The vehicles include open-end, closed-end, and hybrid vehicles. The Opportunistic Fixed Income Strategies investment portfolio has four major subcomponents: Traditional Corporate Credit, Distressed Credit, Hedged Fixed Income, and Special Situations.

Traditional Corporate Credit are strategies that invest in long only high yield bonds and bank loans.

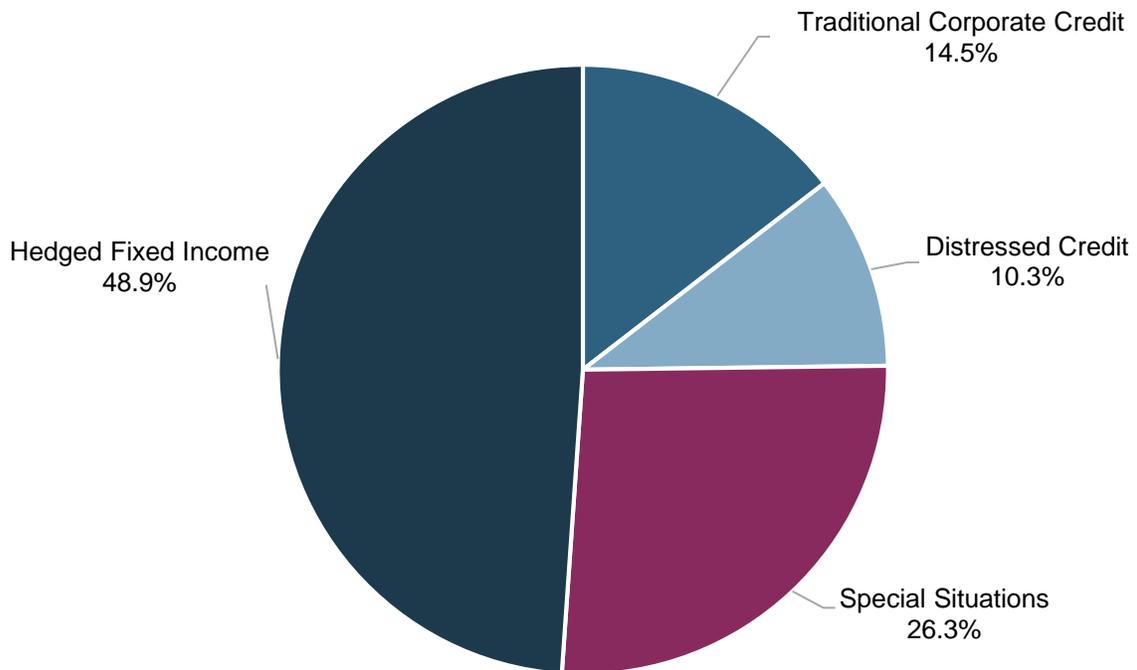
Distressed Debt are predominantly strategies that trade distressed debt, but occasionally actively participate in restructurings and seek control post-reorganization of target issuers.

Hedged Fixed Income includes implementations of market neutral strategies, relative value strategies, and multi-strategy (i.e. predominantly fixed income) utilizing non-investment grade instruments.

Special Situations includes mezzanine, direct lending, and structured credit. The latter can include mortgage- and other asset-backed securities and financings.

The Opportunistic Fixed Income portfolio's allocation to these subcomponents is displayed below.

**Figure 13- Opportunistic Fixed Income Portfolio Strategy Allocation (Based on Valuation)**



## Inflation-Sensitive Portfolio

The Inflation-Sensitive portfolio invests in a diversified mix of inflation sensitive investment strategies managed by experienced investment advisors. The portfolio is divided into four subcomponents: Inflation-Linked Bonds, Publicly Traded Natural Resources, Private Natural Resources, and Other Real Assets and Diversifiers.

Inflation-Linked Bonds are strategies that invest in Treasury Inflation Protected Securities, non-U.S. inflation-linked bonds, floating rate debt, or other debt instruments that are expected to provide protection in an inflationary environment.

