



August 10, 2021

To: Governor Roy Cooper
Council of State
Joint Legislative Commission on Government Operations
Commission on Governmental Operations
House Appropriations Committee
Senate Appropriations Committee
House Finance Committee
Senate Finance Committee
Fiscal Research Division
Office of State Budget Management

RE: Quarterly Investment Report for the Period Ended June 30, 2021

Dear Colleagues:

Attached is the Quarterly Investment Report for the state pension fund (Fund) for the period ending June 30, 2021. We continue to intently focus on reducing costs and complexity, increasing transparency and accountability, and building value across the divisions of the N.C. Department of State Treasurer.

The attached report provides detailed information I hope you will find valuable. I am aware of your time constraints, so I want to provide you with some highlights from the prior quarter that you may find helpful.

Specifically:

- Investment Performance – 2nd Quarter 2021

The Fund, comprised of the retirement plans the N.C. Department of State Treasurer manages, reported gains of 4.70% percent for the quarter. Pension fund assets were valued at \$121.4 billion on June 30, 2021, up from \$116.5 billion at the end of the 1st quarter of 2021. This is the highest valuation in the history of the Fund. These figures, and all the following performance figures, are reported net of all fees and expenses.

- NC Retirement Plans Wins Two NAGDCA Leadership Awards for Excellence and Innovation

Treasurer Dale R. Folwell, CPA, the Supplemental Retirement Board of Trustees and staff have been recognized by the National Association of Government Defined Contribution Administrators (NAGDCA) with two national leadership awards recognizing outstanding achievements in Technology and Interactive Multimedia and National Retirement Security Month awareness.

NC Plans took Technology and Interactive Multimedia to a whole new level by distributing information on a massive scale to 1,100+ participating employers and 500,000+ eligible participants using a combination of technological enhancements and an interactive communication approach. Pre-rollout numbers of engagement were steady, but modest. Post-rollout, NC Plans saw weekly engagement jump over 900%, with an increase in downloaded enrollment forms of over 750%.



Thank you all for your support of the N.C. Department of State Treasurer. We will continue to look for opportunities to reduce complexity, increase value, and protect the futures of the more than 900,000 members who rely on our retirement systems.

Warmest Regards,

A handwritten signature in black ink that reads "Dale R. Folwell, CPA".

Dale R. Folwell, CPA
State Treasurer of North Carolina

Outline

This quarterly report provides the information required under North Carolina General Statute (N.C.G.S.) § 147-69.12 and provides information on the overall performance of the State Treasurer's investment programs. The information in this report is as of June 30, 2021. This report addresses the following topics:

- I. Investment Performance
 - A. Market Environment Context
 - B. Retirement Systems
 - i. Total Fund (Investment Program) Performance
 - ii. Investment Policy Statement (IPS) Asset Class Performance
 - C. Cash Management Programs
 - i. Short-Term Investment Fund (STIF)
 - ii. Bank Balances
 - D. Other Investment Programs – Ancillary Governmental Participant Investment Programs
 - i. Bond Index Fund (BIF)
 - ii. Equity Index Fund (EIF)
 - iii. Escheat Fund
 - E. Other Investments with or on behalf of the State, its Agencies, or Institutions
 - i. Bond Proceeds Fund
- II. North Carolina Retirement System Financial Information
 - A. Introduction to Differences between the IPS and Statute
 - B. Concordance of IPS and N.C.G.S. § 147-69.2
 - C. Statutory Compliance – Statutory Asset Classes
 - D. Fees – Statutory Asset Classes
 - E. Green Managers and Funds
 - F. Locations on Website

Additionally, there are explanatory tables, financial data, and other information included as appendices to this report:

Appendix 1: Financial Information

- A. Department of State Treasurer Bank Balances
- B. Combined Statement of Net Positions (Fiscal Year to Date)

Appendix 2: References

- A. Implementation vs. Long-Term Policy Benchmark
- B. Other Benchmark Definitions
- C. Definitions and Procedures

