

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

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**HOUSE BILL 506
PROPOSED COMMITTEE SUBSTITUTE H506-PCS40533-BPp-9**

Short Title: 2025 State Investment Modernization Act.-AB

(Public)

Sponsors:

Referred to:

March 26, 2025

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE 2025 STATE INVESTMENT MODERNIZATION ACT, AS
3 RECOMMENDED BY THE STATE TREASURER.
4 The General Assembly of North Carolina enacts:

**PART I. TECHNICAL REORGANIZATION OF ARTICLE 6 OF CHAPTER 147 OF
THE GENERAL STATUTES**

SECTION 1.1. Article 6 of Chapter 147 of the General Statutes is amended to add
the following new Parts:

- (1) Part 1, to be entitled "General" and consisting of G.S. 147-65 through G.S. 147-69.
- (2) Part 2, to be entitled "Investments and Funds" and consisting of G.S. 147-69.1 through G.S. 147-69.7.
- (3) Part 3, to be entitled "Reports and Audits" and consisting of G.S. 147-69.8 through G.S. 147-69.70.
- (4) Part 4, to be entitled "North Carolina Investment Authority" and consisting of G.S. 147-70.1 through G.S. 147-73.2.
- (5) Part 5, to be entitled "Department Bookkeeping and Deposits" and consisting of G.S. 147-74 through G.S. 147-86.2.

SECTION 1.2.(a) G.S. 147-65 is recodified as G.S. 147-65.2.

SECTION 1.2.(b) G.S. 147-69.3A is recodified as G.S. 147-67.1.

SECTION 1.2.(c) G.S. 147-69.11 is recodified as G.S. 147-73.2.

SECTION 1.2.(d) G.S. 147-69.7 is recodified as G.S. 147-70.6.

SECTION 1.2.(e) G.S. 147-70 is recodified as G.S. 147-68.3.

SECTION 1.2.(f) G.S. 147-71 is recodified as G.S. 147-68.4.

SECTION 1.2.(g) G.S. 147-72 is repealed.

SECTION 1.2.(h) G.S. 147-73 is repealed.

SECTION 1.2.(i) G.S. 147-75 is recodified as G.S. 147-66.2.

SECTION 1.2.(j) G.S. 147-75.1 is recodified as G.S. 147-68.5.

SECTION 1.2.(k) G.S. 147-86.2 is recodified as G.S. 147-68.6.

SECTION 1.3. Subsection (i2) of G.S. 147-69.3 is recodified as subsection (b) of G.S. 147-65.2, as created by Section 1.2(a) of this Part.

SECTION 1.4. This Part is effective when it becomes law.

PART II. CREATION OF THE NORTH CAROLINA INVESTMENT AUTHORITY



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1 **SECTION 2.1.** Part 1 of Article 6 of Chapter 147 of the General Statutes, as created
2 and amended by Part I of this act, is amended by adding a new section to read:

3 **"§ 147-65.1. Definitions.**

4 The following definitions apply in this Article:

- 5 (1) Board of Directors. – The Board of Directors of the North Carolina Investment
6 Authority.
- 7 (2) Chief Investment Officer or CIO. – The Chief Investment Officer of the
8 Investment Authority.
- 9 (3) Department. – The Department of State Treasurer.
- 10 (4) Escheats Fund. – The Escheats Fund established under Article 1A of Chapter
11 116B of the General Statutes.
- 12 (5) Investment Authority. – The North Carolina Investment Authority,
13 established under Part 4 of this Article.
- 14 (6) Reserved for future codification purposes.
- 15 (7) Retirement Systems. – This term includes all of the following retirement
16 systems:
 - 17 a. The Teachers' and State Employees' Retirement System, established
18 under Article 1 of Chapter 135 of the General Statutes.
 - 19 b. The Consolidated Judicial Retirement System, established under
20 Article 4 of Chapter 135 of the General Statutes.
 - 21 c. The North Carolina Firefighters' and Rescue Workers' Pension Fund,
22 established under Article 86 of Chapter 58 of the General Statutes.
 - 23 d. The Local Governmental Employees' Retirement System, established
24 under Article 3 of Chapter 128 of the General Statutes.
 - 25 e. The Legislative Retirement System of North Carolina, established
26 under Article 1A of Chapter 120 of the General Statutes.
 - 27 f. The North Carolina National Guard Pension Fund, established under
28 Article 3 of Chapter 127A of the General Statutes.
 - 29 g. The Registers of Deeds' Supplemental Pension Fund, established
30 under Article 3 of Chapter 161 of the General Statutes.
 - 31 h. The Retiree Health Benefit Fund, established under G.S. 135-7(f).
 - 32 i. The North Carolina Teachers' and State Employees' Benefit Trust,
33 established under G.S. 135-7(g).
- 34 (8) Treasurer. – The State Treasurer."

35 **SECTION 2.2.** Part 4 of Article 6 of Chapter 147 of the General Statutes, as created
36 and amended by Part I of this act, reads as rewritten:

37 "Part 4. North Carolina Investment Authority.

38 **"§ 147-70.1. Creation of Investment Authority.**

39 (a) Creation. – The North Carolina Investment Authority is created as a body corporate
40 and politic having the powers and jurisdiction as provided under this Article or any other law.
41 The Investment Authority is a State agency for the performance of essential governmental and
42 public functions. The Investment Authority is located within, but independent from the control
43 of, the Department of State Treasurer. The Investment Authority shall have perpetual succession.

44 (b) Independence. – The Investment Authority, in carrying out its statutory
45 responsibilities, shall be independent of any fiscal control exercised by the Director of the
46 Budget, the Department of Administration, and the Department of State Treasurer, including for
47 organizational, staffing, procurement, and budgetary purposes. Except as provided under
48 subsection (c) of this section and unless otherwise explicitly provided by law, the Investment
49 Authority is exempt from the State Budget Act, and the provisions of Chapter 143C of the
50 General Statutes do not apply to the Investment Authority.

(c) Fiduciary Funds. – In order for the Investment Authority to effectively operate the investment programs under its management, all funds while under management of the Investment Authority are Fiduciary Funds described under subdivisions (8) through (10) of G.S. 143C-1-3(a) and shall be accounted for as specified in G.S. 147-69.3(f).

"§ 147-70.2. Powers and duties of the Investment Authority.

(a) In addition to the authority granted to the Investment Authority under this Article or any other law, the Investment Authority shall have all of the powers necessary to execute the provisions of this Part, including, at a minimum, the following powers:

(1) The right to sue and be sued.

(2) To take, demand, receive, and possess all kinds of real and personal property necessary and proper for its purposes.

(3) To bargain, sell, grant, alienate, or dispose of all real and personal property as it may lawfully acquire.

(b) The Investment Authority shall have the right to acquire fidelity bonds, fiduciary insurance, directors' and officers' insurance, or errors and omissions coverage, as determined by the Investment Authority board. This right is independent of any purchase of insurance by the State Treasurer under G.S. 147-67.1.

(c) Pursuant to G.S. 143B-1320(b), the Investment Authority shall be exempt from the provisions of Article 15 of Chapter 143B of the General Statutes.

"§ 147-70.3. Taxation of Investment Authority.

(a) Property owned or acquired by the Authority is exempt from all taxes imposed by the State or any political subdivision of the State.

(b) The Investment Authority shall not be subject to State income taxes.

(c) This section shall not be construed to apply in any way to individual members of the Board of Directors or any employee of the Investment Authority.

"§ 147-70.4. Confidentiality of Investment Authority records.

Any record or other information received or generated by the Investment Authority in order to negotiate at arm's length investment transactions that constitute a trade secret, as defined in G.S. 66-152, is not public record and is exempt from the requirements of Chapter 132 of the General Statutes until the applicable negotiation is completed and unless the record or information substantiates a conflict with the duties of the Investment Authority under G.S. 147-70.6(a).

"§ 147-70.5. Criminal record checks.

(a) The Investment Authority may obtain from the State and National Repositories of Criminal Histories or from any other lawful source the criminal history of any of the following individuals:

(1) A current or prospective permanent or temporary employee of the Investment Authority.

(2) A contractor with the Investment Authority.

(3) An employee or agent of a contractor with the Investment Authority who is performing or will perform work for the Investment Authority.

(4) A volunteer of the Investment Authority.

(5) Any other individual otherwise engaged by the Investment Authority who will have access to health or financial information or data maintained by the Investment Authority that is confidential or otherwise nonpublic.

(b) The Investment Authority may deny employment to or dismiss any individual identified under subdivisions (1), (2), (4), and (5) of subsection (a) of this section who refuses to consent to a criminal history record check or to the use of fingerprints or other identifying information required by the State or National Repositories of Criminal Histories. Any refusal shall constitute just cause for the employment denial or the dismissal from employment.

(c) The Investment Authority may extend a conditional offer of employment pending the results of a criminal history record check authorized by this section.

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"§ 147-71.1. Board of Directors.

(a) Membership. – The Investment Authority shall be governed by a Board of Directors. The Board of Directors shall consist of the following voting members:

(1) The State Treasurer, who shall serve as an ex officio member.

(2) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121.

(3) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121.

(4) One member appointed by the Governor.

(5) One member appointed by the State Treasurer.

