

Statute concerning consultation with Investment Advisory Committee on key policies

From Session Law 2016-55 (Investment Administrative  
Changes Act of 2016), pages 12 to 13 and 15 to 16

Signed by the Governor on June 30, 2016

**PART III. CODIFY KEY DEPARTMENT OF STATE TREASURER POLICIES**

**SECTION 3.** Article 6 of Chapter 147 of the General Statutes is amended by adding new sections to read:

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**"§ 147-69.11. Ethics policies.**

(a) To ensure that the State Treasurer's investment programs operate under a strong governance framework with rigorous internal controls and a high degree of operational transparency and are managed with the highest ethical and professional standards and in the most efficient and effective manner possible, the State Treasurer, after consultation with the Investment Advisory Committee, is authorized and required to adopt policies and procedures on the following topics:

- (1) Requiring that the Department of State Treasurer's Investment Management Division adopt a code of ethics.
- (2) Requiring all employees of the Department who have responsibility for matters related to investments to be provided with training with respect to the discharge of their duties and responsibilities to the funds.
- (3) Governing gifts to employees of the Department who have responsibility for matters related to investments.
- (4) Imposing limitations on external investment managers' use of placement agents and other persons that appear before the Department to ensure that these persons play only a proper role in investment opportunities.
- (5) As a component of the investment due diligence, negotiations, and contracting process, requiring an independent assessment of whether circumstances exist that create a material risk that professional judgement or actions regarding a potential investment arrangement's recommendation, approval, or execution have been or will be unduly influenced by a direct or indirect personal interest."

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**PART V. EFFECTIVE DATE**

**SECTION 5.** Section 5 of this act is effective when it becomes law. Except as otherwise provided, the remainder of this act becomes effective January 31, 2017.

Provisions from State Administrative Procedure Act concerning what types of policies should be adopted as a rule

**§ 150B-18. Scope and effect.**

This Article applies to an agency's exercise of its authority to adopt a rule. A rule is not valid unless it is adopted in substantial compliance with this Article. An agency shall not seek to implement or enforce against any person a policy, guideline, or other interpretive statement that meets the definition of a rule contained in G.S. 150B-2(8a) if the policy, guideline, or other interpretive statement has not been adopted as a rule in accordance with this Article.

**§ 150B-2. Definitions.**

As used in this Chapter,

(8a) "Rule" means any agency regulation, standard, or statement of general applicability that implements or interprets an enactment of the General Assembly or Congress or a regulation adopted by a federal agency or that describes the procedure or practice requirements of an agency. The term includes the establishment of a fee and the amendment or repeal of a prior rule.

The term does not include the following:

- a. Statements concerning only the internal management of an agency or group of agencies within the same principal office or department enumerated in G.S. 143A-11 or 143B-6, including policies and procedures manuals, if the statement does not directly or substantially affect the procedural or substantive rights or duties of a person not employed by the agency or group of agencies.
- b. Budgets and budget policies and procedures issued by the Director of the Budget, by the head of a department, as defined by G.S. 143A-2 or G.S. 143B-3, by an occupational licensing board, as defined by G.S. 93B-1, or by the State Board of Elections.
- c. Nonbinding interpretative statements within the delegated authority of an agency that merely define, interpret, or explain the meaning of a statute or rule.

- d. A form, the contents or substantive requirements of which are prescribed by rule or statute.
- e. Statements of agency policy made in the context of another proceeding, including:
  - 1. Declaratory rulings under G.S. 150B-4.
  - 2. Orders establishing or fixing rates or tariffs.
- f. Requirements, communicated to the public by the use of signs or symbols, concerning the use of public roads, bridges, ferries, buildings, or facilities.
- g. Statements that set forth criteria or guidelines to be used by the staff of an agency in performing audits, investigations, or inspections; in settling financial disputes or negotiating financial arrangements; or in the defense, prosecution, or settlement of cases.
- h. Scientific, architectural, or engineering standards, forms, or procedures, including design criteria and construction standards used to construct or maintain highways, bridges, or ferries.
- i. Job classification standards, job qualifications, and salaries established for positions under the jurisdiction of the State Human Resources Commission.
- j. Establishment of the interest rate that applies to tax assessments under G.S. 105-241.21.
- k. The State Medical Facilities Plan, if the Plan has been prepared with public notice and hearing as provided in G.S. 131E-176(25), reviewed by the Commission for compliance with G.S. 131E-176(25), and approved by the Governor.
- l. Standards adopted by the Department of Information Technology applied to information technology as defined by G.S. 147-33.81.

# DST POLICIES AND PROCEDURES

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<b>DST Reference:</b>	<b>OST-POL-5013-ALL</b>
<b>Title:</b>	<b>Prohibition of Gifts to State Employees</b>
<b>Cross Reference:</b>	<b>N/A</b>
<b>Chapter:</b>	<b>Legal</b>
<b>Current Effective Date:</b>	<b>December 15, 2016</b>
<b>Revision History:</b>	<b>December 1, 2009</b>
<b>Original Effective Date:</b>	<b>December 1, 2009</b>

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**Applies to:** NC Department of State Treasurer – All Divisions

**Keywords:** Gift, Favor, Gift Ban, Contractor, Vendor, Subcontractor, Supplier, Ethics Act, Procurement, Manager, Third-Party Reimbursement of Expenses

## Background and Purpose

Sections 133-32 and 138A-32 of the North Carolina General Statutes prohibit gifts or favors to state employees in many types of situations. On October 1, 2009, Governor Perdue issued Executive Order No. 24, which further regulated gifts to state employees. Governor McCrory has allowed this executive order to remain in place. Although Executive Order No. 24 does not apply to Council of State agencies like the Department of State Treasurer (“DST”), the Governor encouraged each Council of State agency head to follow a similar policy.