Quarterly Investment Report for the Period Ending June 30, 2021

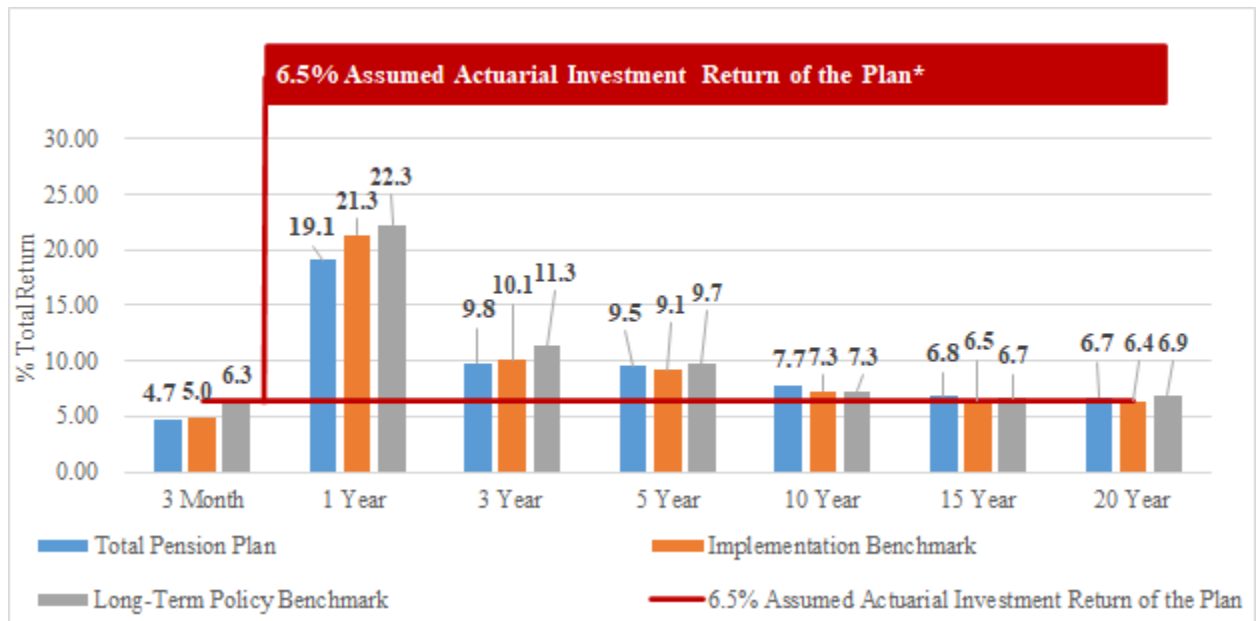
I. Investment Performance [§ 147-69.12(a)(6)(g)]

A. Market Environment Context

The US economy and capital markets strengthened throughout the quarter as favorable coronavirus news along with continued stimulus took hold. The S&P 500 was up nearly 8.5% for the quarter, resulting in the index being up nearly 41% from where it was one year prior. The yield on the 10-year US Treasury bond decreased by nearly 28 basis points over the quarter, ending at 1.46%. Investment grade corporate bond credit spreads ended the quarter 11 basis points lower than where they started. The broad index of corporate bonds gained nearly 3.6% over the quarter, driven by the decreases in US Treasury yields. The Federal Reserve maintained its short-term interest rate target, ending the quarter at a range of 0.00 to 0.25%. Real Gross Domestic Product (GDP) came in at a 6.5% annualized rate of increase for Q2. The unemployment rate ended the quarter at 5.6%, down from 6.0% at the start of the quarter.

Retirement Systems [§ 147-69.12(a)(5)(a,b)]

i. Total Fund (Investment Program) Performance for Periods Ending June 30, 2021 (%; Periods Greater than 1 Year are Annualized)



*The assumed actuarial investment return of the plan is the discount rate used to calculate the total pension liability as measured in the annual actuarial valuation. **In January of 2021, this return was lowered from 7.0% to 6.5%. Prior to this, the return was lowered from 7.2% to 7.0% in April of 2018.** For definitions of the Implementation Benchmark and the Long-Term Policy Benchmarks, and a comparison of the two, please see Appendix 2, Part A.