(b) Terms. – The four appointive directors of the Board of Directors shall be appointed for staggered six-year terms, except for the initial term. The initial term of the director appointed by the President Pro Tempore of the Senate is one year. The initial term of the director appointed by the Speaker of the House of Representatives is two years. The initial term of the director appointed by the State Treasurer is three years. The initial term of the director appointed by the Governor is four years. An appointive director whose term has expired but whose qualified successor has not been appointed shall continue to serve on the Board of Directors until a qualified successor is duly appointed, including by the State Treasurer after a holdover period of six months or more as provided for under subsection (e) of this section.

(c) Qualifications to Serve. – No appointed director of the Board of Directors shall hold any other public office in North Carolina, except that an appointed director may also have membership on either or both of the Boards of Trustees under G.S. 128-28 and G.S. 135-6. All appointed members of the Board of Directors shall have expert knowledge of investments and a minimum of a 10-year track record of successful management in pension, endowment, or other relevant investment management fields. The State Treasurer shall determine the sufficiency of a prospective member's expert knowledge.

(d) Disqualifications to Serve. – An individual is not eligible to serve on the Board of Directors if any of the following apply to that individual:

(1) The individual has been indicted or charged with, been convicted of, pleaded guilty or nolo contendere to, or forfeited bail concerning a felony, or a misdemeanor involving fraud, theft, or dishonesty under the laws of any jurisdiction in the United States.

(2) The individual has had a judgment entered against him or her by a court of competent jurisdiction in a civil matter involving a breach of fiduciary duties.

(3) The individual has been the subject of an adverse action by the Securities and Exchange Commission which resulted in any sanction, payment of a fine, injunction, or other negative finding, whether individually or as a partner, principal member, managing director, or other position of leadership of any entity subject to the penalty or finding.

(4) The individual, or the individual's spouse or immediate family member, is or becomes employed by the Department of State Treasurer or by a service provider engaged to invest or assist in the oversight of assets overseen by the Investment Authority.

(5) The individual, or the individual's spouse or immediate family member, is an endorser, obligor, or provider of surety for, or is a borrower of, any money loaned to or borrowed from the assets overseen by the Board of Directors.

(e) Vacancies. – Any vacancy in a position held by an appointive member shall be filled by a new appointment made by the applicable appointing authority for the vacant seat. If a seat on the Board of Directors is vacant or held over for six months or more without an appointment by the applicable appointing authority of an individual meeting the qualifications in this section, then the State Treasurer may nominate a member for approval by the Board of Directors. Any individual appointed to fill a vacancy shall serve only for the unexpired term. A vacancy automatically occurs upon the death or resignation of a member of the Board of Directors or upon the failure of a member of the Board of Directors to do any of the following:

(1) Attend meetings for three consecutive meetings unless excused by majority vote of the other Board of Directors members.

(2) Cure a conflict of interest within 30 days of identification of the conflict.

(3) Agree to abide by the ethics policy adopted by the Board of Directors.

(f) Reappointment. – Any member of the Board of Directors is eligible for reappointment, except that no appointive member of the Board of Directors may serve for more than two consecutive, full, six-year terms without at least a one-year break in membership on the Board of Directors.

(g) Oath. – Each appointive member of the Board of Directors shall take an oath of office to administer the duties of office faithfully and impartially, and a record of the oath shall be filed in the office of the Secretary of State.

(h) Officers. – The following shall apply to officers of the Board of Directors:

(1) The State Treasurer shall serve as chair of the Board of Directors.

(2) The State Treasurer shall designate a vice-chair from among the remaining members of the Board of Directors. The term of the vice-chair extends to the earlier of either three years or the date of expiration of the vice-chair's then current term as a member of the Board of Directors. In the absence of the State Treasurer or the Treasurer's designee, the vice-chair shall preside over the proceedings of the Board of Directors.

(3) The Board of Directors shall appoint and prescribe the duties of a secretary, who need not be a member of the Board of Directors. The secretary is the custodian of all books, documents, and papers filed with the Board of Directors and the minute book or journal of the Board of Directors. The secretary shall keep a record of the proceedings of the Board of Directors. The secretary has the authority to make copies of all minutes and other records and documents of the Board of Directors.

(i) Designees. – The State Treasurer is authorized to appoint a designee. No other member of the Board of Directors is authorized to appoint a designee.

(j) Compensation and Reimbursement. – Members of the Board of Directors shall receive no compensation for their services. For attendance at meetings of the Board of Directors or any committee of the Board of Directors, and for other services for the Investment Authority, members of the Board of Directors shall receive per diem, subsistence, and travel allowances in accordance with G.S. 138-5 or G.S. 138-6, as appropriate.

(k) Meetings and Voting. – The Board of Directors shall meet at least quarterly. A meeting may be called by the State Treasurer or by a majority of the Board of Directors. The State Treasurer or the Treasurer's designee shall establish the agenda for each meeting. A minimum of three members of the Board of Directors is required for quorum. The affirmative vote of a majority of the members of the Board of Directors present at a meeting of the Board of Directors that has been duly called and held is required for any action taken by the Investment Authority, except that the State Treasurer's vote shall prevail in the event of a tied vote.

"§ 147-71.2. Duties of the Board of Directors.

(a) Investment-Related Powers and Duties. – The Board of Directors has all of the following investment-related powers and duties:

- (1) The Board of Directors has the authority to approve all of the following:
- a. Investment policy statements to include investment objectives, strategic asset allocation, and policy benchmarks.
 - b. Risk budgets, including related limits for key risk indicators.
 - c. The appointment of a master global custodian bank.
 - d. Annual operating budgets for investment programs.
 - e. Market-oriented compensation plans.
- (2) The Board of Directors shall periodically review all of the following:
- a. Investment performance and investment manager appointment and termination activities.
 - b. Investment strategies, policies, and tactical considerations.
 - c. Asset liability studies.
 - d. Performance benchmarks and key risk indicators.
 - e. Audited investment financial statements and audit reports pursuant to G.S. 147-69.9.
 - f. Independent evaluation of governance, operations, and investment practices.
 - g. Periodic cost-effectiveness studies of the investment programs.
- (3) The Board of Directors shall appoint a Chief Investment Officer of the Investment Authority.
- (4) With respect to Retirement Systems' assets, at least biennially, the Board of Directors shall approve an absolute risk operating range. The absolute risk operating range shall be expressed in equity and debt allocation equivalency terms and shall meet all of the following criteria:
- a. The range is deemed appropriate in seeking to maximize long-term returns.
 - b. The risk is not considered undue relative to other similarly situated U.S. public pension funds. An assessment of compliance with this requirement related to undue risk shall be construed in a manner consistent with subsections (c) and (d) of G.S. 147-70.6.
 - c. In setting the range, the Board of Directors has taken into consideration all of the factors affecting the funding of the Retirement Systems and each of the Retirement Systems' ability to meet its financial obligations.
- (5) The Board of Directors shall utilize the approved absolute risk operating range under subdivision (4) of this subsection to recommend investment return assumptions to (i) the Board of Trustees of the Local Governmental Retirement System, (ii) the Board of Trustees of the Teachers' and State Employees' Retirement System, and (iii) the actuaries engaged to prepare annual actuarial valuations.
- (b) Annual Internal Budget. – The Board of Directors shall not approve an annual internal budget for the Investment Authority that exceeds three basis points of a rolling three-year average of total assets invested by the Investment Authority, unless the Investment Authority reasonably determines that, because of special circumstances, including applicable investment restrictions, it is clearly not prudent to do so. The annual internal budget includes expenditures directly associated with services retained by the Investment Authority in accordance with subsection (c) of this section and employee compensation and benefits. The Investment Authority's approved annual internal budget as well as the Investment Authority's actual spending for the prior fiscal year shall be annually reported to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division.

(c) Authority to Contract for Services. – Notwithstanding Article 3 of Chapter 143 of the General Statutes, G.S. 114-2.3, and G.S. 147-17, the Investment Authority is authorized to independently retain the services of appraisers, auditors, actuaries, attorneys, investment consultants, statisticians, custodians, information technology professionals, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs created pursuant to this section.

(d) Setting of Compensation Plans. – In order to promote achievement of long-term investment objectives and to retain key public employees with investment functions, the Investment Authority is authorized to establish, consistent with the Investment Authority's fiduciary duties, market-oriented compensation plans, including salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of investment programs. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation. The compensation and other associated employee benefits shall be apportioned directly from the investment program. The Investment Authority shall report the salaries and bonuses paid to the Joint Legislative Oversight Committee on General Government annually.

"§ 147-71.3. Liability of Board of Directors.

An individual serving on the Board of Directors shall be immune individually from civil liability for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of that service, except where any of the following apply:

- (1) The individual was not acting within the scope of that individual's official duties.
- (2) The individual was not acting in good faith.
- (3) The individual committed gross negligence or willful or wanton misconduct that resulted in the damages or injury.
- (4) The individual derived an improper personal financial benefit, either directly or indirectly, from the transaction.
- (5) The individual incurred the liability from the operation of a motor vehicle.

...

"§ 147-72.1. Chief Investment Officer.

(a) Principal Executive Officer. – The Chief Investment Officer is the Investment Authority's principal executive officer and is responsible to the Board of Directors.