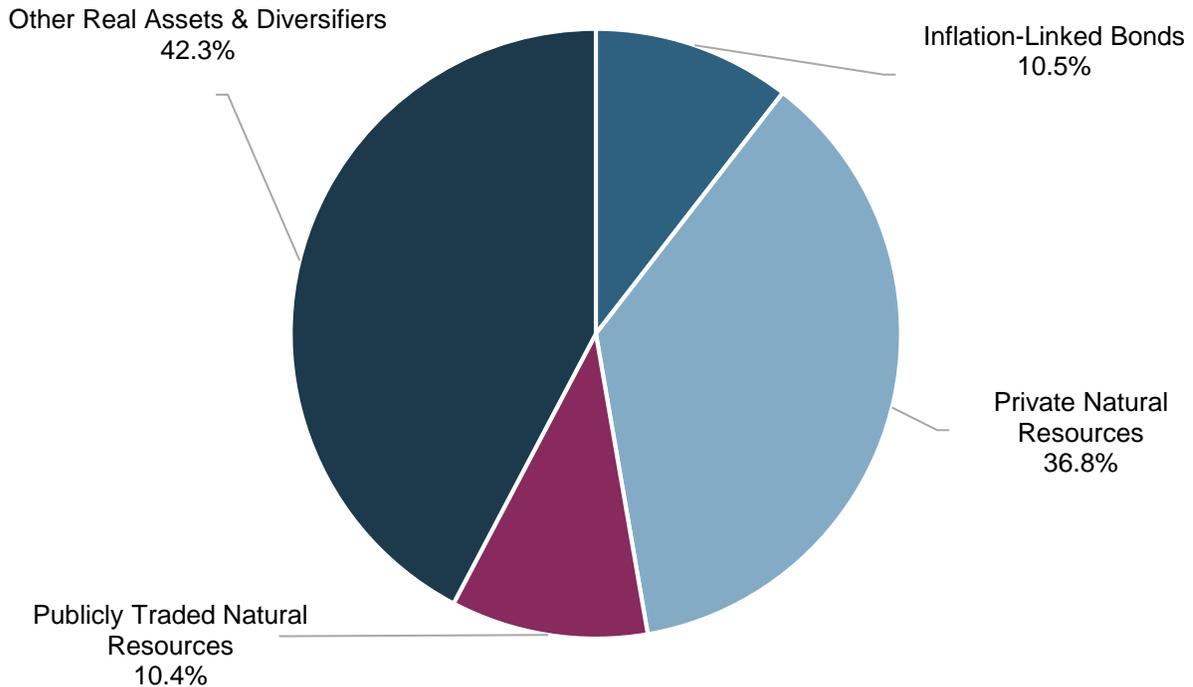
Publicly Traded Natural Resources are strategies that invest in commodity and natural resource public equity and public debt using long-only or hedged implementations.

Private Natural Resources are strategies making non-public market equity or debt investments in energy, agriculture, and other natural resources implementations.

Other Real Assets and Other Diversifiers are strategies including infrastructure, real assets (e.g., power plants, ports, ships, airplanes, rail cars, cellphone towers, real estate, etc.), royalties, and combinations of any of this and the other subcomponents whose primary purpose is providing protection against risks associated with Inflation Sensitive.

The Inflation-Sensitive portfolio's allocation to these subcomponents is displayed below.

