

# NORTH CAROLINA DEPARTMENT OF STATE TREASURER POLICIES AND PROCEDURES

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<b>DST Reference:</b>	<b>OST-POL-5011-ALL</b>
<b>Title:</b>	<b>Supplemental Ethics Policy for State Treasurer, Senior Executive Staff and Investment Division</b>
<b>Cross Reference:</b>	
<b>Chapter:</b>	<b>Legal</b>
<b>Current Effective Date:</b>	<b>December 10, 2013</b>
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**Applies to:** NC Department of State Treasurer – Investment Management Division and Office of State Treasurer

**Keywords:** Supplemental ethics; post-employment restrictions; “revolving door” policies; solicitations for employment; “headhunters”

## **I. Background**

In 2013, the Department of State Treasurer (“DST”) announced a new series of industry-leading ethics and transparency reforms. These reforms supplement measures previously put into place in 2009. This policy sets out in detail certain ethics restrictions applicable to the staff named in Section IV below.

## **II. Purpose and Authority**

The State Government Ethics Act (the “State Ethics Act”) permits heads of state agencies to develop and implement policies and procedures tailored to meet the agency’s particular needs for conflict identification and conflict avoidance. N.C.G.S. § 138A-15. In addition, the Act specifies that agencies such as DST are not prevented “from adopting additional or supplemental ethics standards applicable to” the agency’s operations. N.C.G.S. § 138A-41.

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

## **III. Related Statutes, Rules, and Policies**

The State Ethics Act (N.C.G.S. Chapter 138A); IMD Code of Ethics and Conduct (Policy # IMD-POL-1005-IMD); Supplemental Ethics Policy for Covered Persons except State Treasurer, Senior Executive Staff and Investment Division (Policy # DST-POL-5012-ALL)

## **IV. Policy**

### **A. Restrictions During DST Employment**

#### **1. Coverage**

This policy extends to the following persons (hereinafter, "Covered DST Individuals"): State Treasurer, Chief of Staff, Chief Investment Officer, the Investment Management Division ("IMD") Chief Administrative Officer, the IMD Director of Risk Management & Asset Allocation, all other IMD staff at the Director Level or above, the DST General Counsel, and all DST in-house compliance counsel and legal staff with responsibility for IMD transactions. The State Treasurer may deem additional DST positions to be covered by this policy; any such designations will be made in writing and appended as an exhibit to this policy.

In addition, this policy shall apply to any DST contractor, temporary employee, or permanent employee who is serving on a temporary or interim basis in one of the positions listed above.

## **2. Discussions with Vendors Concerning Post-Government Employment**

Direct solicitations or requests for employment by Covered DST Individuals to current or proposed DST investment managers or service providers shall be barred.

After a Covered DST Individual leaves his or her employment with DST, he or she may discuss employment opportunities with DST investment managers or vendors. However, the restrictions stated in Section V(B) below shall apply to the Covered DST Individual's work at that vendor on DST matters.

## **3. Unsolicited Employment-Related Communications**

Firms, including but not limited to third-party professional recruiters, or "head hunters," sometimes approach DST personnel unsolicited to ask whether they might be interested in a position with an identified or unidentified firm. If a Covered DST Individual is approached concerning employment with a current or proposed DST investment manager or vendor, the Covered DST Individual shall disclose the contact to the Compliance Counsel within two (2) business days. Until the Covered DST Individual has rejected the offer, the Covered DST Individual shall be recused from any and all matters involving the potential future employer, even if those conversations would be allowed under Section V(A)(2) above.

## **4. Applicable State Ethics Act provisions**

The State Ethics Act provides that, unless an exception applies, a covered person shall not knowingly use the covered person's or legislative employee's public position in an official action that will result in financial benefit, direct or indirect, to the covered person, a member of the covered person's extended family, or business with which the covered person is associated. This subsection shall not apply to financial or other benefits derived by a covered person that the covered person would enjoy to an extent no greater than that which other citizens of the State would or could enjoy, or that are so remote, tenuous, insignificant, or speculative that a reasonable person would conclude under the circumstances that the covered person's ability to protect the public interest and perform the covered person's official duties would not be compromised. N.C.G.S. § 138A-31.

### **B. Post-Employment Restrictions**

**1. Work "behind the scenes" on DST matters.** An individual who held a position designated in Section IV of this policy shall not, for a period of **two (2) years** after leaving that position, render compensated services for any person, except for the State, in connection with a current or potential DST contract.

**2. Appearances before DST.** An individual who held a position designated in Section IV of this policy shall not, for a period of **four (4) years** after leaving that position, render compensated services for any person, except for the State, by making any formal or informal appearance before DST or the Treasurer for marketing, advocacy, or other purposes.

**3. Appearances as placement agent.** An individual who held a position designated in Section IV of this policy shall not, for a period of **six (6) years** after leaving that position, serve as a placement agent in connection with an investment of NCRS funds.

**4. Lobbying.** An individual who held a position designated in Section IV of this policy shall not, for a period of six (6) months immediately after leaving that position, register as a lobbyist under N.C.G.S. § 120C. In addition, such covered individual shall not register as a lobbyist with the General Assembly for an additional six (6) months after leaving DST employment, except in situations under which it is clear that the individual's lobbying activities will be completely unrelated to DST and to the individual's prior office.

## **V. Failure to Comply – Remedies**

Failure to comply with this policy by DST employees may result in penalties up to and including termination.

Failure to comply with this policy by investment managers or other DST vendors may result in the Treasurer, in his or her discretion, choosing to impose a ban on future investment transactions or other business with that vendor.

## **VI. Roles and Responsibilities; Notification; Implementation; Enforcement**

Questions concerning the meaning of this policy shall be resolved by the Department's General Counsel or by his or her designee, including without limitation DST's Compliance Counsel. Questions concerning the meaning of the State Ethics Act shall be directed to the North Carolina Ethics Commission. DST staff will provide investment managers with a copy of this policy.

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

## **VII. Waiver**

The State Treasurer, or his or her designee, in consultation with the State Treasurer's General Counsel or his or her designee, may, in exceptional circumstances, grant to any current or former covered person a written waiver of any restrictions contained in the pledge signed by such covered person if, and to the extent that, the State Treasurer, or his or her designee, certifies in writing (i) that the literal application of the restriction is inconsistent with the purposes of the restriction, and (ii) that it is in the best interest of the members and beneficiaries of the Retirement Systems to grant the waiver. A waiver shall take effect

when the State Treasurer or his or her designee signs the certification. The State Treasurer may not waive the policy for himself or herself.

**VIII. Revision History**

<b>Version/Revision</b>	<b>Date Approved</b>	<b>Description of Changes</b>
1	August 13, 2009	First version of policy
2	December 10, 2013	New express restrictions on soliciations; new procedure for response to unsolicited employment-related communications; revised periods of time for post-employment limitations
2.1	October 21, 2016	Corrected point of contact e-mail links

*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](#).*

**IX. Acknowledgement by DST Employee**

“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: \_\_\_\_\_