(b) Appointment and Term. – The CIO shall be appointed by a majority vote of the Board of Directors, and any vacancy may be so filled by the Board of Directors. An individual appointed as the CIO shall have expert knowledge of investments and a minimum of a 15-year track record of successful management in pension, endowment, or other relevant investment management arenas. The term of employment and compensation of the CIO is set by the Board of Directors, except that each term of employment shall be limited to five years or less. The CIO is eligible for multiple terms of employment without interruption. The CIO may be removed from office by the Board of Directors.

(c) Employment of Staff. – The Chief Investment Officer shall employ staff necessary to assist the CIO and the Board of Directors in carrying out duties and responsibilities under this Article or as prescribed in any other law. Unless otherwise provided by law, Investment Authority employees shall serve at the pleasure of the CIO and any vacancies in these positions may be filled by the CIO. The CIO may designate managerial, professional, and policy-making positions as exempt from the North Carolina Human Resources Act, in accordance with G.S. 126-5(c1). Compensation of employees is set by the CIO within the limits set by the compensation plan approved by the Board of Directors under G.S. 147-71.2.

(d) Contract Negotiation. – The CIO may negotiate, renegotiate, and execute contracts with third parties in the performance of the CIO's duties and responsibilities under this Article.

Any delegation of authority by the Board of Directors shall require Board of Directors approval and shall reserve certain strategic decisions and extraordinary investment decisions to the Board of Directors. Contract execution with master global custodian banks and external auditors shall be done only after approved by the Board of Directors.

...

"§ 147-73.2. Ethics policies.

To ensure that the ~~State Treasurer's Investment Authority~~ investment programs operate under a strong governance framework with rigorous internal controls and a high degree of operational transparency and are managed with the highest ethical and professional standards and in the most efficient and effective manner possible, the ~~State Treasurer, after consultation with the Investment Advisory Committee, is authorized and required to~~ Board of Directors shall adopt policies and procedures on the following topics:

- (1) Requiring that the ~~Department of State Treasurer's Investment Management Division~~ Investment Authority adopt a code of ethics.
- (2) Requiring all employees of the ~~Department~~ Investment Authority 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.
- (3) Governing gifts to employees of the ~~Department~~ Investment Authority who have responsibility for matters related to investments.
- (4) Imposing limitations on external investment managers' use of placement agents and other persons that appear before the ~~Department~~ Investment Authority to ensure that these persons play only a proper role in investment opportunities.
- (5) As a component of the investment due diligence, negotiations, and contracting process, requiring an independent assessment of whether circumstances exist that create a material risk that professional judgement or actions regarding a potential investment arrangement's recommendation, approval, or execution have been or will be unduly influenced by a direct or indirect personal interest."

SECTION 2.3.(a) Rules, codes of ethics, policies, and procedures adopted by the State Treasurer in effect on June 30, 2025, that are impacted by the change in authority from the State Treasurer or Department of State Treasurer to the Investment Authority under this Part shall remain in effect until amended by law, amended by the Investment Authority, or repealed.

SECTION 2.3.(b) Before January 1, 2026, when the Investment Authority shall begin to manage investments under Part III of this act, funds appropriated to the Department of State Treasurer and funds available to the Department of State Treasurer under G.S. 147-69.3 may be used to pay any expenses of the Investment Authority.

SECTION 2.4. This Part is effective July 1, 2025.

PART III. NORTH CAROLINA INVESTMENT AUTHORITY TO MANAGE INVESTMENTS AND BEGIN CARRYING OUT STATUTORY DUTIES JANUARY 1, 2026

SECTION 3.1.(a) Part 2 of Article 6 of Chapter 147 of the General Statutes, as created and amended by Part I of this act, reads as rewritten:

"Part 2. Investments and Funds

"§ 147-69.1. Investments authorized for General Fund and Highway Funds assets.

(a) The Governor and Council of State, with the advice and assistance of the State Treasurer, shall ~~Treasurer and the Investment Authority, may adopt such rules and regulations as shall be necessary and appropriate to implement the provisions for the implementation of this section.~~

- 1 (b) This section applies to funds ~~held by~~ deposited with the State Treasurer to the credit
2 ~~of~~ of all of the following:
- 3 (1) The General ~~Fund~~ Fund.
- 4 (2) The Highway Fund and Highway Trust Fund.
- 5 (c) It ~~shall be~~ is the duty of the ~~State Treasurer~~ Investment Authority to invest the cash
6 of the funds enumerated in subsection (b) of this section in excess of the amount required to meet
7 the current needs and demands on ~~such those~~ funds, selecting from among the following:
- 8 (1) Obligations of the United States or obligations fully guaranteed both as to
9 principal and interest by the United States.
- 10 (2) Obligations of the Federal Farm Credit Bank, the Federal Home Loan Banks,
11 the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government
12 National Mortgage Association, the International Bank for Reconstruction
13 and Development, the International Finance Corporation, the Inter-American
14 Development Bank, the Asian Development Bank, and the African
15 Development Bank.
- 16 (3) Repurchase Agreements with respect to one or more of the following:
- 17 a. Securities issued or guaranteed by the United States government or its
18 agencies.
- 19 b. Securities eligible for investment by this section executed by a bank
20 or trust company or by primary or other reporting dealers to the
21 Federal Reserve Bank of New York.
- 22 c. Securities eligible for investment by this section executed by a
23 registered broker-dealer that is subject to the rules and regulations of
24 the U.S. Securities and Exchange Commission and is a member in
25 good standing of the Financial Industry Regulatory Authority.
- 26 (4) Obligations of the State of North Carolina.
- 27 (5) Certificates of deposit and other deposit accounts of financial institutions
28 under any of the following conditions:
- 29 a. With financial institutions with a physical presence in the State for the
30 purpose of receiving commercial or retail deposits; provided that any
31 principal amount of such deposit in excess of the amount insured by
32 the federal government or any agency thereof, be fully secured by
33 surety bonds, or be fully collateralized; provided further that the rate
34 of return or investment yield may not be less than that available in the
35 market on United States government or agency obligations of
36 comparable maturity.
- 37 b. With financial institutions with a physical presence inside or outside
38 the State, in accordance with all of the following conditions:
- 39 1. The funds are initially deposited through a bank or savings and
40 loan association in the State that is an official depository and
41 that is selected by the State Treasurer, provided that the rate of
42 return or investment yield shall not be less than that available
43 in the market on United States government or agency
44 obligations of comparable maturity.
- 45 2. The selected bank or savings and loan association arranges for
46 the redeposit of the funds in deposit accounts of the State in
47 one or more federally insured banks or savings and loan
48 associations wherever located, provided that no State funds
49 shall be deposited in a bank or savings and loan association
50 that at the time holds other deposits from the State.

3. The full amount of principal and any accrued interest of each deposit account are covered by federal deposit insurance.
4. The selected bank or savings and loan association acts as custodian for the State with respect to the deposit in the State's account.
5. On the same date that the State funds are redeposited, the selected bank or savings and loan association receives an amount of federally insured deposits from customers of other financial institutions wherever located equal to or greater than the amount of the funds invested by the State through the selected bank or savings and loan association pursuant to this sub-subdivision.

...

- (7) Prime quality commercial paper that, when acquired, bears the highest rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and does not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation.
- (8) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that when bills or drafts are acquired, the accepting bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations that bear the highest rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligations.
- (9) Asset-backed securities (whether considered debt or equity) provided, when acquired, the securities bear the highest rating, such as "AAA" or "Aaa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest by any nationally recognized rating service which rates the particular securities.
- (10) Corporate bonds and notes provided they, when acquired, bear the highest rating, such as "AAA" or "Aaa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation.

(d) Unless otherwise provided by law, the interest or income received and accruing from all deposits or investments of such cash balances shall be paid into the State's General Fund, except that all interest or income received and accruing on the monthly balance of the Highway Fund and Highway Trust Fund shall be paid into the State Highway Fund and Highway Trust Fund. The cash balances of the several funds may be combined for deposit or investment purposes; and when such combined deposits or investments are made, the interest or income received and accruing from all deposits or investments shall be prorated among the funds in conformity with applicable law and the rules and regulations adopted by the Governor and Council of State.

...

"§ 147-69.2. Investments authorized for special funds held by State Treasurer.