The purpose of this policy is to adopt a similar gift prohibition for DST employees and briefly summarize the gift restrictions for DST employees under state law.

## Persons Covered by This Policy

This policy applies to all the following people, who in this policy are referred to as “Restricted Persons”:

- The State Treasurer
- All DST employees
- Any persons working with DST placed on a temporary employee or contractor basis with the DST through the Temporary Solutions Division of the Office of State Human Resources or an external staffing agency.

## Related Statutes, Rules, and Policies

N.C.G.S. 133-32; 138A-32; Executive Order No. 24

NCDST Travel Policy

NCDST Expense Reimbursement Policy

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# DST POLICIES AND PROCEDURES

## Policy

### A. Vendor Gift Restriction

It is the policy of DST to promote compliance with and educate employees on the North Carolina law that prohibits state employees and other personnel, such as contractor and temporary personnel, from accepting gifts or favors from external parties that provide or may potentially provide commodities or services to the department. N.C.G.S. § 133-32.

Section 133-32 (referred to in this policy as the “Vendor Gift Restriction”) prohibits any DST employee or officer who is charged with awarding or administering public contracts – or who prepares the specifications, plans, or estimates for a public contract – from willfully receiving or accepting a gift or favor from any of the following:

“any contractor, subcontractor, or supplier who:

- (1) Has a contract with a governmental agency; or
- (2) Has performed under such a contract within the past year; or
- (3) Anticipates bidding on such a contract in the future.”

Under this DST policy, the Vendor Gift Restriction shall apply to all Restricted Persons who have the duties listed above, including any persons working with DST who were placed on a temporary employee or contractor basis with the DST through the Temporary Solutions Division of the Office of State Human Resources or through an external staffing agency.

Note that this “Vendor Gift Restriction” is subject to exceptions, discussed below. Note also that this Vendor Gift Restriction applies to all types of contractors, suppliers, vendors, external investment managers, or contractual counterparties used by DST, regardless whether DST uses the term “vendor,” “contractor,” or some other name.

### B. State Ethics Act gift restrictions

In general, no DST public servant covered under the State Ethics Act may knowingly accept a gift from either:

- A registered lobbyist,
- A registered lobbyist principal (in other words, a person or company who hired a North Carolina registered lobbyist),
- A person who is seeking to do business with DST,
- A person whose activities are regulated or controlled by DST, or
- A person whose financial interests are substantially and materially affected (in a way distinguishable from the public generally), by the performance or nonperformance of the public servant’s duties.

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N.C.G.S. 138A-32(c),(d). This law (referred to in this policy as the “State Ethics Act Gift Restriction”) also covers any gift that the public servant knows is indirectly being provided to him or her from one of the types of people listed above. G.S. 138A-32(d1).

This DST policy extends application of the above Ethics Act Gift Restriction to apply to not only public servants covered under the Ethics Act, but also all DST employees exempt from the State Human Resources Act, regardless whether they are exempt policymaking, exempt managerial, exempt investment-related employees, exempt State Health Plan employees, or some other type of exempt staff.

## C. *Exceptions under Vendor Gift Restriction and Ethics Act Gift Restriction*

The North Carolina legislature has developed several exceptions to the Vendor Gift Restriction (N.C.G.S. 133-32) and the Ethics Act Gift Restriction (N.C.G.S. 138A-32). All exceptions set out under state law also apply to this DST policy. The most important exceptions are noted below.

- Personal relationship – Gifts or favors between Restricted Persons and their friends and relatives (or the friends and relatives of their spouses, minor children, or members of their household) are not barred if it is clear that the gift or favor was motivated by the personal relationship, **not** the Covered Person’s position at DST or the business at DST that the Covered Person supervises.

However, gifts are barred from lobbyist principals if they were made under circumstances where a reasonable person would conclude that the gift was given to lobby. N.C.G.S. 133-32(d); N.C.G.S. 138A-32(e)(10).

- Third-party DST expense reimbursement – To save money that otherwise would be spent by the State, DST sometimes chooses to have DST’s third party vendors, rather than DST, pay for costs. For example, DST’s external investment managers typically have annual meetings where the managers provide information about operations and receive guidance from investors. DST generally prefers for the manager, not DST or the State, to pay the cost of attending these ongoing due diligence trips.

The Ethics Act Gift Restriction and the Vendor Gift Restriction allow a third party to pay for these expenses if:

- The expense is for a State purpose and is of a type reimbursed by DST (for example, travel for ongoing DST due diligence), and
- In advance of the expenditure, DST approved the third party vendor paying for the expense through approval of a Third Party Reimbursement Form. This form is usually attached to the traveler’s usual Budget Division Authorization (“BDA”) Form for prior approval.

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The fact that the reimbursement rate for the type of expense is less than the value of the third party's payment shall not render the gift prohibited. N.C.G.S. 138A-32(f); 133-32(d).