ii.IPS Asset Class Performance

	Market Value (\$000)	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr	20 Yr
Growth	61,000,377	7.46	39.46	14.96	14.79	10.71	7.92	7.33
Benchmark		6.40	36.51	13.19	12.92	9.27	7.06	6.52
Public Equity	43,688,379	7.16	41.87	16.10	15.95	10.97	8.24	7.56
Benchmark		7.15	40.65	14.12	14.17	9.71	7.36	6.62
Private Equity	7,409,284	15.53	58.54	22.08	18.35	13.47	10.82	7.54
Benchmark		7.26	45.72	16.28	14.33	11.79	10.89	10.51
Non-Core Real Estate	2,959,577	0.84	6.90	5.63	8.71	11.11	5.38	5.99
Benchmark		1.83	9.27	4.86	6.15	7.82	3.93	6.55
Opportunistic Fixed Income	6,943,137	4.35	24.65	6.50	7.53	6.17	6.38	-
Benchmark		2.78	16.81	5.93	5.51	2.95	1.93	-
Rates & Liquidity	46,813,156	1.65	(0.18)	5.43	3.11	4.09	5.43	5.62
Benchmark		2.77	(0.99)	5.95	3.32	4.32	5.35	5.51
IG Fixed Income & Cash	33,318,101	2.29	(0.42)	6.28	3.58	4.37	5.62	5.76
Benchmark		2.87	(1.03)	6.12	3.39	4.39	5.40	5.54
Pension Cash	13,495,054	0.04	0.39	1.50	1.37	-	-	-
Benchmark		0.01	0.02	1.21	1.09	0.58	-	-
Inflation Sensitive & Diversifiers	11,304,762	3.46	11.55	4.44	6.14	3.73	2.60	4.06
Benchmark		3.72	10.65	3.82	4.24	3.70	1.88	3.88
Inflation Sensitive	5,535,500	3.48	12.56	2.68	5.22	0.71	1.05	3.16
Benchmark		3.04	9.67	2.83	2.98	(0.08)	2.37	3.52
Core Real Estate	5,769,262	3.45	10.55	6.34	7.14	8.19	5.46	6.22
Benchmark		4.54	11.77	4.95	5.72	8.60	5.50	6.64
Multi-Strategy	2,284,829	2.29	13.93	3.13	5.70	7.11	5.22	-
Benchmark		2.00	12.14	3.81	5.85	6.23	5.74	-
Total Pension Plan	121,403,123	4.70	19.13	9.83	9.51	7.73	6.83	6.70
Implementation Benchmark		4.96	21.31	10.07	9.13	7.27	6.47	6.36
Long-Term Policy Benchmark		6.35	22.29	11.29	9.74	7.29	6.67	6.93
Assumed Actuarial Investment Return¹		1.59	6.50	6.50	6.50	6.50	6.50	6.50

¹ The Assumed Actuarial Investment Return was decreased from 7.0% to 6.5% in January 2021.

For definitions of the Benchmarks, please see Appendix 2, Part B.

B. Cash Management Programs

i. STIF [§ 147-69.12(a)(4), § 147-86.11(c)]