(a) This section applies to funds held by the State Treasurer to the credit of each of the following:

- (1) The Teachers' and State Employees' Retirement System of North Carolina.
 - (2) The Consolidated Judicial Retirement System of North Carolina.
 - (3) The State Health Plan for Teachers and State Employees.
 - ...
 - (5) The Disability Salary Continuation Income Plan of North Carolina.
 - (6) The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.
 - (7) The North Carolina Local Governmental Employees' Retirement System.
 - (8) The Legislative Retirement System of North Carolina.
 - (9) The Escheat Fund.
 - (10) The Legislative Retirement Fund.
 - (11) The State Education Assistance Authority.
 - (12) The State Property Fire Insurance Fund.
 - ...
 - (16) The Liability Insurance Trust Fund.
 - (16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-350.40.
 - (17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1.
 - (17a) North Carolina Veterans Home Trust Fund.
 - (17b) North Carolina National Guard Pension Fund.
 - (17c) Retiree Health Benefit Fund.
 - (17d) The Election Fund.
 - (17e) The North Carolina State Lottery Fund.
 - (17f) Funds deposited with the State Treasurer by public hospitals pursuant to G.S. 159-39(g).
 - (17g) Funds deposited with the State Treasurer by Local Government Other Post-Employment Benefits Trusts pursuant to G.S. 159-30.1.
 - (17h) The Local Government Law Enforcement Special Separation Allowance Fund.
 - (17i) The North Carolina Conservation Easement Endowment Fund.
 - (17j) The Conservation Grant Fund.
 - (17k) The Wildlife Endowment Fund.
 - (17l) The Ecosystem Restoration Fund.
 - (17m) The Needs-Based Public School Capital Fund.
 - (17n) The Riparian Buffer Restoration Fund.
 - (18) Any other special fund created by or pursuant to law for purposes other than meeting appropriations made pursuant to the Executive Budget Act.
 - (19) The Swain County Settlement Trust Fund.
 - (20) Institutional funds of the colleges of the North Carolina Community College System.
 - (21) The Disability Income Plan of North Carolina.
 - ...
 - (23) The Catawba Unit No. 1 Decommissioning Trust Fund and the Catawba Unit No. 2 Decommissioning Trust Fund established by North Carolina Municipal Power Agency Number 1, as described in G.S. 159B-18(b)(6).
 - (24) Funds deposited with the State Treasurer by charter schools pursuant to G.S. 115C-218.15(f).
- (b) It shall be the duty of the ~~State Treasurer~~ Investment Authority to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on these funds. The ~~State Treasurer~~ Investment Authority may

invest the funds as provided in this subsection in the manner authorized by subsection (e) of this section. If an investment was authorized by this subsection at the time the investment was made or contractually committed to be made, then that investment shall continue to be authorized by this subsection, and none of the percentage or other limitation on investments set forth in this subsection shall be construed to require the ~~State Treasurer~~ Investment Authority to subsequently dispose of the investment or fail to honor any contractual commitments as a result of changes in market values, ratings, or other investment qualifications. For purposes of computing market values on which percentage limitations on investments in this subsection are based, all investments shall be valued as of the last date of the most recent fiscal quarter. Notwithstanding anything in this section to the contrary, the ~~State Treasurer~~ Investment Authority shall categorize investment management arrangements according to the primary investment type or primary strategy utilized under the arrangement authorized under subsection (e) of this section. No investment management arrangement may be categorized in more than one of the subdivisions of this section. The ~~State Treasurer~~ Investment Authority shall select from among the following investments subject to ~~the following any stipulated~~ limitations and requirements:

- (1) Investments authorized by G.S. 147-69.1(c)(1)-(7).
- (2) General obligations of other states of the United States.
- (3) General obligations of cities, counties and special districts in North Carolina.
- (4) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or outside the United States, including obligations that are convertible into equity securities, if, when acquired, the obligations are within one of the four highest rating categories regardless of gradations, such as ratings beginning with "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission.
- ...
- (6) ~~Asset-backed securities (whether securities, whether considered debt or equity), equity,~~ if, when acquired, the obligations are within one of the four highest ratings categories regardless of gradations, such as ratings beginning with "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission.
- (6a) In addition to the limitations and requirements with respect to the investments of the Retirement Systems ~~set forth in~~ under this subsection, the ~~State Treasurer~~ Investment Authority shall select investments of the assets of the Retirement Systems such that investments made pursuant to subdivisions ~~(b)(1)-(1)~~ through (6) of this ~~section~~ subsection shall at all times equal or exceed twenty percent (20%) of the market value of all invested assets of the Retirement Systems.
- ...
- (6c) ~~With respect to Retirement Systems' assets referred to in subdivision (b)(8), they may be invested, within or outside the United States, in obligations, debt securities, and asset-backed securities, whether considered debt or equity, including obligations and securities convertible into other securities, that do not meet the requirements of any of subdivisions (b)(1)-(1) through (6) of this section~~ subsection nor subdivision (b)(7)-(7) of this section. The amount invested under this subdivision shall not exceed seven and one half percent (7.5%) of the market value of all invested assets of the Retirement Systems subsection.
- (7) Retirement Systems' assets ~~referred to in subdivision (8) of this subsection~~ may be invested in strategies managed primarily for the purpose of owning

real estate or related debt financing, excluding asset-backed financing and timberlands, located within or outside the United States. ~~The amount invested under this subdivision shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems.~~

- (8) ~~With respect to assets of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, the Registers of Deeds' Supplemental Pension Fund, and the Retiree Health Benefit Fund (hereinafter referred to collectively as the Retirement Systems), the Retirement Systems' assets may be invested in a strategy composed primarily of equity securities traded on a public securities exchange or market organized and regulated pursuant to the laws of the jurisdiction of the exchange or market and issued by any company incorporated or otherwise created or located within or outside the United States as long as the investments meet the conditions of this subdivision. The investments authorized for the Retirement Systems under this subdivision are subject to the following limitations:~~

...

- a1. ~~The aggregate amount of the investments cannot exceed sixty five percent (65%) of the market value of all invested assets of the Retirement Systems.~~
- b. ~~The aggregate amount of the investment invested through investment companies described in sub-subdivision (e)(4)b. of this section shall not exceed eight and one half percent (8.5%) of the market value of all invested assets of the Retirement Systems, except that the market value of group trusts and individual, common, or collective trust funds of banks and trust companies shall not be applied against this limit.~~

...

- (9) ~~With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they assets may be invested in (i) a strategy composed primarily of private equity, or corporate buyout transactions, within or outside the United States or (ii) an arrangement authorized under subsection (e) of this section with the primary purpose to engage in other strategies not expressly authorized by any other subdivision of this subsection. The amount invested under this subdivision shall not exceed eight and three quarters percent (8.75%) of the market value of all invested assets of the Retirement Systems.~~

- (9a) ~~With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they assets may be invested, within or outside the United States, in obligations, debt securities, asset-backed securities, whether considered debt or equity, and other investments that are acquired by the Treasurer Investment Authority for the primary purpose of providing protection against risks associated with inflation, along with owning real assets or related debt financing, including, but not limited to, timberland, natural resources, commodities, infrastructure, transportation, agriculture, and other tangible and intangible real assets. The amount invested under this subdivision shall not exceed seven and one half percent (7.5%) of the market value of all invested assets of the Retirement Systems.~~

...

- (10a) ~~With respect to Retirement Systems' assets, as defined in subdivision (8) of this subsection, the market value of any of subdivision (6c) or (7),~~

~~sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of this subsection shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems; and the~~ The aggregate market value of all assets invested pursuant to subdivisions ~~(6c) and (7), sub-subdivision b. of subdivision (8), and subdivisions (9) and (9a)~~ (6c), (7), (8), (9), and (9a) of this subsection shall not exceed ~~thirty-five percent (35%)~~ eighty percent (80%) of the market value of all invested assets of the Retirement Systems.

(10b) The market value of illiquid investments, as determined by the Board of Directors, shall not exceed forty percent (40%) of the market value of all invested assets of the Retirement System.

...

(12) It is the intent of the General Assembly that the Escheat Fund provide a perpetual and sustainable source of funding for the purposes authorized by the State Constitution. Accordingly, the following provisions ~~apply~~ apply to the assets of the Escheat Fund:

a. ~~With respect to The Investment Authority may invest the assets of the Escheat Fund, in addition to Fund in those investments authorized by subdivisions (1) through (6) of this subsection, up to ten percent (10%) subsection. Up to eighty percent (80%) of the assets may be invested in the investments authorized under subdivisions (6c) through (9a) of this subsection, notwithstanding the percentage limitations imposed on the Retirement Systems' investments under those subdivisions, and provided that the State Treasurer~~ subsection. The Investment Authority may invest the assets as provided in subsection (e) of this section.

...

c. ~~The State Treasurer shall~~ The Investment Authority may invest, in addition to those investments authorized by sub-subdivision a. ten percent (10%) of the net assets of the Escheat Fund as authorized under G.S. 147-69.2A.

~~(b1) The State Treasurer shall appoint an Investment Advisory Committee, which shall consist of seven members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and four members selected from the general public. All appointed members must have experience in areas relevant to the administration of a large, diversified investment program, including, but not limited to, investment management, securities law, real estate development, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1.~~

(b2) ~~The State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (a)(17f) of this section in any of the investments authorized under subdivisions (b)(1) through (6), subdivision (b)(6c), and subdivision (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. ~~section. The State Treasurer~~ Investment Authority may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess reasonable fees, not to exceed 15 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by a hospital shall remain the funds of that hospital, and interest or other investment income earned thereon shall be prorated and credited to the contributing hospital on

the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the cost of administering investments pursuant to this subsection and expenditures authorized under this section.

(b3) The ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (a)(16a) of this section in any of the investments authorized under subdivisions (1) through (6), subdivision (6c) and subdivision (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. The ~~State Treasurer~~ Investment Authority may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess reasonable fees, not to exceed 15 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by the University of North Carolina Hospitals at Chapel Hill shall remain the funds of the University of North Carolina Hospitals at Chapel Hill, and interest or other investment income earned thereon shall be prorated and credited to the University of North Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the cost of administering investments pursuant to this subsection and expenditures authorized under this section.