- Informational materials – Any DST Covered Person may accept a gift of informational materials relevant to that Covered Person's duties. N.C.G.S. 138A-32(e)(2); 133-32(d).
- Items for which face value paid – An item is not a gift or favor if fair market value, or face value if shown, is paid by the DST Covered Person. A commercially available loan on normal business terms available to the general public (like a mortgage), or a contractual arrangement or commercial relationship made in the normal course of business, if not used for lobbying, also is not a gift or favor prohibited under state law. N.C.G.S. 138A-3(15); 133-32(d).

Several other exceptions exist. All DST staff are encouraged to contact the legal staff listed below for detailed guidance about particular situations.

## Implementation

DST's external Compliance Counsel, Suzanne Dugan, and DST legal staff shall be available to answer questions about interpretation of this policy. In addition, the State Ethics Commission can answer questions about State Ethics Act interpretation, including through its hotline.

To inform DST Restricted Persons about this policy, DST shall continue to take the following steps:

1. DST shall establish a list of contractors doing business with the agency that (1) have a direct contract with the DST; and (2) do over \$10,000 worth of business during the fiscal year. DST shall update the list every fiscal year at a minimum. This list shall be made available on the DST Intranet site and will be developed, maintained, and updated by the Chief Financial Officer in a manner so as to ensure its reasonable accuracy and completeness. The list of \$10,000 or more vendors is a guide to help Restricted Persons avoid violating this policy, but does not list all vendors covered by the policy.
2. DST shall review the policy with all employees and inform all employees that a violation of N.C.G.S. § 133-32 is a Class I misdemeanor and may subject the employees to disciplinary action. In addition, DST shall annually inform all employees to review the list of contractors available on the Department's intranet site so they are aware of the contractors doing business with DST.
3. DST shall distribute this policy to all employees in the agency and require employees to acknowledge and sign the policy, as set out below.

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4. DST shall also incorporate into new employee orientation a process to provide a copy of all documents specified in this policy as well as require new employees to acknowledge and sign the policy, as set out below.
5. DST shall include a provision regarding this policy in all new requests for proposals and invitations to bid through the North Carolina terms and conditions. DST shall notify all current and future contractors regarding the provisions of this policy, whether or not the contract was made through a proposal or invitation to bid process.

## Enforcement

Failure to comply with this policy could result in disciplinary action up to and including dismissal. In addition, any violation of the policy may result in the employee having violated one or more state laws; those state laws' consequences for violation shall be in addition to any disciplinary action under this policy.

## Nature of the Policy

This Policy concerns only the internal management of the Department of State Treasurer. If this Policy directly or substantially affects any procedural or substantive rights or duties, it does so only for persons who are (or were) Department employees or contractors.

## Revision History

Version/Revision	Date Approved	Description of Changes
V1	12/01/2009	Initial version
V2	12/15/2016	Clarifying changes; further text explaining state gift restriction statutes and executive order; clarification that all exempt DST employees are covered by Ethics Act gift restriction, regardless of their exemption type

*For questions or clarification on any of the information contained in this policy, please contact the policy owner or designated contact point: [General Counsel](#). For general questions about department-wide policies and procedures, contact the [DST Policy Coordinator](#).*

# DST POLICIES AND PROCEDURES

## Compliance with Prohibition of Gifts to State Employees

Immediately after the date of promulgation of this policy or upon hire, whichever is applicable, all DST employees and employees who fall under this coverage will be required to date and sign this policy in acknowledgment of its terms. The signed and dated form will be kept in each employee's personnel file. Failure to comply with above policy will be grounds for immediate disciplinary action, up to and including dismissal.

"I hereby acknowledge that I have read the above policy and that I understand it and intend to comply with its terms. I acknowledge that failure to comply with the requirement that I sign this form could result in my dismissal."

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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# DST POLICIES AND PROCEDURES

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<b>DST Reference:</b>	<b>OST-POL-5014-ALL</b>
<b>Title:</b>	<b>Charitable Donations Policy</b>
<b>Cross reference:</b>	<b>Not applicable</b>
<b>Chapter:</b>	<b>Legal</b>
<b>Current Effective Date:</b>	<b>December 1, 2009</b>
<b>Revision History:</b>	
<b>Original Effective Date:</b>	<b>December 1, 2009</b>

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## Background

In a published advisory opinion (“Donations to a Charitable Organization Organized by Members of the General Assembly,” AO-E-07-0100) about legislators and their solicitation for donations of a charitable organization, the State Ethics Commission said:

N.C.G.S. § 138A-32(a) prohibits a covered person . . . from directly or indirectly soliciting anything of value to benefit the legislator or another person (such as the Organization) [defined as nonprofit organization] in return for being influenced in the legislator’s official responsibilities. This provision, therefore, would prohibit a legislator from soliciting donations to the Organization from anyone, including lobbyists and lobbyist principals, or indirectly soliciting those donations, in return for taking a particular legislative action. However, this solicitation of a donation alone would not be a violation of this provision. There would have to be a demonstratable connection between the solicitation and being influenced in the discharge of the legislator’s official responsibilities as a legislator in order for this prohibition to apply.

The State Ethics Commission further opined, “[u]nder certain circumstances, these donations could be an indirect gift to a legislator, legislative employee, or public servant.”

To avoid both indirect gifts and the appearance of indirect gifts to the Department of State Treasurer (“DST”) and to further clarify the manner in which the agency conducts business, the following policy is set forth.

## Purpose and Authority

The State Government Ethics Act permits heads of state agencies to develop and implement “in-house educational programs, procedures, or policies tailored to meet the agency’s particular needs for ethics education, conflict identification, and conflict avoidance.” N.C.G.S. § 138A-15. In addition, this Act does not prevent DST “from adopting additional or supplemental ethics standards” applicable to the agency’s operations and consistent with the Act. N.C.G.S. § 138A-41.

