



A handwritten signature in blue ink that reads "Dale R. Folwell, CPA".

INVESTMENT MANAGEMENT

RESOLUTION

RESPONSIBILITY

WHEREAS, the North Carolina General Assembly has established defined benefit pension plans (the "Plans") to provide retirement benefits to retired teachers, state and local government employees, law enforcement officers, lawmakers, judges and judicial officials, and many other public service workers; and

1. The Plans include the Teachers' and State Employees' Retirement System ("TSERS"), the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Government Employees' Retirement System ("LGERS"), the Legislative Retirement System, the North Carolina National Guard Pension Fund, the Registers of Deeds' Supplemental Pension Fund, and the Retiree Health Benefit Fund (collectively, the "North Carolina Retirement Systems"), which together provide retirement benefits to close to 350,000 retirees;
2. The combined assets of the North Carolina Retirement Systems total more than \$120 billion, and the two largest of the Plans, TSERS and LGERS, are funded at approximately 86.4% and 89.4%, respectively, thanks to faithful allocations by the North Carolina General Assembly and from contributions by participating local governments and state and local government employees;
3. The North Carolina General Assembly has vested the State Treasurer, the Department of State Treasurer (specifically, the staff of the Investment Management Division), and the Investment Advisory Committee (the "Committee") with certain responsibilities to manage and invest the assets of the North Carolina Retirement Systems;
4. The State Treasurer, the staff of the Investment Management Division, and the Committee's members carry out their responsibilities as fiduciaries to the Plans and their participants, including both retirees and current employees;
5. The State Treasurer and the staff of the Investment Management Division have been repeatedly recognized for the cost-effectiveness and transparency with which the assets of the North Carolina Retirement Systems are managed and invested, most recently by CEM Benchmarking, whose November 18, 2020, report is publicly available at the State Treasurer's website, and by Aon Investments, USA, Inc., whose report was provided to the North Carolina General Assembly on February 24, 2021, respectively; and

THE 2021 APPROPRIATIONS ACT

WHEREAS, State Treasurer Dale R. Folwell, CPA, has continued his call for state fiscal responsibility on behalf of the Plans comprising the North Carolina Retirement Systems and the Plans' participants in order to protect this valuable benefit for this and future generations of public service workers; and



Dale R. Folwell, CPA

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1. Unfortunately, there exist efforts to include provisions in the state budget or any other bill amending the budget execution (the "State budget") to severely limit the State Treasurer's ability to use funds for critical administrative and investment expenses, including the payment of investment fees properly earned by investment managers and others, many of whom also act as fiduciaries on behalf of the North Carolina Retirement Systems;
2. These provisions would gravely impair the State Treasurer's ability to hire necessary third parties, as provided in N.C. Gen. Stat. § 147-69.3, and to properly manage and invest the more than \$170 billion for which the State Treasurer is responsible, which would harm the current and future financial health of the North Carolina Retirement Systems and other funds managed and invested by the State Treasurer as well as threaten the North Carolina Retirement Systems' availability for current and future retirees;
3. The provisions' most harmful impairment of the North Carolina Retirement Systems includes, but is not limited to, enabling non-fiduciaries, including the North Carolina General Assembly, the Office of State Budget and Management, and others to control the decisions of the State Treasurer and other fiduciaries, which is contrary to law and settled practice and which will politicize investment-related decisions; and
4. Such outside control by non-fiduciaries will make the decisions to manage and invest the assets of the North Carolina Retirement Systems political instead of contractual, which will invariably lead to major restrictions on the types of investments because third party investment managers will be unlikely to contract with the State Treasurer due to uncertainties surrounding the State budgeting process, and this will in turn lead to a diminution in value of the North Carolina Retirement Systems' assets, increases in the Plans' risk profile, and a significant impact with respect to pension benefits.

NOW, THEREFORE, BE IT RESOLVED BY THE INVESTMENT ADVISORY COMMITTEE, PURSUANT TO ITS ADVISORY RESPONSIBILITIES AS PROVIDED IN CHAPTER 147 of the NORTH CAROLINA GENERAL STATUTES, THAT:

Section 1. The Committee hereby continues to express its appreciation for the North Carolina General Assembly's consideration of these important fiscal responsibilities.

Section 2. The Committee hereby continues to share its unified support with the State Treasurer and the staff of the Investment Management Division of the Department of State Treasurer for the North Carolina General Assembly's courage and willingness to fund and otherwise secure the pension benefits for this and future generations of public service workers.

Section 3. The Committee hereby recognizes that there exist efforts to include provisions in the State budget regarding the State Treasurer's and the Investment Management Division's administrative and investment expenses that would greatly impair the State Treasurer's ability to manage and invest the funds for which the State Treasurer serves as a fiduciary, harm the current and future financial health of the North Carolina Retirement Systems, and threaten the availability of the Plans for current and future retirees.



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Section 4. The Committee hereby opposes efforts to include such provisions in the State budget.

Section 5. This Resolution shall be included in the minutes of the Committee for the meeting held on August 25, 2021, in Raleigh, North Carolina.

Section 6. This Resolution was passed at the committee's quarterly meeting held on August 25, 2021.

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Chair, Dale R. Folwell, CPA

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