(b4) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (17g) of subsection (a) of this section in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. Funds deposited pursuant to this subsection by a Local Government Other Post-Employment Benefits Trust and interest or other investment income earned from those funds shall be prorated and credited to the contributing trust on the basis of the amounts contributed, figured according to sound accounting principles. For investments under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars (\$100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of participation pursuant to this subsection. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b5) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited in the Local Government Law Enforcement Special Separation Allowance Fund in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. For investments from that Fund made under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars (\$100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b6) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited in the Catawba Unit No. 1 Decommissioning Trust Fund and the Catawba Unit No. 2 Decommissioning Trust Fund in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this ~~section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ section. For investments from the Funds made under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars (\$100,000) and may assess reasonable fees of up to 15 basis points

per annum as a condition of making the investment. The fee may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b7) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited in the Swain County Settlement Trust Fund in any of the investments authorized under subdivision (b)(8) of this section, ~~notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein.~~ For investments from that Fund made under subdivision (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to one hundred thousand dollars (\$100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering the Fund and expenditures authorized under this section.

(b8) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivision (24) of subsection (a) of this section in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. For investments from that Fund made under subdivisions (b)(6c) and (b)(8) of this section, the ~~State Treasurer~~ Investment Authority may require a minimum deposit of up to fifty thousand dollars (\$50,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering investments and expenditures authorized under this section.

...

(d) The ~~State Treasurer~~ Investment Authority may invest funds deposited pursuant to subdivisions (17i), (17j), (17k), (17l), and (17n) of subsection (a) of this section in any of the investments authorized under subdivisions (1) through (6) and subdivision (8) of subsection (b) of this section. The ~~State Treasurer~~ Investment Authority may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable fee, not to exceed 15 basis points, as a condition of participation pursuant to this subsection. Fees assessed by the ~~State Treasurer~~ Investment Authority may be used to defray the costs of administering the funds and expenditures authorized under this section. Funds deposited pursuant to this subsection shall remain the funds of the North Carolina Conservation Easement Endowment Fund, the Conservation Grant Fund, the Ecosystem Restoration Fund, the Riparian Buffer Restoration Fund, or the Wildlife Endowment Fund, as applicable, and interest or other investment income earned thereon shall be prorated and credited to the North Carolina Conservation Easement Endowment Fund, the Conservation Grant Fund, the Ecosystem Restoration Fund, the Riparian Buffer Restoration Fund, or the Wildlife Endowment Fund on the basis of the amounts contributed to the respective Funds, figured according to sound accounting principles.

(e) Investments made pursuant to this section may be made as internally managed investments by the ~~State Treasurer~~ Investment Authority or may be made through third-party investment management arrangements, under the following conditions:

- (1) Internally managed portfolios shall be subject to industry standard portfolio ~~guidelines developed with periodic consultation by the Investment Advisory Committee.~~ guidelines.
- (2) In assessing whether to invest directly or to utilize indirect third-party investment management arrangements, the ~~State Treasurer~~ Investment Authority shall consider all relevant material factors ~~he or she considers relevant to the decision~~ consistent with the ~~Treasurer's Investment Authority's~~ fiduciary duties under ~~G.S. 147-69.7, G.S. 147-70.6,~~ including financial, operational, and investment expertise and resources, alignment of interests and investor protections, transparency and repeatability of investment process, risk controls, and cost-effectiveness.

(3) ~~For any third-party investment management arrangements, the investment manager must have total assets under management of at least one hundred million dollars (\$100,000,000) at the inception of the investment management arrangement with the State Treasurer.~~

(4) Third-party investment management arrangements may be with persons and legal entities located within or outside the United States, including through any of the following:

a. Contractual arrangements in which the investment manager has delegated discretion and authority to invest assets.

b. Investment companies as defined under United States generally accepted accounting principles as promulgated by the Financial Accounting Standards Board, including without limitation entities registered under the Investment Company Act of 1940; individual, common, or collective trust funds of banks and trust companies; limited partnerships; limited liability companies or other limited liability investment vehicles; and insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies.

Any limited liability investment vehicles organized by the ~~State Treasurer~~ Investment Authority shall be deemed investment companies for the purposes of this ~~subsection~~ subdivision.

(5) Investment companies shall provide annual audited financial statements to the ~~State Treasurer, Investment Authority~~, unless the ~~State Treasurer~~ Investment Authority waives the requirement after conducting a cost-benefit analysis.

(6) In connection with any investment otherwise authorized under this section, the ~~State Treasurer~~ Investment Authority may enter into an indemnification agreement provided that, under any agreement, the liability of the ~~State Treasurer~~ Investment Authority will be limited to the amount of the ~~State Treasurer's~~ Investment Authority's contractual investment.

"§ 147-69.2A. Investments; special funds held by the State Treasurer.

(a) ~~Firm to Administer Special Fund. — Following a public procurement process, a designee of the Governor, a designee of the State Treasurer, a designee of the Speaker of the House of Representatives, and a designee of the President Pro Tempore of the Senate shall jointly and unanimously~~ Venture Capital Multiplier Fund. — The Investment Authority may select a third-party professional investment management firm, subject to the rules and regulations of the U.S. Securities and Exchange Commission, to administer a special fund created to invest assets described in G.S. 147-69.2(b)(12)c. of the Escheats Fund and select investment opportunities appropriate for receiving allocations from the Venture Capital Multiplier Fund on the basis of potential return on investment and the risks attendant thereto. The State Treasurer Investment Authority shall assign professional and clerical staff to assist in the oversight of the Venture Capital Multiplier Fund. All costs for the third-party investment management firm and the professional and clerical staff shall be borne by the Venture Capital Multiplier Fund pursuant to G.S. 147-69.3(f). The State Treasurer Investment Authority shall discharge his or her its duties with respect to the Venture Capital Multiplier Fund as a fiduciary consistent with G.S. 147-69.7. G.S. 147-70.6.

(b) Organization and Reporting. — All documents of the Governor or the State Treasurer concerning the Fund are public records governed by Chapter 132 of the General Statutes and any applicable provisions of the General Statutes protecting confidential information.

The State Treasurer and the Governor shall jointly The Investment Authority shall develop and adopt an investment policy statement for the Venture Capital Multiplier Fund.

1 ~~The State Treasurer and Governor shall jointly adopt a common policy to prevent conflicts~~
2 ~~of interests such that (i) the designees of the State Treasurer and Governor who selected the~~
3 ~~third-party investment management firm, (ii) the staff of the State Treasurer overseeing the Fund,~~
4 ~~and (iii) the third-party investment management firm's employees selecting or overseeing Fund~~
5 ~~investments do not provide services for compensation (as an employee, consultant, or otherwise),~~
6 ~~within two years after the end of their service to the Fund, to any entity in which an investment~~
7 ~~from the Fund was made.~~

8 **(b1) Conflict of Interest Policy.** – The Investment Authority shall adopt a policy to prevent
9 conflicts of interest. This policy shall include a provision prohibiting all of the following
10 individuals from providing services for compensation to any entity in which an investment from
11 the Venture Capital Multiplier Fund was made within two years after the end of that individual's
12 service to the Fund:

- 13 **(1)** The designee of the State Treasurer and Governor who selected the third-party
14 investment management firm prior to the creation of the Investment Authority.
- 15 **(2)** The designee of the Investment Authority who selected the third-party
16 investment management firm.
- 17 **(3)** The staff of the Department of State Treasurer or of the Investment Authority
18 overseeing the Fund.
- 19 **(4)** The third-party investment management firm's employees selecting or
20 overseeing Fund investments.

21 **(c) Types of Investments.** – Assets of the Venture Capital Multiplier Fund may be
22 invested in those types of investments authorized for the North Carolina Retirement Systems by
23 G.S. 147-69.2(b), notwithstanding the percentage limitations imposed on the Retirement
24 Systems' investments under those subdivisions. G.S. 147-69.2(b).

25 **(d) Report on Escheat Fund Financial Status.** – The State Treasurer-Treasurer, in
26 coordination with the Investment Authority, shall engage a third-party professional consultant to
27 conduct an assessment and projection of the financial status of the Escheat Fund. A third-party
28 professional consultant may be engaged to conduct the required assessment. The associated costs
29 for the services may be directly charged to the Escheat Fund. The No later than December 31 of
30 each year, the State Treasurer shall communicate the assessment of the consultant in an annual
31 report to the Governor, the Speaker of the House of Representatives, the President Pro Tempore
32 of the Senate, and the chairs of the respective appropriations and appropriate substantive
33 committees of each chamber. The annual report shall evaluate include all of the following:

- 34 **(1)** An evaluation of claims by owners upon the Escheat Fund, current and
35 projected investment returns, and projected contributions to the Escheat Fund,
36 current and projected legislative appropriations, and authorized expenses. In
37 the report, the State Treasurer shall assess
- 38 **(2)** An assessment of the State Treasurer, with the assistance of the Investment
39 Authority of the status of utilizing the Escheat Fund as an endowment fund
40 and shall recommend a recommendation of an annual amount available for the
41 funding of scholarships, loans, and grants from the Fund. The annual report
42 shall be presented no later than December 31 of each year.