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<b>DST Reference:</b>	<b>OST-POL-5014-ALL</b>
<b>Title:</b>	<b>Charitable Donations Policy</b>
<b>Cross Reference:</b>	<b>NA</b>
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# DST POLICIES AND PROCEDURES

Consistent with the Act, the purpose of DST’s ethics policy is to ensure that DST’s head and all other covered persons at DST “exercise their authority honestly and fairly, free from impropriety, threats, favoritism, and undue influence.” N.C.G.S. § 138A-2.

## Coverage

This policy extends to the heads of all divisions and their confidential assistants, employees in exempt positions in accordance with N.C.G.S. §§ 126-5(d)(1), (2) or (2a), and any other employees the State Treasurer, Chief of Staff, and General Counsel deem to be “covered” persons.

## Charitable Donation Limitations

1. DST shall establish a list of contractors doing business with the agency that (1) have a direct contract with the DST; and (2) do over \$10,000 worth of business during the fiscal year. DST shall update the list every fiscal year, at a minimum. This list shall include the contractor’s name and address. Such a list will be developed, maintained, and updated by the Chief Financial Officer in a manner so as to ensure its reasonable accuracy and completeness.
2. As a means to reasonably avoid both an indirect gift and the appearance of an indirect gift, those employees found in the coverage section above shall rely on the list of contractors and not solicit contributions from those contractors found on the list for more than \$150. If the covered employee would like to solicit contributions over \$150 from a contractor on the list, then he or she must seek written approval from the Chief of Staff or his or her designee and the General Counsel or his or her designee.
3. DST shall review the policy with covered employees and inform such employees that a violation of this policy may subject any employee found to have violated the policy to disciplinary action. In addition, DST shall require that covered employees review, on a regular basis, the list of contractors available on DST’s intranet site so they are aware of the contractors doing business with DST.
4. DST shall distribute this policy to all covered employees in the agency and require such employees to acknowledge and sign the policy, as set out below.
5. DST shall also incorporate into new employee orientation a process to provide a copy of all documents specified in this policy to each covered employee, and DST shall also require new covered employees to acknowledge and sign the policy, as set out below.
6. DST shall include a provision regarding this policy in all new requests for proposals and invitations to bid through the North Carolina terms and conditions. In addition, DST shall notify current contractors regarding the provisions of this policy.

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<b>DST Reference:</b>	<b>OST-POL-5014-ALL</b>
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## Enforcement

Employees who violate this policy shall be subject to disciplinary action, including the possibility of termination.

## Revision History

Version/Revision	Date Approved	Description of Changes
1.0	December 1, 2009	New Policy

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DST Reference: OST-POL-5014-ALL  
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# DST POLICIES AND PROCEDURES

## Compliance

Immediately after the date of promulgation of this policy or upon hire, whichever is applicable, employees who fall under coverage will be required to date and sign this policy in acknowledgment of its terms. The signed and dated form will be kept in each employee's personnel file. Failure to comply with above policy will be grounds for immediate disciplinary action, up to and including dismissal.

"I hereby acknowledge that I have read the above policy and that I understand it and intend to comply with its terms. I acknowledge that failure to comply with the requirement that I sign this form could result in my dismissal."

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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DST Reference: OST-POL-5014-ALL  
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**NORTH CAROLINA DEPARTMENT OF STATE TREASURER POLICY**

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<b>DST Reference:</b>	<b>IMD-POL-1003-ALL</b>
<b>Title:</b>	<b>Insider and Personal Trading Policy</b>
<b>Chapter:</b>	<b>Operations</b>
<b>Current Effective Date:</b>	<b>September 1, 2013</b>
<b>Revision History:</b>	<b>September 1, 2013</b>
<b>Original Effective Date:</b>	<b>March 31, 2010</b>

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Applies to: NC Department of State Treasurer – Investment Management Division, Financial Operations Division, Information Technology Division, and Office of State Treasurer. (See Section II below.)

Keywords: Insider Trading Policy; stock tip; insider information; front-running; nonpublic information

**I. Purpose and Authority**

In March 2008, the Securities and Exchange Commission (“SEC”) issued a report admonishing public pension funds about inadequate compliance procedures. Securities and Exchange Commission, Report of Investigation Pursuant to Section 21 (e) of the Securities Exchange Act of 1934, Release No. 57446 (March 6, 2008). Then-SEC Chair Christopher Cox said, “While public pension funds are exempt from most of the federal securities laws governing money managers, they are not exempt from important anti-fraud provisions that prohibit insider trading and other manipulative and dishonest behavior that threatens the integrity of the market.”

In addition, the State Government Ethics Act prohibits a public servant from using or disclosing nonpublic information for private gain. N.C.G.S. § 138A-34. The State Government Ethics Act permits heads of state agencies to develop and implement “in-house educational programs, procedures, or policies tailored to meet the agency’s particular needs for ethics education, conflict identification, and conflict avoidance.” N.C.G.S. § 138A-15. In addition, the Act does not prevent the North Carolina Department of State Treasurer (“DST”) “from adopting additional or supplemental ethics standards applicable to” the agency’s operations. N.C.G.S. § 138A-41.

