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To: Investment Advisory Committee
From: Kevin SigRist
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Subject: September 18, 2013 Meeting

Asset liability studies are one of the key risk management tools for defined benefit investment programs. This memorandum provides a brief overview of the NCRS Asset Liability Study agenda item for next week's meeting and preview related matters that will be in front of the Investment Advisory Committee (IAC) in the November meeting. Our goals for the September 18, 2013 IAC meeting are to:

1. Provide the IAC with an overview of assumptions, methodology, and expected focus of final analysis and recommendations
2. Obtain feedback on assumptions, risk appetite, and member special topics and supplemental analysis for presentation at November meeting

In the meeting materials for the September 18, 2013 IAC Meeting, you will find a set of slides from Buck Consultants that cover:

1. Basic descriptive information for NCRS and major sub-plans (e.g., TSERS, LGRS, etc.)
2. Asset liability modeling assumptions and methodology
3. Preliminary fund portfolio risk diagnostics and trade-offs analysis (i.e., risk vs. return, long-term contribution cost/short-term contribution volatility, etc.)

Following the Buck slides you will find a "Next Steps" slide deck that will be presented by staff to facilitate discussion amongst the IAC members and obtain feedback on:

1. The assumed Equity Risk Premium (i.e., return premium on stocks compared to intermediate bonds)
2. The NCRS investment objective
3. Key risk sensitivities (e.g., plan cost trends, funded status, extreme weak short-term returns, etc.)
4. Tentative investment strategy and policy modeling that identify key components of the investment strategy and array them into categories defined by their role in the portfolio (e.g., diversified growth-oriented investments, rates and liquidity, inflation sensitive, etc.)
5. Tentative November IAC meeting deliverables

Our high-level goals for the November 13, 2013 meeting are to:

1. Provide the IAC with recommended final strategic asset allocation changes, transitional approach, and total plan risk management strategies (e.g., hedging)
2. Recommend updated Investment Policy Statement, including performance benchmarks

We appreciate your continued participation on the Investment Advisory Committee and look forward to discussing these and other important investment policy issues in upcoming meetings.