

NORTH CAROLINA DEPARTMENT OF STATE TREASURER INVESTMENT MANAGEMENT DIVISION

DST Reference:	IMD-POL-2006-IMD
Title:	Investment Advisory Committee Code of Ethics
Chapter:	Legal/Compliance
Current Effective Date:	March 11, 2022
Original Effective Date:	March 5, 2015

INVESTMENT ADVISORY COMMITTEE CODE OF ETHICS

I. Purpose

The General Assembly has established the Investment Advisory Committee (“IAC”) to advise the State Treasurer with duties related to the management of the investments of the Teachers’ and State Employees’ Retirement System, the Local Governmental Employees’ Retirement System, the Legislative Retirement System, the Firefighter’s and Rescue Squad Workers’ Pension Fund, the Consolidated Judicial Retirement System, Registers of Deeds’ Supplemental Pension Fund, the Retiree Health Benefit Fund and the North Carolina National Guard Pension Fund (referred to collectively as the “Retirement Systems”).¹

II. Ethical Principles

Unless otherwise provided², IAC membership is not considered a public office under law³ subject to the oversight of the State Ethics Commission, however, IAC members should act with integrity, competence, diligence, respect, and in an ethical manner while performing their responsibilities as outlined in the IAC Charter. The advice of the IAC may influence the decision-making of the State Treasurer and the staff members of the Investment Management Division (“IMD”) of the Department of State Treasurer (the “Department”). Therefore, the knowledge and expertise of the members on the IAC shall be applied solely for the benefit of the participants of the Retirement Systems. IAC members should not advance their personal interests or engage in behavior that appears to be a conflict of interest (“Conflict of Interest”⁴) with the Retirement Systems.

At the same time, it is important to recognize that IAC members volunteer their time in a spirit of public service and contribute their expertise without compensation. Accordingly, persons serving on the IAC should be free to pursue their personal and professional financial interests without limitation unless those interests would foreseeably result in a Conflict of Interest with the interests of the Retirement Systems, or a restriction as defined in this Code of Ethics (“Code”).

¹ N.C.G.S. § 147-69.2(b1)

² The State Treasurer and the two IAC members selected from among the members of the boards of trustees of the Retirement Systems are subject to the oversight of the State Ethics Commission by virtue of their positions.

³ N.C.G.S. § 147-69.2(b1)

⁴ A Conflict of Interest shall mean circumstances that create a material risk that professional judgment or actions regarding advice or assistance given to the State Treasurer have been or will be unduly influenced by a direct or indirect personal interest.

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III. Restrictions on Transactions between the IAC Members and the Retirement Systems

- A. Interested Party.** As used in this Policy, “interested party” shall mean: (1) an IAC member; (2) the spouse⁵ of an IAC member; (3) any partnership in which the IAC member or spouse is a general partner or owns ten percent of either the capital or profits interest of such partnership; and (4) any corporation in which the IAC member, or his or her spouse, individually or collectively, own or control ten percent or more of the outstanding stock.
- B. Prohibition on Transactions.** No interested party shall engage in a transaction if such transaction constitutes:
1. The sale, exchange, or lease of any property between the Retirement Systems and an interested party;
 2. The loan of money or other extension of credit between the Retirement Systems and an interested party;
 3. The furnishing of goods, services, or facilities between the Retirement Systems and an interested party; or
 4. The transfer of any assets of the Retirement Systems to, or the use of any assets of the Retirement Systems by or for the benefit of, an interested party.
- C. Prohibition as Broker-Agent.** An IAC member shall not, in his or her individual capacity or in any other capacity, act as a broker or agent for or otherwise represent any party in any transaction with the Retirement Systems.
- D. No Consideration.** No interested party shall receive any consideration from any party in connection with a transaction with the Retirement Systems.
- E. Prohibition of Receipt of Gifts.** No interested party may use their position to secure, solicit, or accept things of value, including gifts, travel, meals, and lodging, from parties doing or seeking to do business with the Department or interested in matters before the IAC.
- F. Exceptions to Prohibition of Receipt of Gifts.** This Code is intended to be in harmony with the law⁶ with respect to gifts that a public servant is permitted to accept. This includes the gift and receipt of honorariums for participating in meetings, advertising items or souvenirs of nominal value, or meals furnished at banquets, as well as customary gifts or favors between employees or officers and their friends and relatives where it is clear that the relationship, rather than the business of the individual concerned, is the motivating factor for the gift or favor. However, all such gifts knowingly made or received are required to be reported by the IAC member to Compliance Counsel.

⁵ The term “spouse,” as used here, includes domestic partners.

⁶ N.G.C.S. § 133-32 (d) and § 138A-32.