43 **"§ 147-69.3. Administration of State Treasurer's Investment Authority's investment**
44 **programs.**

45 **(a)** The State Treasurer shall deposit with the Investment Authority assets of the funds
46 under G.S. 147-69.1 and the special funds under G.S. 147-69.2. The Investment Authority shall
47 establish, maintain, administer, manage, and operate within the Department of State Treasurer
48 one or more investment programs for the deposit and to the credit of the State Treasurer of the
49 investment of assets pursuant to the provisions of G.S. 147-69.1 and G.S. 147-69.2. Different of
50 the funds under G.S. 147-69.1 and the special funds under G.S. 147-69.2. Funds of each of the
51 Retirement Systems and other funds held by the State Treasurer-Investment Authority may be

invested collectively or separately in the ~~State Treasurer's Investment Authority's~~ discretion consistent with the fiduciary duties ~~stated in G.S. 147-69.7 under G.S. 147-70.6.~~

(b) Any official, board, commission, other public authority, local government, school administrative unit, charter school, local ABC board, or community college of the State having custody of any funds not required by law to be deposited with and invested by the State Treasurer ~~or the Investment Authority~~ may deposit all or any portion of those funds with the ~~State Treasurer~~ Investment Authority for investment in one of the investment programs ~~established pursuant to authorized under~~ this section, subject to any provisions of law with respect to eligible ~~investments, provided that any investments.~~ Any occupational licensing board as defined in G.S. 93B-1 may participate in one of the investment programs ~~established pursuant to authorized under~~ this section regardless of whether or not the funds were required by law to be deposited with and invested by the ~~State Treasurer.~~ Treasurer or the Investment Authority. In the absence of specific statutory provisions to the contrary, any ~~of those funds described in this subsection~~ may be invested by the Investment Authority in accordance with the provisions of G.S. 147-69.2 and 147-69.3. Upon request from any depositor eligible under this subsection, the State Treasurer may authorize moneys invested pursuant to this subsection to be withdrawn by warrant on the State Treasurer.

(c) ~~The State Treasurer's Investment Authority's~~ investment programs shall be so managed ~~that that,~~ in the judgment of the ~~State Treasurer Investment Authority,~~ funds may be readily converted into cash when needed.

(d) Except as provided by G.S. 147-69.1(d), the total return earned on investments shall accrue pro rata to the fund whose assets are ~~invested according to the formula prescribed by the State Treasurer with the approval of the Governor and Council of State invested.~~

(e) ~~The State Treasurer Investment Authority~~ has full powers as a fiduciary to hold, purchase, sell, assign, transfer, lend and dispose of any of the securities or investments in which any of the investment programs created pursuant to this section have been invested, and may reinvest the proceeds from the sale of those securities or investments and any other investable assets of the program.

(f) The cost of administration, management, and operation of investment programs established pursuant to this section shall be apportioned and paid equitably among the programs in a manner prescribed by the ~~State Treasurer.~~ Investment Authority, including through administrative fees if approved by the Board of Directors. To the extent not otherwise chargeable directly to the income or assets of a specific investment program or pooled investment vehicle, the cost of administration, management, and operation of investment programs established pursuant to this section shall be paid from the income and assets of the investment programs. Any apportionment and payment under this section shall be accounted for in a manner determined by the ~~State Treasurer.~~ Investment Authority.

~~(g) The State Treasurer is authorized to retain the services of independent appraisers, auditors, actuaries, attorneys, investment counseling firms, statisticians, custodians, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs created pursuant to this section.~~

(g1) Notwithstanding G.S. 114-8.3, the Investment Authority's designated attorneys shall review all proposed investment contracts and all proposed contracts for investment-related services entered into pursuant to the Investment Authority's authority under this Article. All of the following apply to the required review:

(1) This review shall include confirmation that a proposed contract meets all of the following criteria:

a. The proposed contract is in proper legal form.

b. The proposed contract is legally enforceable to the extent governed by North Carolina law.

c. The proposed contract accomplishes the intended purposes of the contract.

(2) The Investment Authority's designated attorneys shall establish procedures regarding the review.

(3) The required review does not constitute approval or disapproval of the policy merit, or lack thereof, of the proposed contract.

(4) A designated attorney under this subsection includes any attorney employed or retained by the Investment Authority to review contracts as required by this subsection.

(5) For purposes of this subsection, "investment contract" means investments to be acquired, held, or sold, directly or indirectly, by or for the Investment Authority or an investment entity created by the Investment Authority, either on its own behalf or on behalf of another beneficial owner.

...

~~(i1) The State Treasurer shall report the incentive bonus paid to the Chief Investment Officer to the Joint Legislative Commission on Governmental Operations by October 1 of each year.~~

...

(i3) ~~The Treasurer~~ Investment Authority may invest in the countries of Sudan and South Sudan to the extent not prohibited by the United States Government, or to the extent that such investment is part of an index or index replication strategy, a commingled fund, limited partnership, or similar investment vehicle, or a derivative instrument.

(j) Subject to the provisions of G.S. 147-69.1(d), the ~~State Treasurer shall~~ Investment Authority may adopt any rules necessary to carry out the provisions of this section.

...

"§ 147-69.4A. Support and assistance; Supplemental Retirement Board of Trustees.

(a) The Supplemental Retirement Board of Trustees, as established under G.S. 135-96, may request the Investment Authority to provide monitoring, evaluation, reporting, and other support or assistance for the investments of the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan.

(b) Upon the consent of the Investment Authority to provide requested support or assistance under this section, the Investment Authority's responsibilities shall be documented in a Statement of Investment Policy approved by the Supplemental Retirement Board of Trustees.

(c) In providing any support or assistance under this section, the Investment Authority shall discharge its duties as a fiduciary to the participants in the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan.

"§ 147-69.5. Local Government Law Enforcement Special Separation Allowance Fund.

The Local Government Law Enforcement Special Separation Allowance Fund is established as a fund in the Office of the State Treasurer under the management of the ~~Treasurer~~ Investment Authority. The Fund consists of contributions made by entities authorized to make contributions to the Fund and interest and other investment income earned by the Fund. Contributions to the Fund are irrevocable. Assets of the Fund may be used only to provide law enforcement special separation allowance benefits to individuals who are former employees of a unit of local government that contributes to the Fund and are entitled to law enforcement special separation allowance payable by the unit. The assets of the Fund are not subject to the claims of creditors of an entity that contributes to the Fund.

"§ 147-69.6. Swain County Settlement Trust Fund.

(a) The Swain County Settlement Trust Fund is established as a special fund in the Office of the State Treasurer under the management of the ~~Treasurer~~ The Treasurer ~~Investment Authority~~ Investment Authority. The Investment Authority may invest the assets of the Fund in any of the investments authorized under subdivisions (b)(1) through (6) and subdivision (b)(8) of G.S. 147-69.2. The

Fund shall consist of the proceeds of any payments made by the United States in settlement of the 1943 agreement between Swain County and the United States Department of Interior, such other contributions as Swain County or other entities may choose to make to the Fund, and the interest and other investment income earned by the Fund. For the purposes of this section, the initial balance of the Fund shall be defined as fifty-two million dollars (\$52,000,000).

...."

SECTION 3.1.(b) Part 3 of Article 6 of Chapter 147 of the General Statutes, as created and amended by Part I of this act, reads as rewritten:

"Part 3. Reports and Audits.

"§ 147-69.8. Annual report on new investment authority.

Whenever the General Assembly broadens the investment authority of the ~~State Treasurer~~ Investment Authority as to the General Fund, the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, or any idle funds, the ~~State Treasurer~~ Investment Authority shall annually report in detail to the General Assembly the investments made under such new authority, including the returns on those investments, earnings, changes to value, and gains and losses in disposition of such investments. The report shall be made no later than the first six months of each calendar year, covering performance in the prior fiscal year. As to each type of new investment authority, the report shall be made for at least four years. To the extent the information required by this section is also required in the reports under G.S. 147-69.12, the ~~State Treasurer~~ Investment Authority may combine reports or make cross-reference to those reports.

"§ 147-69.9. Third-party audit of State Treasurer's investments.

(a) In addition to all other audits and reports required by the law, the ~~State Treasurer~~ Treasurer, with the active assistance of the Investment Authority, shall prepare and issue, at the end of each fiscal year ~~beginning with the 2015-2016 fiscal year, year,~~ a set of consolidated stand-alone financial statements regarding investments authorized in G.S. 147-69.1 and G.S. 147-69.2. These financial statements shall be audited by a commercial independent third-party audit firm selected and engaged by the ~~State Treasurer~~ Treasurer, in consultation with the Investment Authority. The audit firm's report and the financial statement shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representative Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within six months after the closing of the reporting period.

(b) The management discussion and analysis section of the report accompanying the financial statements shall be prepared by the Investment Authority and shall include a discussion of the investment programs' risk and returns compared to benchmarks, total management fees and incentives paid, and comparison to peer cost benchmarks.

"§ 147-69.10. Investment policies and performance reviews of Retirement Systems investment programs.

(a) On at least a biennial basis, the ~~State Treasurer~~ Chief Investment Officer shall present an investment policy statement to the ~~Investment Advisory Committee~~ Board of Directors for the ~~Committee's consultation, approval.~~ The investment policy statement must include descriptions of investment objectives and strategy, roles and responsibilities, permissible asset classes, asset allocation targets and ranges, risk management and compliance guidelines, and evaluation criteria necessary to measure investment performance.

(b) At least once every four years, the ~~State Treasurer~~ Investment Authority shall engage a commercial independent expert firm, pursuant to ~~G.S. 147-69.3(g), G.S. 147-71.2(c),~~ to evaluate the governance, operations, and investment practices of the ~~State Treasurer~~ Investment Authority in order to develop recommendations for improvement. ~~The State Treasurer must consult with the Investment Advisory Committee to develop the scope of the evaluation. The~~

report of the independent expert firm shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within 30 days of receipt.