To preserve the value of integrity and in response to the SEC report and the State Government Ethics Act, the Treasurer adopts this Insider and Personal Trading Policy (this “Policy”) to create safeguards against the misuse of insider information. Strict adherence to the specific requirements of this Policy is mandatory. However, this Policy cannot and is not intended to address all circumstances that may arise. The State Treasurer and those persons covered under this policy must commit to performing their duties in a manner designed to minimize even the appearance of impropriety or a conflict of interest. It must be demonstrated to the stakeholders and general public that DST is dedicated to transparency, accountability, and the highest ethical behavior and that

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adequate controls are in place to ensure compliance with legal, regulatory, and policy requirements.

This Policy concerns only the internal management of the Department of State Treasurer. If this Policy directly or substantially affects any procedural or substantive rights or duties, it does so only for persons who are (or were) Department employees or contractors.

### II. Coverage

This Policy applies to any Department of State Treasurer employee or contractor with access to non-public information about proposed trading, trading strategies or holdings of the North Carolina Retirement System (“NCRS”) and the other investment funds held by the Treasurer (together with the NCRS, the “NC Funds”). This includes individuals involved in recommending or making investment decisions or who have access to systems containing investment information. It also includes those working with or in close proximity to persons involved in decision-making who regularly have the opportunity to see written information or hear discussions relating to investments.

Therefore, this Policy extends to all Investment Management Division personnel; the State Treasurer; certain Information Technology Division and Financial Operations Division personnel; and certain Office of State Treasurer personnel, including at least the Chief of Staff, General Counsel, Director of Communications, Treasurer’s Executive Assistant, Legislative Liaison, and any staff attorney with responsibility for or access to Investment Management Division operations. The State Treasurer, Chief of Staff, or General Counsel may deem other employees or contractors of DST to fall under this coverage consistent with the State Government Ethics Act.

Sections IV, V, and VI below apply after termination of employment to nonpublic information obtained while a covered person was a Department of State Treasurer employee or contractor.

### III. Definitions

The following terms when used in this Policy shall have the meanings set forth below:

1. **“Exempt Trades”**: The following are Exempt Trades: (1) trades in units of open ended mutual funds, segregated funds, or pooled trust funds; (2) purchases made under automatic dividend reinvestment or share purchase plans, but not sales from these made at the direction of those covered under this Policy; (3) trades that result from corporation actions without any voluntary action by the person holding the security; and (4) trades in index products (ETF securities, options, futures, or other derivatives that track published indices).

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2. **“Immediate Family”**: Immediate Family means the spouse, minor children, and dependents of a person.
3. **“Personal Securities Transaction”**: Personal Securities Transaction means a discretionary transaction involving the purchase or sale of a security in which a person, or any member of such person’s Immediate Family, had or gained directly or indirectly a pecuniary interest and in which the person or any member of such person’s Immediate Family had influence or control, directly or indirectly, over the timing of the trade of the security or derivative on a security. Exempt Trades and investment elections made by participants in the Supplemental Retirement Income Plan of North Carolina and by participants in the North Carolina Public Employee Deferred Compensation Plan shall not be considered Personal Securities Transactions.

**IV. Prohibition on Insider Trading; Confidentiality of Insider Information**

DST is committed to strict adherence to federal and state laws prohibiting “Insider Trading.” “Insider Trading” occurs when a trade has been influenced by the privileged possession of material nonpublic information. Information is deemed material if it would be considered important by a reasonable investor in deciding whether to buy, sell or refrain from any activity regarding that security. In addition, such information would be material if it were likely to have a significant impact on the market price or value of that company’s securities. Whether information is “material” is established by reviewing all of the facts and circumstances. Determining materiality requires sound judgment and is subject to reconsideration on a regular basis.

Common, but not limited, examples include: (1) financial projections and results; (2) mergers, acquisitions, joint ventures, or tender offers; (3) stock splits and stock dividends; (4) public or private securities or debt offerings; (5) major litigation; (6) significant new product announcements, including regulatory approval or rejection of a product; (7) significant changes in management or operations; (8) purchase or sale of substantial assets; and (9) government investigations, criminal actions, or indictments. Material nonpublic information may not be used by those covered under this Policy for their personal gain or to benefit friends, relatives or others.

If a person covered by this Policy is unsure whether any particular information constitutes material, nonpublic information, then he or she shall consult a Compliance Officer (as defined below) before initiating any transaction on behalf of the NC Funds or Personal Securities Transaction with respect to the subject security.

It is the duty of the Treasurer and those covered under this Policy to maintain the confidentiality of information and to not misuse confidential information, including material nonpublic information, belonging to or relating to the NC Funds.

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## NORTH CAROLINA DEPARTMENT OF STATE TREASURER POLICY

Those covered under this Policy who are aware of material, nonpublic information regarding a company are prohibited from, directly or indirectly, making investment decisions on behalf of the NC Funds or in Personal Securities Transactions, related to that company.

### V. Prohibition on Tipping

The Treasurer and those covered under this Policy may not directly or indirectly pass along (“tip”) material, nonpublic information about any company to anyone who could trade while aware of such information. The prohibition against insider trading applies to anyone in possession of material, nonpublic information, including family members or other tippers or tippees, and is not limited to DST.

### VI. Prohibition on Front Running

“Front Running” occurs when a person enters into a trade of securities with advance knowledge of pending orders from other investors. It could occur, for example, when any person covered by this policy trades with the knowledge that a trade is pending on behalf of the NC Funds.