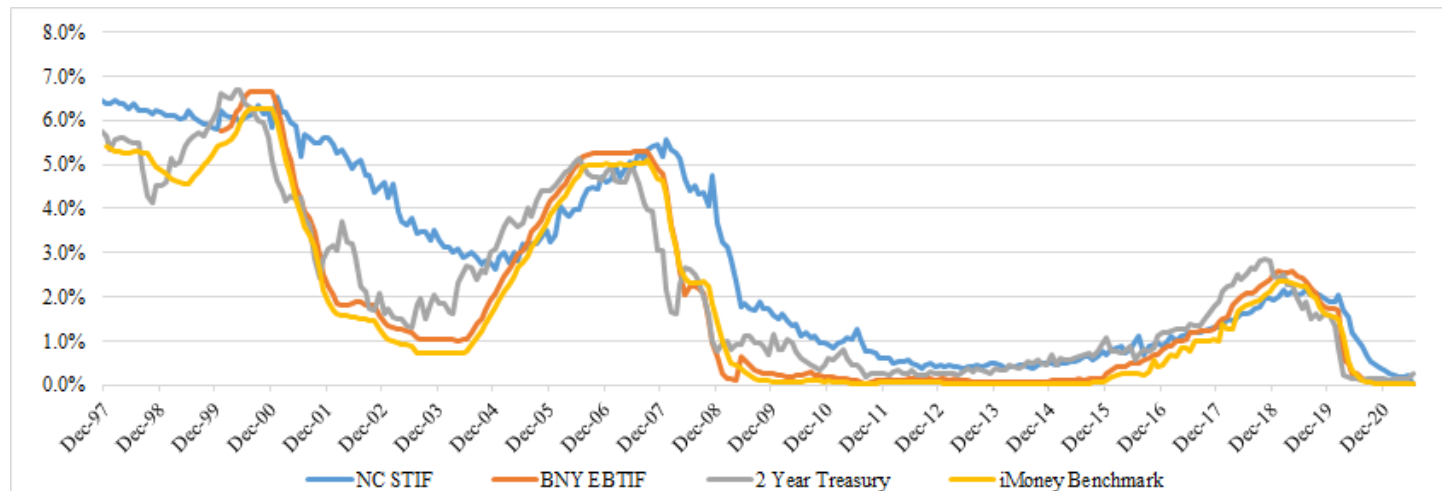
The STIF is responsible for managing the operating funds of the State. Investors include the State's General Fund, Highway Trust Fund, certain Retirement Systems funds, and other investors. The STIF is also where any bank balances are held for the State; please see part (ii) below for information about the quarter-end bank balances.

As of June 30, 2021, the STIF had the following characteristics:

Total Assets	Duration	3-Month Return	Benchmark 3-Month Return	1-Month Annualized Cash Return	Fees
\$46.2 billion	1.12 years	0.03%	0.01%	0.00%	N/A

The benchmark for the cash management program, as outlined in the "Department of State Treasurer Investment Management Division Investment Policy Statement for North Carolina Retirement Systems" (IPS), is the iMoneyNet First Tier Institutional Money Market Funds Net Index.

For comparison purposes, the 1-month annualized cash return of the STIF is shown below, over time, versus the yields of other short-term benchmarks.



Notes: The BNY EBTIF is the Bank of New York Mellon Employee Benefit Temporary Investment Fund, a diversified institutional money market sweep vehicle. The iMoney Benchmark is the iMoneyNet First Tier Institutional Money Market Funds Net Index.

ii. Bank Balances [§ 147-69.12(a)(3)]

The State's total Bank Balance as of June 30, 2021, was \$199.0 million. For a list of each bank and other qualified depository institutions utilized by the State Treasurer and the current quarter-end cash balances, please see Appendix 1, Part A.

C. Other Investment Programs – Ancillary Governmental Participant Investment Programs [§ 147-86.11(c)]

Pursuant to N.C.G.S. § 147-69.3, the Treasurer is responsible for one or more investment programs for the deposit and investment of assets pursuant to §§ 147-69.1 and 147-69.2, namely, the Ancillary Governmental Participant Investment Program (AGPI Program). The AGPI Program includes assets for, among others, the Escheat Fund, public hospitals, Local Government Other Post-Employment Benefits Trusts, Local Government Law Enforcement Special Separation Allowance Trusts, and the North Carolina Conservation Grant Fund, as well as entities such as the State Health Plan, the Disability Income Plan, and the State Educational Assistance Authority. For a complete listing of the AGPI Program participants, see the Other Investment Programs statement in Appendix 1, Part B. While each of the AGPI Program participants has its particular investment authority as to how it may invest, all AGPI Program participants are eligible for the STIF as referenced in part B (i) above. The following are other investment options maintained by the Treasurer for the AGPI Program.

i. BIF [§ 147-69.12(a)(6)]

The BIF invests in high quality debt securities, under N.C.G.S. § 147-69.2(b)(1)–(6). The BIF maintains a low-cost approach to investing in investment grade fixed income assets through a passive index strategy. The BIF is designed to produce a return consistent with its Barclays U.S. Aggregate Bond Index benchmark.