**Figure 14- Inflation-Sensitive Portfolio Strategy Allocation (Based on Valuation)**



## Multi-Strategy Portfolio

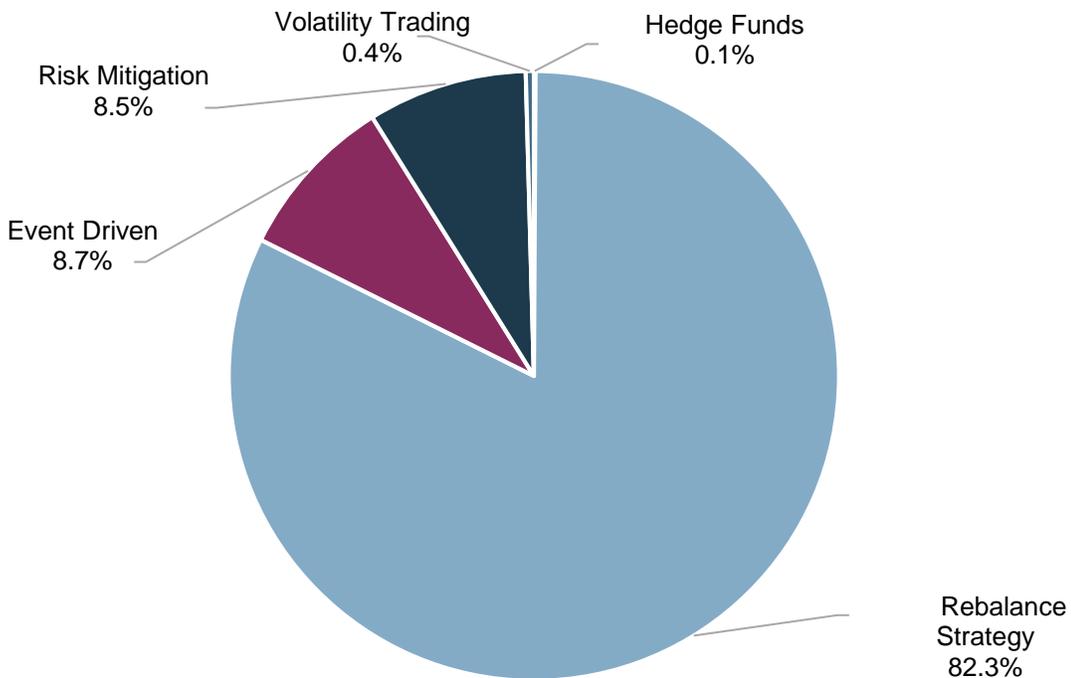
The Multi-Strategy portfolio invests in externally managed vehicles that have the flexibility to invest across markets, asset classes, commodities, and currencies, including hedging. Strategies may include opportunistic, event-driven, and relative value multi-strategy, global macro, rebalancing, tail hedging and overlays.

The portfolio invests in multi-strategy vehicles to accomplish the following objectives:

- A. Attractive absolute returns. Provide efficient compounding of capital through trading and market-timing skill, including hedging individual securities and commodities and exploiting market dislocations through opportunistic allocations.
- B. Competitive relative returns. Achieve or exceed the return on the performance benchmark over a long period of time, within reasonable risk parameters.
- C. Diversification. To increase investment flexibility across different asset categories and strategies, including during episodes of heightened macroeconomic risk and systemic risk, and to facilitate hedging of Fund-level risks, as might be prudent, from time to time.

The Multi-Strategy portfolio's allocation to these subcomponents is displayed below.

