



# Update on February 2013 IMD Initiatives

December 16, 2013

# Near-term Priorities

(Originally Projected 0 to 3 Months in February 2013)

	Progress as of November 2013
1. Maintain momentum in private market investment pipeline	\$2.7 billion in commitments have been made CYTD and another \$1.6 billion is scheduled for Nov and Dec
2. Review and prioritize public market initiatives	
• <i>Emerging manager fund-of-funds</i>	<i>Funded two managers for \$300 MM aggregate</i>
• <i>Fixed Income tactical allocation to ABS</i>	<i>TBD in Asset Liability study</i>
• <i>Hedged Equity</i>	<i>Managed account review and manager focus list</i>
• <i>Global and International equity searches</i>	<i>Suspension communicated to managers</i>
3. Review IMD organization and business model	
• <i>Internal governance</i>	<i>Ongoing; alternatives recommended</i>
• <i>Staff roles &amp; responsibilities</i>	<i>Ongoing; alternatives recommended</i>
• <i>Fill vacancies</i>	<i>3 Director positions filled; Contractors being used in Real Estate, Private Equity, Credit &amp; Inflation, and Operations</i>
• <i>Self-assessment of process challenges and resource gaps</i>	<i>Ongoing; alternatives recommended</i>
4. Update/Codify policies and procedures	
• <i>Investment Committee Charter</i>	<i>Policy completed; process changes ongoing</i>
• <i>Manager/Fund Search and Selection Policy</i>	<i>Policy completed; process changes ongoing</i>
• <i>Code of Ethics/Conflict of Interest Certification</i>	<i>Policy completed</i>
• <i>Compliance Officer role</i>	<i>Cohen Milstein hired as Compliance Counsel</i>
5. Enhance investments flexibility	
• <i>Legislation</i>	<i>Completed</i>
• <i>Open mandate strategies</i>	<i>Multi-Strategy TBD in Asset Liability study</i>
6. Investment Forum	Deferred; inflation sensitive focus
7. CEM Survey participation	5 Year Report being finalized
8. Prioritize implementation of investment infrastructure	
• <i>SAS Total Fund Risk Model</i>	<i>Negotiations progressing to decision nodes</i>
• <i>CRM</i>	<i>Delayed; in ITS procurement process</i>
9. National Association of State Investment Professionals annual meeting	Completed

# Medium-term Priorities

(Originally Projected 6 to 9 Months in February 2013)

	<b>Progress as of November 2013</b>
1. Address most elevated human capital risks: Portfolio Manager/Analyst compensation	Salary Adjustment request made by DST HR; Salary reserve being evaluated for career progression awards
2. Review strategic portfolio construction	
• <i>Update asset-liability study</i>	<i>December 2013 recommendations</i>
• <i>Assess total fund portfolio management</i>	<i>TBD in Asset Liability study</i>
• <i>Develop Annual Investment Work Plans</i>	<i>First drafts complete for private asset classes</i>
• <i>Develop and implement Risk Budget</i>	<i>TBD after Asset Liability study</i>
3. Identify legacy investments for potential restructuring/workout	Ongoing
4. Investment initiatives	
• <i>Internal equity index management</i>	<i>Deferred to 2014</i>
• <i>Infrastructure investments</i>	<i>First investments later this year and 2014</i>
• <i>Co-investments program(s)</i>	<i>Programmatic solution deferred to 2014</i>
• <i>Non-fund vehicles</i>	<i>Real Estate separate accounts deferred to 2014</i>
• <i>Strategic partnerships</i>	<i>Ongoing discussions</i>
• <i>Total fund risk portfolio management</i>	<i>TBD in Asset Liability study</i>
• <i>NC Innovation Fund</i>	<i>Deferred to 2014 due to CFGI acquisition</i>
• <i>Evaluate Latin American private market opportunities</i>	<i>Ongoing</i>
• <i>ESG themes</i>	<i>Review ongoing</i>
• <i>Emerging/Small/Niche Private Equity Program*</i>	<i>RFI released; 2014 recommendations TBD</i>
• <i>Support for Supplemental Retirement Programs*</i>	<i>TBD in IPS and SLA</i>
• <i>Policy for non-operating/non-NCRS funds (also QIB issue)*</i>	<i>TBD 2014</i>
5. Process map operations/portfolio management support to identify efficiency opportunities and enhance reporting	Partially deferred, but outsourcing of private market middle office support moving forward
6. Expand access to third-party research*	Evaluations ongoing (Strategas, Cambridge, Mercer, Russell, Albourne, UBS, State Street, etc.)

# Longer-term Priorities

(Originally Projected 9 to 18 Months in February 2013)

	Progress as of November 2013
1. Review impact of governance structure and operating model on attainment of long-term investment objectives	
<ul style="list-style-type: none"> <li><i>Resourcing, personnel, procurement, and contracting</i></li> </ul>	<i>Hewitt EnnisKnupp hired and Investment Fiduciary Governance Commission meetings in 1H 2014</i>
<ul style="list-style-type: none"> <li><i>Delegation of authorities</i></li> </ul>	<i>Hewitt EnnisKnupp hired and Investment Fiduciary Commission meetings in 1H 2014</i>
<ul style="list-style-type: none"> <li><i>External oversight, reporting, and monitoring</i></li> </ul>	<i>Hewitt EnnisKnupp hired and Investment Fiduciary Commission meetings in 1H 2014</i>
2. Strategic talent management initiatives	
<ul style="list-style-type: none"> <li><i>Competitive compensation analysis</i></li> </ul>	<i>Participated in Mercer &amp; McLagan 2013 studies</i>
<ul style="list-style-type: none"> <li><i>Career development program</i></li> </ul>	<i>Deferred to 2014</i>
3. Further integrate into DST Strategic Plan	Ongoing; current with 2013 rollout
4. Global review of benchmarking/reporting of historical results	TBD in Asset Liability study

\*Added since February