"§ 147-69.12. Reporting on the State Treasurer's Investment Authority's investment programs.

(a) ~~No later than the tenth day of February, May, August, and November of each year, the State Treasurer shall report on all investments for which the State Treasurer is in any way responsible, including investments made from the Escheat Fund and return on investment as provided in G.S. 147-69.2A. This report shall be made for the Escheat Fund in lieu of the report required by G.S. 147-69.8. The State Treasurer's quarterly report shall include each of the following:~~

- ~~(1) A specific listing of all direct and indirect placement fees, asset fees, performance fees, and any other money management fees incurred by the State in the management of the Retirement Systems defined in G.S. 147-69.2(b)(8). In the event that the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of G.S. 147-69.2 increases during a fiscal year by an amount greater than three percent (3%) of the market value of all invested assets of the Retirement Systems as of the prior fiscal year end, then the quarterly report provided shall describe how that increase complies with the duties described in G.S. 147-69.7 and the consequent expected impact on the risk profile of the Retirement Systems' assets.~~
- ~~(2) A specific listing of all investments made with certified green managers and companies and funds that support sustainable practices, including the names of the companies, managers, and funds, the amount invested, and the State's return on investment.~~
- ~~(3) For bank balances:
 - a. The State's total bank balance with the State Treasurer, including the amount of cash on hand and money on deposit.
 - b. For each bank or other qualified depository utilized by the State Treasurer to hold cash balances, (i) the name of each depository and (ii) current quarter end cash balances.~~
- ~~(4) For the State Treasurer's cash management programs:
 - a. Total assets.
 - b. Duration of investments.
 - c. Rate of return, including a comparison to an appropriate benchmark, if available.~~
- ~~(5) For the Retirement Systems, as defined in G.S. 147-69.2(b)(8), reported separately for each asset class authorized by G.S. 147-69.2(b):
 - a. Total assets.
 - b. Rate of return, including a comparison to an appropriate benchmark, if available.
 - c. Percentage of the total assets that are invested in the asset class and the limitation, if any, on the percentage under G.S. 147-69.2(b).~~
- ~~(6) For each investment program created under G.S. 147-69.3:
 - a. The financial condition of each investment program.
 - b. A full and complete statement of all moneys invested by virtue of the provisions of G.S. 147-69.1 and G.S. 147-69.2.
 - c. The nature and character of the investments.
 - d. The revenues derived from the investments, net of fees and expenses.~~

- 1 e. ~~The costs of administering, managing, and operating the investment~~
2 ~~programs, including the recapture of any investment commissions.~~
3 f. ~~The location on the State Treasurer's Web site where the public may~~
4 ~~find a statement of the investment policies for the revenues invested.~~
5 g. ~~Any other information that may be helpful in understanding the State~~
6 ~~Treasurer's investment policies, investment practices, and investment~~
7 ~~results.~~
8 h. ~~Any other information requested by the House of Representatives and~~
9 ~~Senate Finance Committees.~~
10 i. ~~The location on the State Treasurer's Web site where the public may~~
11 ~~find a list of new commitments to external investment managers.~~
12 j. ~~The location on the State Treasurer's Web site where the public may~~
13 ~~find information on the use of placement agents by investment~~
14 ~~managers.~~
15 (7) ~~For all other investments with or on behalf of the State or any of its agencies~~
16 ~~or institutions:~~
17 a. ~~The particular agency or institution, fund, rate of return, and duration~~
18 ~~of the investment.~~
19 b. ~~The amount of deposit on all noninterest bearing accounts.~~
20 (a1) On a monthly basis, the Investment Authority shall report on the performance of all
21 investments for which the Investment Authority is in any way responsible. The monthly report
22 shall include all of the following information:
23 (1) The beginning and ending market value of each investment program and
24 deposits or withdrawals.
25 (2) The rate of return, net of all fees, and expenses for various time periods,
26 including comparisons to an appropriate benchmark, if available. For the
27 Retirement Systems' investment program, asset class level information shall
28 also be provided.
29 (3) The asset allocation of each investment program and compliance with any
30 statutory limitations or limitations set by the Board of Directors.
31 (4) All of the following information for each investment program:
32 a. The location on the Investment Authority's website where the public
33 may find a statement of the investment policies.
34 b. The location on the Department's or Investment Authority's website
35 where the public may find a list of new commitments to external
36 investment managers and on the use of placement agents by
37 investment managers.
38 c. Any other information that may be helpful in understanding the
39 Investment Authority's investment policies, investment practices, and
40 investment results.
41 (b) ~~No later than the date set by G.S. 147-69.9 for the submission of consolidated~~
42 ~~stand-alone financial statements, the State Treasurer Investment Authority shall report annually~~
43 ~~on the fees and performance of all externally and internally managed investments for the~~
44 ~~Retirement Systems defined in G.S. 147-69.2(b)(8). Systems. Externally managed investments~~
45 ~~shall be reported on the basis of each investment vehicle or investment manager, as applicable.~~
46 ~~Internally managed investments shall be reported on a portfolio-by-portfolio basis. The State~~
47 ~~Treasurer's Investment Authority's annual report shall include all of the following, as applicable,~~
48 ~~reported separately for each investment:~~
49 (1) ~~The name, commitment amount, statutory classification, and inception year.~~

- 1 (2) Either a statement that the investment is managed internally by the staff of the
 2 ~~State Treasurer Investment Authority~~ or the names of the external investment
 3 manager and the investment vehicle for that investment.
 4 (3) ~~Value~~ The value of the investment.
 5 (4) ~~Dollar~~ The dollar amount of the management fees and incentive fees.
 6 (5) For ~~investment-grade fixed income or public equity investments, public~~
 7 ~~market investment manager accounts,~~ the periodic net annualized
 8 time-weighted rate of return for that fiscal year and since inception, reported
 9 net of fees.
 10 (6) For all investments other than ~~investment-grade fixed income or public equity~~
 11 ~~investments, public market investment manager accounts,~~ all of the following:
 12 a. The net annualized internal rate of return and investment multiple
 13 since inception, reported net of fees.
 14 b. The total cash contributions or other investments ~~made by the State~~
 15 ~~Treasurer made.~~
 16 c. The total distribution received ~~by the State Treasurer~~ with respect to
 17 that investment since inception, reported net of fees.
 18 (7) ~~For any fund of funds investment vehicles, the aggregate management fees~~
 19 ~~and incentive fees for the underlying investment managers or investment~~
 20 ~~vehicles used by the external investment manager.~~
 21 (8) If any placement agent fees relating to the investment were directly or
 22 indirectly borne by the ~~State Treasurer Investment Authority~~ or Retirement
 23 Systems, a list of the amount and type of those fees.

24 (c) The Treasurer shall report to the Governor annually the exact balance in the treasury
 25 to the credit of the State, with a summary of the receipts and payments of the treasury during the
 26 preceding fiscal year, and so far as practicable an account of the same down to the termination
 27 of the current calendar year.

28 (d) The reports required by this section shall be delivered to the Joint Legislative
 29 Commission on Governmental Operations, chairs of the House of Representatives and Senate
 30 Appropriations Committees, chairs of the House of Representative and Senate Finance
 31 Committees, Fiscal Research Division, Governor, Council of State, and State Auditor. The
 32 reports shall also be made available for public review, ~~including by posting on the State~~
 33 ~~Treasurer's Web site.~~

34 ~~A copy of a report on any State Treasurer investment program shall be sent to review by the~~
 35 ~~official, institution, board, commission, or other agency investing in that program.~~ the programs,
 36 including by posting on the Investment Authority's website."

37 **SECTION 3.1.(c)** G.S. 147-70.6, as created and amended by Part I of this act, and
 38 as further amended by Section 2.2 of this act, reads as rewritten:

39 "**§ 147-70.6. Discharge of duties to funds.**

40 (a) The ~~State Treasurer Investment Authority, including the Board of Directors,~~ shall
 41 discharge ~~his or her all~~ duties with respect to each fund or investment program held by the
 42 Investment Authority to the credit of the State Treasurer, including each of the funds, funds
 43 ~~enumerated in G.S. 147-69.2 as follows:~~ G.S. 147-69.1 and G.S. 147-69.2, in all of the following
 44 manners:

- 45 (1) Solely in the interest of the intended beneficiaries of the fund, if any.
 46 (2) For the exclusive purpose of carrying out the purpose of the fund, including
 47 providing benefits to participants and beneficiaries, and paying reasonable
 48 expenses of administering the fund.
 49 (3) With the care, skill, and caution that a prudent investor would use after
 50 considering the purposes, distribution requirements, and other circumstances
 51 then prevailing.