**Figure 15- Multi-Strategy Portfolio Strategy Allocation (Based on Valuation)**

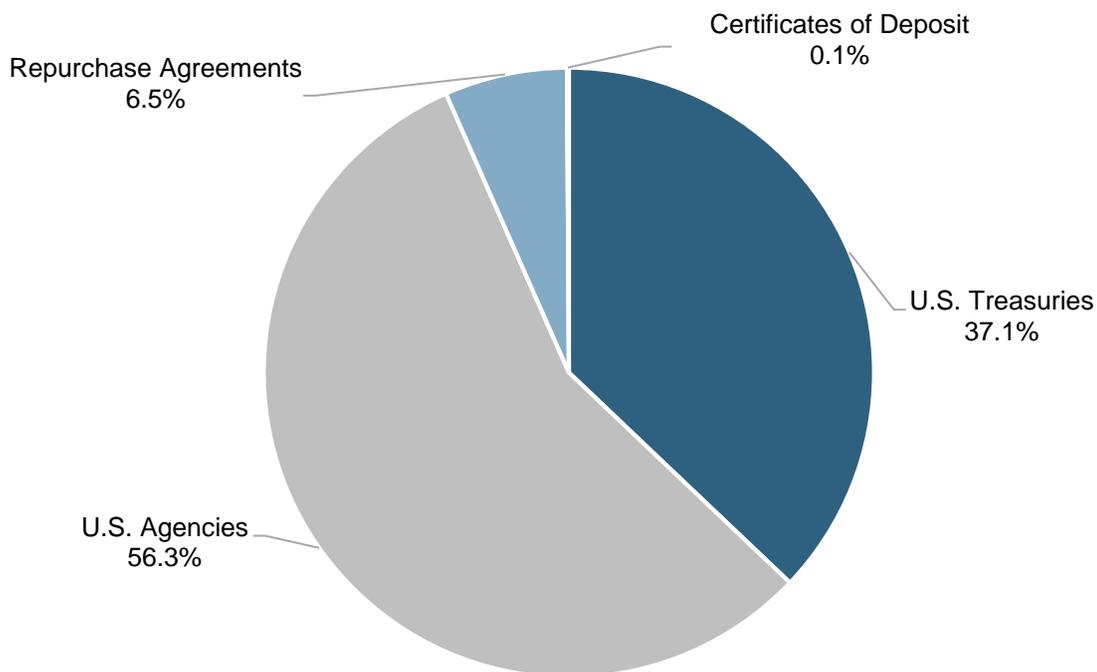


## Short-Term Investment Fund Program Review

The objective of the Short-Term Investment Fund (STIF) is to maximize income consistent with the principles of preservation of capital and liquidity. The STIF is an internally managed portfolio of highly-liquid fixed income securities. These securities are primarily money market instruments and short- to intermediate-term U.S. Treasuries and Agencies. All bank accounts of the State Treasurer are included in this portfolio, which serves as the main operating account for state agencies. Because the Treasurer's cash balances are ultimately subject to disbursement upon presentation of valid warrants, the primary consideration in making investments is safety and liquidity; the secondary consideration is income.

The following graph provides the STIF's asset allocation as of June 30, 2017.

**Figure 16- STIF Sector Allocation as of 06/30/17 (Based on Valuation)<sup>11</sup>**



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<sup>11</sup> U.S. Treasuries – government debt issued by the United States Department of the Treasury

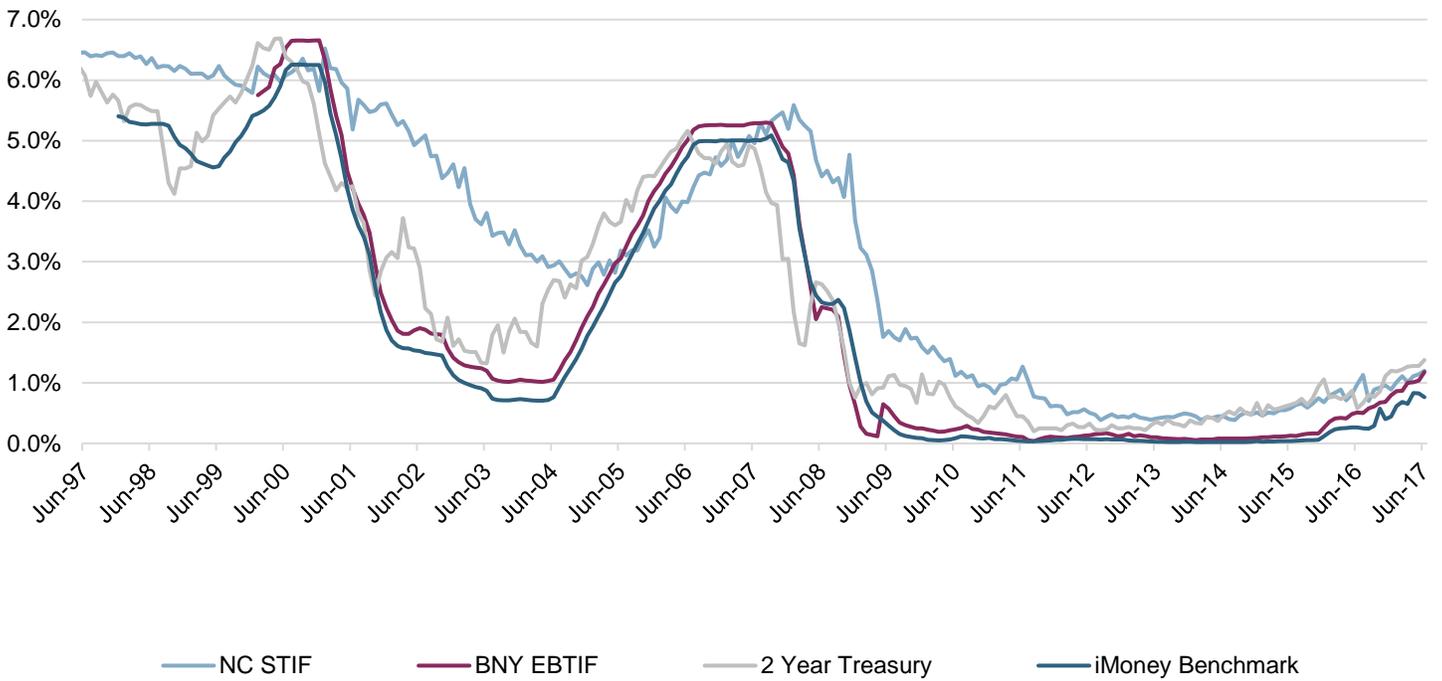
Certificates of Deposit – financial product commonly offered to consumers by banks, thrift institutions and credit unions