Like Insider Trading, Front Running may subject the Treasurer and those covered under this Policy to criminal and/or civil proceedings. Further, Front Running may constitute a misappropriation of NC Funds proprietary information for private or personal gain. It is therefore the policy of DST that Front Running is prohibited. The Treasurer and those covered under this Policy may not place an order for a Personal Securities Transaction when they know that a NC Funds securities transaction is pending in a security of the company that is the subject of the Personal Securities Transaction, and must wait until 15 days after such NC Funds securities transaction is executed before placing an order for a Personal Securities Transaction involving the securities of the same company. Likewise, the Treasurer and those covered under this Policy may not knowingly delay, hinder, modify, or cancel any internal NC Funds buy or sell recommendation, decision, or trading order intending to facilitate a Personal Securities Transaction that, but for the action of the Treasurer and those covered under this Policy would otherwise constitute Front Running or violations of state or federal laws.

### VII. Compliance, Implementation, and Enforcement

The General Counsel and his or her designees (each, a “Compliance Officer,” and together, the “Compliance Committee”) will be responsible for developing and maintaining formal procedures, including any requisite forms, needed for compliance with this Policy.

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## NORTH CAROLINA DEPARTMENT OF STATE TREASURER POLICY

### A. Annual Certification Form.

A copy of this Policy shall be provided to each person covered under this Policy. In order to assure compliance with this Policy, the Treasurer and those covered under this Policy are required to familiarize themselves with the Policy and annually complete a declaration that certifies that they have read and understand the Policy and have agreed to act in accordance with the requirement on the form attached hereto as Attachment A (the "Certification Form"). The Certification Form shall include an acknowledgment that failure to act in conformance with this Policy will result in serious consequences, including potential termination of employment.

### B. Annual Transaction Report.

Each person covered by this Policy shall provide to the Compliance Committee a transaction report on the form attached hereto as Attachment B (the "Transaction Report"). The Transaction Report and Certification Form shall be due on May 15 of each year, unless the Compliance Committee specifies an alternate date.

The Transaction Report shall list the Personal Securities Transactions engaged in by such person (including his or her Immediate Family) and any statements or other supporting documentation requested by the Compliance Committee annually for transactions engaged in during the prior year (or other tax reporting period), provided that a person shall not be required to submit a Transaction Report for any year in which the aggregate dollar amount (purchase(s) and sale(s)) of Personal Securities Transactions otherwise reportable by such person is less than \$5000.

At the request of the Compliance Committee, a covered person must submit a supplemental Transaction Report for transactions engaged in during the period or periods specified in such request. At the option of the respondent, information may be provided in the format of IRS Form 8949 rather than the format of Attachment B.

### C. Application of Public Records Act to this Policy.

Pursuant to N.C.G.S. § 126-22(b)(3), for Department of State Treasurer employees, Transaction Reports and supporting documentation provided pursuant to this Policy shall be considered "personal financial data" found in an employee personnel file, not subject to inspection and examination under the North Carolina Public Records Act, N.C.G.S. § 132-1 *et seq.*

For Department of State Treasurer contractors who are not employees, Transaction Reports and supporting documentation may be public record unless they are that contractor's "tax information" as defined by N.C.G.S. § 105-259(a)(2). *See* N.C.G.S. § 132-1.1(b).

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**NORTH CAROLINA DEPARTMENT OF STATE TREASURER POLICY**

D. Additional Information. This Policy should be read in conjunction with any applicable federal and state laws, and other DST policies regarding ethics. If this Policy imposes greater obligations, then the requirements of this Policy are deemed to be in addition to and not in conflict with the other obligations. Any questions regarding the application of multiple requirements should be addressed to a Compliance Officer.

**Revision History**

<b>Version/Revision</b>	<b>Date Approved</b>	<b>Description of Changes</b>
2	September 1, 2013	Changed date on which annual reports are required to coordinate with tax filing; clarified covered persons to more clearly include contractors; other minor clarifications
1	March 31, 2010	Initial version

*For questions or clarification on any of the information contained in this policy, please contact the policy owner or designated contact point: [Blake Thomas](#). For general questions about department-wide policies and procedures, contact the DST Policy Coordinator: [Sandra Johnson](#).*

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Attachment A

**CERTIFICATION OF INSIDER AND PERSONAL TRADING POLICY**

The Treasurer and all employees or contractors covered under this Policy must certify their understanding of, and intent to comply with the Insider and Personal Trading Policy. Please sign and date the certification within seven (7) days of initial receipt and annually thereafter.

I hereby certify that:

1. I have read and understand the Insider and Personal Trading Policy and agree to strictly adhere to the Policy.
2. I further certify that I understand that failure to act in conformance with the Insider and Personal Trading Policy will result in serious consequences, including potential termination from my employment or contract with the North Carolina Department of State Treasurer.

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Attachment B

**TRANSACTION REPORT FORM**

In accordance with the North Carolina Department of State Treasurer Insider and Personal Trading Policy (the "Policy"), you must provide a report of all Personal Securities Transactions engaged in by you or any member of your Immediate Family during the prior calendar year if the aggregate dollar amount (purchases and sales) of such transactions otherwise reportable is \$5000 or more. This report must be submitted on this form to the Compliance Committee annually, no later than June 1 of each year with respect to the prior calendar year. In addition, upon request of the Compliance Committee, you must also provide on this form a report of all Personal Securities Transactions engaged in by you or any member of your Immediate Family during the period specified by the Compliance Committee. Capitalized terms used but not defined in this form have the meanings given to them in the Policy.