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IV. Restrictions to Perform Certain Services or Evaluate or Advise on Certain Matters

If an IAC member is an officer, director, or employee of any entity that recommends, or seeks to engage in, a transaction not otherwise prohibited by this Code and the IAC member is required to evaluate or provide advice on the transaction, the IAC member shall notify in advance the IAC of his or her relationship to the entity and shall not participate in such an evaluation or advising. Further, such IAC member shall not knowingly perform services in connection with that transaction.

An IAC member shall not participate in any evaluation of, or discussion of any evaluation of, any transaction if the investment manager or other organization under consideration employs an interested party or an entity of which he or she is an officer, director, or employee.

The provisions of this section, however, shall not preclude an IAC member from evaluating or providing advice on an investment matter in which the only relationship between the Retirement Systems and the entity is that of co-investors in limited partnerships or other investment structures where management responsibility is not vested in the entity.

V. Post-Service Restriction

An IAC member shall not, for a period of two-years after termination of service on the IAC, make an unsolicited appearance before the IAC or any IMD staff for the purpose of influencing the actions of the State Treasurer, a staff member of the Department, or the IAC.

VI. Confidential Information

IAC members may be provided or have access to confidential information, including material, nonpublic information. It is the duty of IAC members to use care and discretion in the handling of confidential information. No IAC member shall use or disclose confidential information which the member gained during service or by reason of his or her official position on the IAC for purposes of advancing his or her personal or financial interest.

VII. Interpretation and Meaning of this Code

When an IAC member has a doubt as to the application of any part of this Code to a particular situation, he or she may request the General Counsel or his or her designee for an advisory opinion. The IAC member shall have the opportunity to present his or her interpretation of the facts at issue and of the applicability of provisions of this Code before such an advisory opinion is made. Such interpretations made by the General Counsel or his or her designee shall be binding upon the IAC and its members.

VIII. Disclosure Requirement

Each member of the IAC shall have an affirmative duty to proactively identify and promptly disclose to the Compliance Counsel any personal, social, employment, or business activities and relationships that impact his or her objectivity, create potential Conflicts of Interest, impair his or her ability to make impartial decisions, or otherwise interfere with the proper performance of his or her responsibilities as a member. In addition, each member shall have a duty to report to Compliance Counsel (1) personal or professional investments that would foreseeably result

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in a Conflict of Interest with the interests of the Retirement Systems and (2) receipts of gifts from vendors.

Each member of the IAC shall also have an affirmative duty to immediately report directly to Compliance Counsel knowledge of any actual or suspected act by another IAC member or Department staff that constitutes: (1) fraud or misconduct, (2) a material error that adversely affects the Retirement Systems’ assets or interests, (3) misrepresentation or omission of material information in reporting and communications, or (4) violations of laws, rules, or Department policies.

IX. Acknowledgment

The State Treasurer has approved this Code, setting forth standards of conduct for members of the IAC. A copy of the Code shall be provided to each person upon appointment to the IAC and annually thereafter.

Each IAC member shall acknowledge (Appendix A) that they have received and read the Code and agree to be bound by the provisions contained within. In addition, IAC members shall be required to annually (1) attest compliance with the Code and (2) voluntarily disclose any potential lack of compliance with the Code.

X. Violation of Code of Ethics

Any violation of this Code or failure to annually attest compliance by an IAC member may be grounds for removal with cause by the State Treasurer.

Revision/Review History

Version	Date Approved	Description of Changes
1.0	3/5/2015	New Policy
1.1	8/11/2017	Remove signature of treasurer requiring approval of policy, effective upon approval by division
1.2	2/14/2019	Minor formatting changes
1.3	4/29/2020	Tech changes to add reference to Registers of Deeds Supplemental Pension Fund and Retiree Health Benefit Fund to types of systems on which the IAC advises the Treasurer; per IMD counsel removed requirement of an “Annual Ethics Session arranged by DST since it appeared it had not been occurring; changed policy chapter and number; formatting changes
2.0	3/11/2022	Clarified initial acknowledgment and re-acknowledgment process by updating and combining acknowledgment forms and removing Appendix B; updated point of contact; other wording changes

Appendix

Appendix A – Acknowledgment Form

For questions or clarification on any of the information contained in this policy, please contact the policy owner: [Asst. General Counsel for IMD, Jason Sass at Jason.Sass@nctreasurer.com](mailto:Jason.Sass@nctreasurer.com). For general questions about department-wide policies and procedures, contact the [DST Policy Coordinator](#).

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Appendix A

ACKNOWLEDGMENT FORM

I have read the Investment Advisory Committee (IAC) Code of Ethics and in signing below I:

1. understand this Code applies to me as a member of the IAC;
2. attest to my compliance with the Code (unless I am a new member signing this Acknowledgment Form for the first time);
3. will voluntarily disclose, to the best of my knowledge, any potential or actual noncompliance with the Code; and

I understand that, as long as I am an IAC member, I must annually attest to my compliance by signing this Acknowledgment Form.

NAME (print)

SIGNATURE

DATE