Repurchase Agreements – short-term collateralized loan

U.S. Agencies – debt from a federal government agency or government sponsored enterprise such as the Government National Mortgage Association (GNMA or Ginnie Mae), the Federal National Mortgage Association (FNMA or Fannie Mae), the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal Home Loan Banks and Federal Farm Credit Banks

Note: This STIF asset allocation does not include cash in bank.

For comparison purposes, the crediting rate of STIF is shown below, over time, versus the yields of other short-term benchmarks.<sup>12</sup>



<sup>12</sup> The BNY EBTIF is the Bank of New York Mellon Employee Benefit Temporary Investment Fund, a diversified institutional money market vehicle. The iMoney Benchmark is the iMoneyNet First Tier Institutional Money Market Funds Net Index.

## Ancillary Governmental Participant Investment Program Review (AGPIP)

The State Treasurer is responsible for one or more investment programs for the deposit and investment of assets pursuant to state law, including the Ancillary Governmental Participant Investment Program (AGPIP). The AGPIP includes assets for, among others, the Escheat Fund, public hospitals, Local Government Other Post-Employment Benefits Trusts, Local Government Law Enforcement Special Separation Allowance Trusts, and the North Carolina Conservation Grant Fund, as well as entities such as the State Health Plan, the Disability Income Plan and the State Educational Assistance Authority. While each of the AGPIP participants has particular investment authority as to how it may invest, all AGPIP participants are eligible for STIF as referenced in Part C(i) above. The following are other investment options maintained by the Treasurer for the AGPIP.

*For a complete listing of participants in the AGPIP, please reference Appendix 1, Part B of the most recent Quarterly Investment Report, published on the N.C. Department of State Treasurer's website at <https://www.nctreasurer.com/inv/Pages/Annual-Supplemental-Reports.aspx>.*

### Bond Index Fund (BIF)

The BIF invests in high quality debt securities, under NC G.S. 147-69.2(b) (1)-(6). The BIF maintains a low cost approach to investing in investment grade fixed income assets through a passive index strategy. The BIF is designed to produce a return consistent with its Barclays U.S. Aggregate Bond Index benchmark.

The BIF was created in August 2016. As of June 30, 2017, it had the following characteristics:

Total Assets (Millions)	Duration	September 2016 – June 2017 Return	Benchmark Return	Crediting Rate	Fees
\$1,587	5.73 years	-0.95%	-0.83%	N/A	2.5 bps on first \$750 million; 2.0 thereafter

### Equity Index Fund (EIF)

The EIF invests primarily in U.S. and non-U.S. equity securities eligible under NC G.S. 147-69.2 (b)(8) with the objective of closely approximating the capitalization weighted total return of the markets for global publicly traded equity securities while maintaining a low cost approach. The EIF is designed to produce a return consistent with its Morgan Stanley Capital International All Country World Index benchmark.

The EIF was created in August 2016. As of June 30, 2017, it had the following characteristics:

Total Assets (Millions)	Duration	September 2016 – June 2017 Return	Benchmark Return	Crediting Rate	Fees
\$411.8	N/A	13.76%	13.49%	N/A	2.0 bps

## Escheat Fund

As of June 30, 2017, the Escheat Investment Fund had \$582.9 million in total assets. \$420.1 million of this was invested in STIF and \$120.9 million was invested in BIF.

Pursuant to G.S. 147-69.2(b)(12), up to 20% of the Escheat Fund's assets may be invested in authorized Public Equity, Real Estate, and Alternative Investments. For the fiscal year ending June 30, 2017, the Escheat Fund held \$41.9 million in these types of investments. Performance data for these assets are shown below:

**Table 23- Escheat Fund Performance**

	<b>Market Value</b> (Millions)	<b>1 Yr.</b>	<b>3 Yr.</b>	<b>5 Yr.</b>	<b>10 Yr.</b>
Escheat Alternatives	\$41.9	10.61	2.73	6.16	5.17
<i>Benchmark</i>	-	8.58	8.74	11.28	8.66

*Note: The Escheat Alternatives Benchmark is the total blended Burgiss Private IQ Private Equity index.*

Within the Escheat Alternatives portfolio, pursuant to G.S. 147-69.2A9 and G.S. 147-69.2(b)12(c) the State Treasurer is required to invest 10% of the Escheat Fund through the Venture Capital Multiplier Fund. This is included in the 20% limit laid out in G.S. 147-69.2(b)(12). The Venture Capital Multiplier Fund is administered by a third party professional investment management firm selected following a public procurement process by designees from the Office of the Governor, the N.C. Department of State Treasurer, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. This fund was originally created in November 2016.

