



Policy Consultation, Second Meeting: Slides for Presentation

Presentation to the Investment Advisory Committee

November 16, 2016



North Carolina Department of State Treasurer
Investment Management

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Purpose of session

- New statute (G.S. 147-69.11) requires consultation with IAC on certain key ethics policies
 - *For text of statute, see policy supplement, page P-1*
 - Effective date of new statute: January 31, 2017
- At previous meeting:
 - Placement Agent Policy -- consultation under G.S. 147-69.11(a)(4)
 - Conflict of Interest Certification – consultation under G.S. 147-69.11(a)(5)
 - Code of Ethics – consultation under G.S. 147-69.11(a)(1)
 - Outside Activity Policy – consultation under G.S. 147-69.11(a)(5)
- At this meeting:
 - **Gift Ban** – consultation under G.S. 147-69.11(a)(3)
[revision of existing policy]
 - **Charitable Donations Policy** – consultation under G.S. 147-69.11(a)(3)
[existing policy]
 - **Insider Trading Policy** – consultation under G.S. 147-69.11(a)(2)
[existing policy]
 - **Employee Training Policy** – consultation under G.S. 147-69.11(a)(2)
[taking input before drafting policy]
- Goal is IAC consultation & input on changes, improvements, and any additional areas to cover.



Prohibition of Gifts to State Employees

- *See policy supplement, page P-4*
- Policy originally adopted in December 2009
- This is draft revised version 2

Key features:

- Builds off state law
- Broader than state law in two ways: covers all exempt employees, and covers temporaries/contractors operating in lieu of staff in short-term positions
- No *de minimis* threshold, because no *de minimis* threshold under state laws

For discussion:

- Our gift laws are complicated. Is this policy too complicated to understand?
- DST policy: save money by having vendors pay for costs (for example, ongoing due diligence) that would otherwise be borne by the state. Good idea?



Charitable Donations Policy

- *See policy supplement, page P-10*
- Policy originally adopted in December 2009
- This is existing policy

Key features:

- Not required by state law
- \$150 *de minimis* threshold – charitable donations currently allowed beneath that level

For discussion:

- Remove *de minimis* threshold?



Insider and Personal Trading Policy

- *See policy supplement, page P-14*
- Policy originally adopted in March 2010
- This is current version, as amended September 2013

Key features:

- Majority of policy has to do with federal insider trading laws
- Annual transaction report required, due May 15, showing transactions greater than \$5,000 per family
- Covers spouse, minor children, and dependents
- Exceptions for trades in index products, open-ended mutual funds or pooled trust funds
- Exceptions for Supplemental Retirement Plan assets

For discussion:

- Different approach? Potential alternatives:
 - Lower threshold for reporting limit
 - Pre-clearance
 - Blind trust
 - Flat ban on personal trading



Training and Development Policy

- Topic: how we train and develop our investment-related employees
 - G.S. 147-69.11(a)(2): “State Treasurer ... is authorized and required to adopt policies and procedures on the following topics: ... (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.”
- No policy yet adopted on this topic, although existing on-boarding and training efforts
- Kevin can speak about IMD’s *Best Ideas Initiative* and Florida experience

Topics for discussion:

- Mandate minimum training attainment programs?
 - If so, which?
- Pay for accreditation training?
 - If so, limit?
- Incentive structure for achieving professional certifications or advanced education?
 - If so, which certifications and degrees?
 - If so, what size incentives?





Thank You!

Together we can build and maintain a fiscally strong and prosperous North Carolina.

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