As of June 30, 2021, the BIF had the following characteristics:

Total Assets	Duration	3-Month Return	Benchmark 3-Month Return	Crediting Rate	Fees
\$1.6 billion	6.6 years	1.92%	1.83%	N/A	2.5 bps on first \$750 million; 2.0 thereafter

For a list of the entities invested in the BIF at quarter-end, please see the Other Investment Programs statement in Appendix 1, Part B.

ii. EIF [§ 147-69.12(a)(6)]

The EIF invests primarily in U.S. and non-U.S. equity securities eligible under N.C.G.S. § 147-69.2(b)(8) with the objective of closely approximating the capitalization weighted total return of the markets for global publicly traded equity securities while maintaining a low-cost approach. The EIF is designed to produce a return consistent with its Morgan Stanley Capital International All Country World Index benchmark.

As of June 30, 2021, the EIF had the following characteristics:

Total Assets	Duration	3-Month Return	Benchmark 3-Month Return	Crediting Rate	Fees
\$492 million	N/A	7.44%	7.39%	N/A	2.0 bps

For a list of the entities invested in the EIF at quarter-end, please see the Other Investment Programs statement in Appendix 1, Part B.

iii. Escheat Fund [§§ 147-69.12(a)(6), 147-69.2A(b)]

As of June 30, 2021, the Escheat Fund had \$944.5 million in total invested assets. Of that total, \$736.4 million was in STIF and \$140.6 million in BIF.

Pursuant to N.C.G.S. § 147-69.2(b)(12), up to 20% of the Escheat Fund's assets may be invested in authorized Public Equity, Real Estate, and Alternative Investments. For the quarter ending June 30, 2021, the Escheat Fund held \$67.5 million in these types of investments. Performance data for these assets are shown below:

	Market Value (\$000)	3 Month	1 Yr	3 Yr	5 Yr	10 Yr
Escheat Alternatives	67,555	6.93	20.53	4.72	6.28	5.51
Benchmark		7.58	50.99	19.71	16.41	13.71

Additional financial information on the Escheat Fund is available in the Other Investment Programs statement in Appendix 1, Part B. Information on the Escheats Alternatives Benchmark is available in Appendix 2, Part B.

Within the Escheat Alternatives portfolio, pursuant to N.C.G.S. §§ 147-69.2A and 147-69.2(b)(12)(c), the State Treasurer is required to invest 10% of the Escheat Fund through the Venture Capital Multiplier Fund. This is included in the 20% limit laid out in N.C.G.S. § 147-69.2(b)(12). The Venture Capital Multiplier Fund is administered by a third-party professional investment management firm selected through a public procurement process by designees from the Governor's Office, the Department of State Treasurer, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. This fund was created in November 2016. Performance and investment information through the most recent quarter-end are as follows:

	Market Value	Commitment	Unfunded	IRR ¹	TVPI ²	Distributions	DPI ³
Venture Capital Multiplier Fund	46,510,506	60,000,000	12,446,907	3.27	1.08	5,434,393	0.11

¹ Internal rate of return; ² Total value to paid in capital, or the sum of (distributions + ending value) divided by the total paid in or funded capital; ³ Distributions to paid in capital, or distributions divided by the total paid in or funded capital

Note: Returns may reflect higher costs and lower returns in earlier years.

D. Other Investments with or on behalf of the State, Its Agencies, or Institutions

i. General Obligation Bond Proceeds Fund [§ 147-69.12(a)(6), § 147-86.11(c)]

The General Obligation Bond Proceeds Fund is managed by a private investment company under contract with the Department of State Treasurer. The investments are valued at amortized cost, which approximates fair value. The General Obligation Bond Proceeds Fund has a separate investment account for each state bond issue to comply with Internal Revenue Service regulations on bond arbitrage. Additional information on the fund may be found in the Other Investment Programs statement in Appendix 1, Part B.

II. North Carolina Retirement System Financial Information

A. Introduction to Differences Between IPS and Statute

N.C.G.S. § 147-69.2 prescribes limits on different kinds of investments the Treasurer is authorized to make with the assets of the Retirement Systems. The limits are expressed in terms of percentages of the overall assets invested and there are limits both on individual asset classes and in the aggregate.