- 1 (4) Impartially, taking into account any differing interests of participants and
2 beneficiaries.
- 3 (5) Incurring only costs that are appropriate and reasonable.
- 4 (6) In accordance with a good-faith interpretation of the provisions of
5 G.S. 147-69.2 and any other applicable law governing the fund.
- 6 (b) In investing and managing assets of ~~the any fund or investment program~~ pursuant to
7 subsection (a) of this section, the ~~State Treasurer~~ Investment Authority shall do all of the
8 following:
- 9 (1) ~~Shall consider~~ Consider all of the following circumstances:
- 10 a. General economic conditions.
- 11 b. The possible effect of inflation or deflation.
- 12 c. The role that each investment or course of action plays within the
13 overall portfolio of the fund.
- 14 d. The expected total return from income and the appreciation of capital.
- 15 e. Needs for liquidity, regularity of income, and preservation or
16 appreciation of capital.
- 17 f. With respect to the Retirement Systems ~~defined in G.S. 147-69.2(b)(8)~~
18 and any other pension plans, the adequacy of funding for the
19 Retirement Systems or other pension plan based on reasonable
20 actuarial factors.
- 21 g. The purpose of the fund, if established.
- 22 (2) ~~Shall diversify~~ Diversify the investments of the ~~fund-fund~~, unless the ~~State~~
23 ~~Treasurer~~ Investment Authority reasonably determines that, because of
24 special circumstances, including applicable investment restrictions, it is
25 clearly prudent not to do so.
- 26 (3) ~~Shall make~~ Make a reasonable effort to verify facts relevant to the investment
27 and management of assets of the funds.
- 28 (4) ~~Shall invest only in those investments authorized by law consistent with the~~
29 ~~provisions of Article 6 of Chapter 146 of the General Statutes.~~
- 30 (5) ~~Shall, in~~ In the evaluation of an investment, or in the evaluation or exercise of
31 any right appurtenant to an investment, consider only pecuniary
32 ~~factors~~ factors as follows:
- 33 a. For the purposes of this section, a pecuniary factor is a factor that has
34 a material effect on the financial risk or financial return of an
35 investment based on appropriate investment horizons consistent with
36 the purpose of the fund, if established.
- 37 b. Environmental or social considerations are pecuniary factors only if
38 they present economic risks or opportunities that qualified investment
39 professionals would treat as material economic considerations under
40 generally accepted investment theories. The weight given to those
41 factors shall solely reflect a prudent assessment of their impact on risk
42 and return.
- 43 (6) ~~May,~~
- 44 (b1) In investing and managing assets of any fund or investment program pursuant to
45 subsection (a) of this section, the Investment Authority may, in the evaluation or exercise of any
46 right appurtenant to an investment, reasonably conclude that not exercising such a that right is in
47 the best interest of the fund's beneficiaries.
- 48 (c) Compliance by the ~~State Treasurer~~ Investment Authority with this section must be
49 determined in light of the facts and circumstances existing at the time of the ~~Treasurer's~~
50 Investment Authority's decision or action and not by hindsight.

(d) ~~The State Treasurer's Investment Authority's~~ investment and management decisions must be evaluated not in isolation but in the context of the portfolio of the fund as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the fund.

(e) Notwithstanding any ~~of the foregoing, the State Treasurer~~ other provision of this section to the contrary, the Investment Authority shall have no duty to assist or advise any official, board, commission, local government, other public authority, school administrative unit, local ABC board, community college of the State, or other person, trust, agency, institution, or entity in connection with any of the following decisions and directions with respect to any funds to be deposited with the State Treasurer and invested by the ~~State Treasurer~~ Investment Authority.

- (1) The voluntary decision to deposit or withdraw funds in accordance with applicable law in one or more of the ~~State Treasurer's Investment Authority's~~ investment programs.
- (2) The voluntary direction as to the allocation of deposited funds in accordance with applicable law among the ~~State Treasurer's Investment Authority's~~ investment programs.
- (3) Any other decision or direction by which the depositor exercises control over assets deposited or to be deposited with the State Treasurer or the Investment Authority in accordance with applicable law."

SECTION 3.1.(d) G.S. 147-71.2(a), as enacted by Section 2.2 of this act, is amended by adding a new subdivision to read:

"(6) The Board of Directors has the following liquidity monitoring duties:

- a. Upon the quarterly receipt of liquidity monitoring requirements from the Chief Investment Officer, the Board of Directors shall ensure that a portion of the Retirement Systems' invested assets are at all times available to be converted in an orderly fashion to cash proceeds sufficient to meet projected net benefit payments and highly probable contractual obligations.
- b. The Board of Directors shall annually certify the allocation of illiquid investment.
- c. If the Board of Directors determines that liquidity is insufficient, then the Board of Directors may direct the CIO to pause new contractual commitments to illiquid investments or implement other mitigation activities."

SECTION 3.1.(e) G.S. 147-72.1, as enacted by Section 2.2 of this act, is amended by adding a new subsection to read:

"(e) Management of Retirement Systems Investments. – The Chief Investment Officer shall manage the Retirement Systems investments to remain within the approved absolute risk operating range set by the Board of Directors in accordance with G.S. 147-71.2(a)(4)."

SECTION 3.2. Rules adopted by the State Treasurer in effect as of December 31, 2025, and that are impacted by the change in authority under this Part shall remain in effect until amended by the Investment Authority, amended by law, or repealed.

SECTION 3.3. This Part is effective January 1, 2026.

PART IV. TECHNICAL AND CONFORMING CHANGES

SECTION 4.1.(a) G.S. 147-65.2, as created by Section 1.2(a) of this act, reads as rewritten:

"**§ 147-65.2. Salary of State ~~Treasurer~~ Treasurer and certain Department employees.**

(a) State Treasurer. – The salary of the State Treasurer shall be as established in the Current Operations Appropriations Act. In addition to the salary set by the General Assembly in

the Current Operations Appropriations Act, longevity pay shall be paid on the same basis as is provided to employees of the State who are subject to the North Carolina Human Resources Act.

(b) ~~In order to promote achievement of long term investment objectives and to retain key public employees with investment functions, the~~ Certain Departmental Employees. – The State Treasurer is authorized to establish, consistent with the duties of the State Treasurer's fiduciary duties, Treasurer as prescribed by law, market-oriented compensation plans, including salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of investment ~~programs, who shall be programs.~~ In accordance with G.S. 126-5(c12), these employees are exempt from the classification and compensation rules established by the Office of State Human Resources. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation. The compensation and other associated employee benefits shall be apportioned directly from the investment program, and paid equitably among the funds and programs utilizing the services of these employees in a manner prescribed by the State Treasurer. The Treasurer shall report the salaries and bonuses paid to the Joint Legislative Oversight Committee on General Government annually."

SECTION 4.1.(b) G.S. 126-5 reads as rewritten:

"§ 126-5. Employees subject to Chapter; exemptions.

...

(c1) Except as to Articles 6 and 7 of this Chapter, this Chapter does not apply to any of the following:

...

(23) The Executive Administrator of the State Health Plan for Teachers and State Employees.

(24) Employees of the State Health Plan for Teachers and State Employees as designated by law or by the Executive Administrator of the Plan.

...

(40) The Chief Investment Officer of the North Carolina Investment Authority established under Part 5 of Article 6 of Chapter 147 of the General Statutes.

(41) Employees of the North Carolina Investment Authority established under Part 5 of Article 6 of Chapter 147 of the General Statutes who possess specialized skills or knowledge necessary for the proper administration of investment programs and who are employed in a position designated by the Chief Investment Officer as exempt in accordance with G.S. 147-72.1.

...

(c12) Except as to G.S. 126-13, 126-14, 126-14.1, and Articles 6, 7, 14, 15, and 16 of this Chapter, this Chapter does not apply to employees of the Department of State Treasurer possessing specialized skills or knowledge necessary for the proper administration of investment programs and compensated pursuant to ~~G.S. 147-69.3(i2)~~ G.S. 147-65.2(b).

...."

SECTION 4.1.(c) This section is effective July 1, 2025, and applies to employees hired on or after that date.

SECTION 4.2.(a) G.S. 128-29(c) reads as rewritten:

"(c) Custodian of Funds. – The State Treasurer shall be the custodian of the several funds and shall deposit these funds with the Investment Authority to invest ~~their these~~ assets in accordance with ~~the provisions of G.S. 147-69.2 and 147-69.3.~~ Article 6 of Chapter 147 of the General Statutes. All payments from said funds shall be made by ~~him~~ the State Treasurer only upon vouchers signed by two persons designated by the Board of Trustees. The secretary of the Board of Trustees shall furnish said Board a surety bond in a company authorized to do business

1 in North Carolina in such amount as shall be required by the Board, the premium to be paid from
2 the expense fund."

3 **SECTION 4.2.(b)** G.S. 135-7(c) reads as rewritten:

4 "(c) Custodian of Funds; Disbursements; Bond of Director. – The State Treasurer shall be
5 the custodian of the several funds and shall deposit these funds with the Investment Authority to
6 invest their these assets in accordance with the provisions of G.S. 147-69.2 and 147-69.3. Article
7 6 of Chapter 147 of the General Statutes."

8 **SECTION 4.2.(c)** This section is effective January 1, 2026.

9 **SECTION 4.3.(a)** G.S. 143C-1-3 is amended by adding a new subsection to read:

10 "(e) Notwithstanding subsections (a) and (b) of this section, funds under the management
11 of the North Carolina Investment Authority are exempt from this Chapter and shall be accounted
12 for as provided in Article 6 of Chapter 147 of the General Statutes."

13 **SECTION 4.3.(b)** This section is effective July 1, 2025.

14
15 **PART V. EFFECTIVE DATE**

16 **SECTION 5.1.** Except as otherwise provided, this act is effective when it becomes
17 law.