Performance and investment information through fiscal year-end are as follows:

**Table 24- Venture Capital Multiplier Fund**

	<b>Market Value</b> (Millions)	<b>Commitment</b> (Millions)	<b>Unfunded</b> (Millions)	<b>IRR<sup>13</sup></b>	<b>TVPI<sup>14</sup></b>	<b>Distributions</b>	<b>DPI<sup>15</sup></b>
Venture Capital Multiplier Fund	\$8.1	\$60.0	\$51.1	-19.36%	0.89	0	N/A

*Note: returns may reflect higher costs and lower returns in earlier years.*

## General Obligation Bond Proceeds Fund

The General Obligation Bond Proceeds Fund is managed by a private investment company under contract with the N.C. Department of State Treasurer. The investments are valued at amortized cost, which approximates fair value. The General Obligation Bond Proceeds Fund has a separate investment account for each state bond issue to comply with Internal Revenue Service regulations on bond arbitrage. As of June 30, 2017, the total in this fund was \$317.5 million.

<sup>13</sup> Internal rate of return

<sup>14</sup> Total value to paid in capital, or the sum of (distributions + ending value) divided by the total paid in or funded capital

<sup>15</sup> Distributions to paid in capital, or distributions divided by the total paid in or funded capital

# Supplemental Retirement Program Review

The Supplemental Retirement Plans – the NC 401(k) Plan, the NC 457 Plan, and the NC 403(b) Program – are defined contribution retirement plans administered by the North Carolina Supplemental Retirement Board of Trustees and the N.C. Department of State Treasurer. In addition to the pension fund, these plans enable members to save additional funds for retirement.

The NC 401(k) Plan and the NC 457 Plan are state-sponsored plans that may be available to the employees of participating state and local governmental organizations. Both plans have the same investment options, and the assets of both plans are commingled in a group trust for purposes of investment. The plans are designed to provide participants with a range of investment options that are available for investment under the plans. As of December 31, 2016, the plans had the following characteristics:

**Table 25- NC 401(k) Plan and the NC 457 Plan Assets**

<b>Plan</b>	<b>Assets (Millions)</b>
NC 401(k)	\$8,840
NC 457	\$1,248
<b>Combined</b>	<b>\$10,088</b>

The NC 403(b) Program allows school districts and community colleges to sponsor a 403(b) Plan with investments and other aspects of the plan administered by the board and the department. As of December 31, 2016, the program had the following characteristics:

**Table 26-NC 403(b) Program Assets**

<b>Plan</b>	<b>Assets (Millions)*</b>
NC 403(b)	\$9.7

\* 403(b) assets are unaudited. Additionally, unaudited assets for the 403(b) program as of June 30, 2017 were \$9.2 million.

Additional information on the plans and their investment options is available at the department's website at <https://www.nctreasurer.com/Retirement-and-Savings/Managing-My-Retirement/Pages/NC-Total-Retirement.aspx>. Additional information on the board and various governing documents is available at <https://www.nctreasurer.com/ret/Pages/Supplemental-Board.aspx>.

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA



# Financial Operations

# Financial Operations

The Financial Operations Division (FOD) performs the State Treasurer’s role of serving as the state’s banker and ensures that efficient banking services are provided to all state agencies and institutions. FOD is tasked with properly accounting for and reporting on all funds that are deposited, invested and disbursed through the N.C. Department of State Treasurer (DST). The Financial Operations Division is comprised of five areas:

- Banking Operations
- Bank Reconciliation Unit
- Statewide Accounting Operations
- Departmental Accounting
- Procurement & Contracting

## Banking Operations

All revenues collected by state entities on behalf of the state must be deposited with the State Treasurer. Banking Operations maintains correspondent depository relationships with various North Carolina banks and savings institutions where entities make their deposits. Relationships are maintained with six major banking institutions that have a statewide branch network (Wells Fargo, Bank of America, PNC, First Citizens, BB&T, and SunTrust), as well as more than 90 other bank accounts across the state. State funds are deposited at branch locations and electronically through Automated Clearing House and wires. Banking Operations reviews all incoming electronic payments and ensures that the funds are credited to the account of the agency expecting the funds.