1. Name: \_\_\_\_\_
  
2. Job Title: \_\_\_\_\_
  
3. Calendar year or other reporting period: \_\_\_\_\_

4. Check one of the two boxes below.

- During the calendar year or other reporting period listed above, the aggregate dollar amount (including both purchases and sales) for all Personal Securities Transactions engaged in by me and all members of my Immediate Family was less than \$5,000.

*(Note that the Compliance Committee, at its option, may request a report of transactions even if those transactions' aggregate dollar amount was less than \$5,000. If the Compliance Committee has so requested, you must fill out the remainder of this form.)*

- On the next page is a list of all Personal Securities Transactions engaged in by me or any member of my Immediate Family during the calendar year or other reporting period listed above. (Attach additional sheets as necessary.)





SDOCUMENT #	0300-0310-010-D
REVISION #	5.0
TITLE	PROJECT CHARTER FORM
EFFECTIVE DATE	06/06/2016

## 1.0 Project Information

<b>Agency:</b>	DST Investment Management Division
<b>Project Name:</b>	Best Ideas – Training and Education
<b>Business Owner(s):</b>	Chris Morris
<b>Project Manager:</b>	Karen Hammond-Smith
<b>Proposed Start Date:</b>	June 2016
<b>Proposed End Date:</b>	December 2016
<b>Implementation Date:</b> <i>(when known)</i>	December 2016-December 2017
<b>Total Cost of Ownership:</b>	TBD – Division costs for Skill Soft and Expanded Intuition On-line courses
<b>Benefits:</b>	Encourage and promote a supportive learning environment within IMD
<b>Project Risk Type:</b> <i>(from 0300-0310-020-D PROJECT ASSESSMENT TYPE FORM)</i>	<input type="checkbox"/> High <input type="checkbox"/> Medium <input checked="" type="checkbox"/> Low

## 2.0 Executive Summary

This project is an outcome of the Best Ideas Program within Investment Management Division based on the results of an IMD employee survey. The survey identified 4 areas of enhancement for training and education which serve as the scope for this project:

- Encourage and support a learning environment within IMD
- Keep staff informed of regulatory and industry changes
- Maximize staff retention and internal promotion through training and education
- Increase employee productivity through training and education

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### 3.0 Project Details

#### 3.1 Strategy, Goals and Objectives

The approach is to provide short, medium and long-term activities in support of the objective. A key success factor is developing communication vehicles that pro-actively inform staff of training and education events available to them. A number of activities are already started or have been completed.

#### 3.2 Benefits and Impacts

The activities proposed will support the goals of fostering a learning environment, promoting department- sponsored events to update staff on the impacts of trends and compliance, developing professional and technical capabilities encouraging individuals to take ownership for self- directed learning, ensuring resources and budget expended are directly linked to the competencies needed by IMD to execute the Investment Strategy.

#### 3.3 Key Deliverables

##### Short-term (less than six months)

- Develop a Training and Education Policy which will identify the vision and mission of training and education for the IMD Division
- Build a Knowledge/Skills/Ability “KSA” Matrix by position and by level to clarify and communicate knowledge, skills and abilities expected at each career path level
  - Inventory Analysts competencies and develop standardized roles
  - Work with Directors to identify training and education gaps in Analyst and Portfolio Manager competencies and build process into the curriculum plan/training to address the gaps
- Document and communicate what training is currently available to staff
- Draft an IMD Training & Development Desk Top Guide for on-boarding new hires and to address existing staff questions regarding training and education options available to them, application and approval process to follow
  - **Phase 1 - draft the Table of Contents (TOC)**
  - Phase 2 – Build out content of guide and publish (target six to twelve months)
- Include Training Events on the Investment Calendar (on-going) e.g. ESG Guest Speaker Series
- Send a monthly Training E-Blast to communicate upcoming events followed by meeting invites

##### Medium –term (six to twelve months)

- Explore what training and education is already developed/facilitated by Human Resources and available to IMD staff and especially for new managers such as leadership and talent management (e.g. interviewing skills, coaching for performance) roles
- Draft an IMD Training & Development Desk Top Guide for on-boarding new hires and to address existing staff questions regarding training and education options available to them, application and approval process to follow
  - Phase 1 - draft the Table of Contents (TOC)
  - **Phase 2 – Build out contents of guide and publish**
- Explore staff interest in creating an electronic (SharePoint) and hard copy library

##### Long-term (greater than 12 months)

- Develop a training and education curriculum plan as pre-requisite to the next career path level which specifies such learning as individual course work, educational degrees, certifications, and policies and procedures
- Develop on-going cross – asset class training to broaden the knowledge base of staff and create a backup pool of shared resources for the division

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**Completed**

- Re-launch and on-going refresh of Intuition on-line training courses
- Conduct refresher training for the Backstop CRM Module