**Table 27- Financial Operations Divisions Statistics**

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Amount in Checks	\$19.7 Billion	\$19.7 Billion	\$19.8 Billion	\$19.7 Billion
Total Dollar Amount of Wire Transfers Processed	\$157.2 Billion	\$160.2 Billion	\$160.9 Billion	\$181.4 Billion
Total Number of Wire Transfers	22,762	23,799	24,765	23,962
Cash Balances in the State Treasurer’s Depository Accounts	\$196 Million	\$204.1 Million	\$301.5 Million	\$239.8 Million

## Bank Reconciliation Unit

The Bank Reconciliation Unit is responsible for reconciling all of the State Treasurer’s bank accounts and budget code balances between the Office of State Controller and the N.C. Department of State Treasurer.

## Statewide Accounting Operations

This group manages the accounting for all funds that are deposited, invested and disbursed through the N.C. Department of State Treasurer, including more than \$100 billion investment pool and banking programs. Statewide Accounting Operations prepares financial statements for the investment pool which are audited and issued each year. It also maintains the general ledgers for the pension funds, employee benefit trust funds, State Health Plan, and the Escheats Fund (also known as the Unclaimed Property Fund) administered by the state treasurer. As new accounting standards are issued by the Governmental Accounting Standards Board, Statewide Accounting Operations

prepares other financial information such as pension and other post-employment benefit liability tables for participant employers to use in their own financial reporting. The accounts for the outstanding General Obligation and Special Indebtedness of the state are also maintained by the Statewide Accounting Operations area. Functions include the recording of new debt and the timely payment of principal and interest for the state's debt. The group is also responsible for the preparation of financial statements of the North Carolina Supplemental Retirement Income Plan and the North Carolina Public Employee Deferred Compensation Plan, which are also audited each year.

## Departmental Accounting

The Departmental Accounting area manages all fiscal duties that relate to the administration of the programs of the N.C. Department of State Treasurer. These duties include developing and monitoring the operating budget for the department, preparing payroll for approximately 400 employees and contractors, fixed assets, accounts receivable and managing accounts payable.

## Procurement & Contracting

Procurement and Contracting is a centralized function that ensures compliance and consistency in purchasing and contracting for DST. It is responsible for managing the procurement cycle from the early stages of a Request for Proposal to contract compliance. Procurement is a specific set of activities performed in the acquisition of a good or service. Basic purchasing, procurement by solicitation (such as quotes and Request for Proposals), leasing and general contracting activity is at the core of an agency's fiscal responsibilities. The fundamental responsibility of the Procurement and Contracting section is the acquisition of goods and services essential to meet the business needs of the department in accordance with North Carolina law.

**Table 28 - Cash Balances in the State Treasurer's Depository Accounts as of June 30, 2017**

<b>Bank</b>	<b>Balance (Thousands)</b>
Wells Fargo	\$80,823
Bank of America	\$48,395
SunTrust	\$3,172
PNC	\$257
First Citizens	\$5,151
BB&T	\$21,240
Asheville Savings Bank	\$750
Bank of North Carolina	\$1,100
Bank of Tennessee	\$1
Bank of the Ozarks	\$1,500
Capital Bank	\$5,463
Entegra Bank	\$2,000
Fidelity Bank	\$9,300
First Bank	\$12,713
First Federal Savings Bank	\$1,000
First National Bank	\$10,432
Four Oaks Bank	\$1,100
HomeTrust Bank	\$1,000
KS Bank	\$100
Lumbee Guaranty Bank	\$3,000
M&F Bank	\$2,750
Peoples Bank	\$1,000
South State Bank	\$1,082
Southern Bank & Trust	\$13,220
Surrey Bank	\$750
TD Bank	\$1,500
The Little Bank	\$198
Townebank	\$2,000
Union Bank	\$750
United Community Bank	\$6,099
Uwharrie Bank	\$2,000
<b>GRAND TOTAL</b>	<b>\$239,846</b>

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