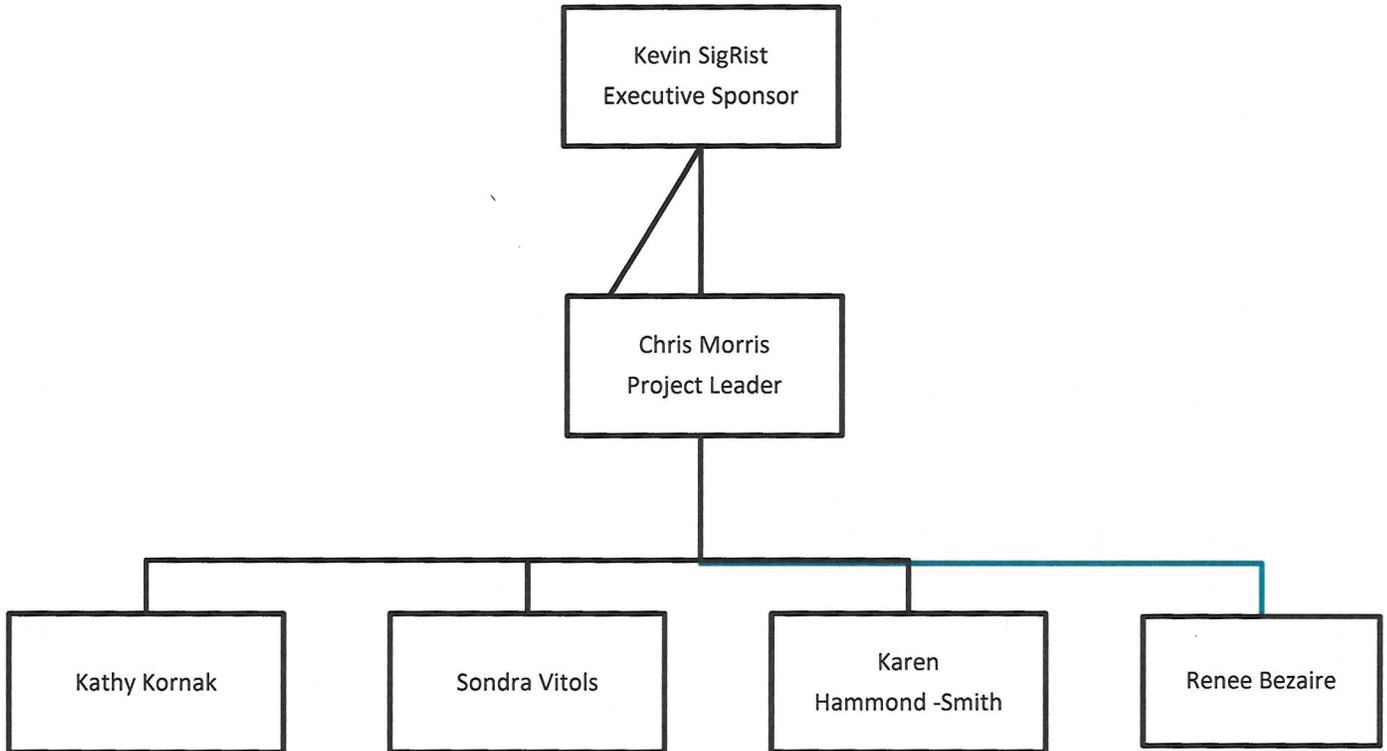
**3.4 Assumptions and Constraints**

- Training and education is a process shared by both IMD and the staff members
- All training and education courses developed, initiated or sponsored by IMD will be clearly defined and communicated the objectives, expected outcomes/action, and the participant’s role in achieving the expectations/actions
- Training and education which is mandatory will be clearly communicated through managers
- Training and education which requires approval will be evaluated on a case by case basis, within budget and with consideration of competencies needed within the division

**3.5 Dependencies**

The planning of T+E activities will take into consideration the demands of on-going day to day workload, travel schedules and budget parameters

**4.0 Project Organization and Roles**  
(Organization Chart)



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DOCUMENT #	0300-0310-010-D
REVISION #	4.0
TITLE	PROJECT CHARTER FORM
EFFECTIVE DATE	06/06/2016

### 5.0 Project Estimated Cost and Funding Source Summary

Project Cost (from 0300-0310-015-D PROJECT FINANCIAL ASSESSMENT FORM)	
Item	Estimated Costs
Agency Personnel (531xxx)	N/A
External Labor (Short Term Contract/Temp; Excluding OITS Project Resources)	TBD (potential for specialized content workshops/training)
Vendor RFP	N/A
ITS Services (Including Project Staffing Resources)	N/A
Hardware and Infrastructure	N/A
Software	N/A
Software as a Service	N/A
Other (Describe)	Approximately \$66k for Intuition and \$8k for SkillSoft enhancements
5 Years O&M	N/A
Total Cost of Ownership	N/A
Basis of Estimate	<input checked="" type="checkbox"/> Initial (-25%/+75%) <input type="checkbox"/> Refinement (-10%/+25%) <input type="checkbox"/> Baseline (-5%/+10%)

### 6.0 Supporting Plans and Documents

Name	Location / URL
Charter	IMD SharePoint Team Site
Project Plan (draft in progress)	IMD SharePoint Team Site

### 7.0 Project Charter Review and Approval

Title	Name	Signature	Recommendation	Comments	Date (MM/DD/YYYY)
Executive Sponsor	Kevin SigRist	<i>Kevin SigRist</i>	Initiator - NA	<i>Some changes to be made in main doc.</i>	<i>9/27/16</i>
Project Leader	Chris Morris	<i>Chris Morris</i>	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Non-Concur		<i>8/22/16</i>
Business Sponsor	Arlene Jones-McCalla	<i>Arlene Jones-McCalla</i>	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Non-Concur		<i>8/28/16</i>
Business Sponsor	Brett Hall	<i>Brett Hall</i>	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Non-Concur		<i>8/23/16</i>

The signatures above indicate an understanding of the purpose and content of the Project Charter. By signing this document or emailing approval of this document, they are agreeing to approve the Project Charter.

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