During the fiscal year ending June 30, 2014, the Investment Management Division conducted an asset liability study to develop a new IPS that would utilize some of the additional investment flexibility created by this statute, which had been updated in 2013. The IPS describing the asset class structure was finalized and became effective July 1, 2014. The tables below compare the investment policy statement's classifications to the statutory classifications. The numbers reflect net assets owned only by the NCRS funds in the statutory asset classes excluding securities lending, as of the quarter-end date for this report.

B. Concordance of IPS and N.C.G.S. § 147-69.2 [§ 147-69.12(a)(5)(c)]

The following connects statutory guidelines to those in the IPS:

General Statute § 147-69.2		Statutory Asset Classifications	IPS
b(1)-(6) ¹	At least 20%	STIF	Cash
		Bank Balances	
		External Fixed Income	Investment Grade Fixed Income
		Long-Term Fixed Income	
b(6c)	No more than 7.5%	Other Fixed Income	Opportunistic Fixed Income
b(7)	No more than 10%	Real Estate	Core Real Estate
			Non-Core Real Estate
b(8)	No more than 65%	Public Equity	Public Equity
b(8)(b)	No more than 8.5%	Public Equity Limited Liability	Public Equity
b(9)	No more than 8.75%	Alternatives	Private Equity
			Multi-Strategy
b(9a)	No more than 7.5%	Inflation Protection	Inflation Sensitive

Guide to IPS "segment" groups: Green = Rates and Liquidity; Blue = Growth; Purple = Inflation Sensitive & Diversifiers; Orange = Multi-Strategy

¹ Per § 147-69.2(b)(6a), investments authorized by these sections (fixed income) and those authorized by § 147-69.1(c)(1)-(7) (cash management) are combined in calculating the 20% limit.

The following maps the market value balances of the retirement system at quarter-end to the respective statutory and IPS classifications:

		Statutory Classification (\$ Millions)									Total
		Public Equity ¹	Long-Term ²	Cash ²	External Fixed Income ²	Alternatives ³	Real Estate ⁴	Inflation Protection ⁵	Other Fixed Income ⁶	Public Equity Limited Liability ⁷	
IPS Classification (\$ Millions)	Public Equity	\$42,150								\$1,538	\$43,688
	Private Equity					\$7,409					7,409
	Non-Core Real Estate						\$2,960				2,960
	Opportunistic Fixed Income								\$6,943		6,943
	IG Fixed Income		\$29,723		\$3,595						33,318
	Cash			\$13,495							13,495
	Inflation Sensitive							\$5,536			5,536
	Core Real Estate						5,769				5,769
	Multi-Strategy					2,285					2,285
Total		\$42,150	\$29,723	\$13,495	\$3,595	\$9,694	\$8,729	\$5,536	\$6,943	\$1,538	\$121,403

¹ N.C.G.S. § 147-69.2(b)(8)(a),(c); ² N.C.G.S. § 147-69.1(c) and N.C.G.S. § 147-69.2(b)(1)-(6b); ³ N.C.G.S. § 147-69.2(b)(9); ⁴ N.C.G.S. § 147-69.2(b)(7);

⁵ N.C.G.S. § 147-69.2(b)(9a); ⁶ N.C.G.S. § 147-69.2(b)(6c); ⁷ N.C.G.S. § 147-69.2(b)(8)(b)

Note: For statutory compliance purposes, all public equity investments made through funds with limited liability structures are included in the category of investments authorized by N.C.G.S. § 147-69.2(b)(8)(b.). This kind of investment structure is limited to a maximum of 8.5% of the total fund. One external manager, ValueAct Capital Management LP, is a limited liability partnership, and thus assets invested with this manager are included in the N.C.G.S. § 147-69.2(b)(8)(b.) limit of 8.5%. ValueAct Capital Management, however, has a different investment strategy than the other assets invested with managers through limited liability structures.

The following provides a summary of the investment vehicles in which the various trusts and clients are invested:

		Vehicles			
		Short Term Investment Fund	Bond Index Fund	Equity Index Fund	Long-Term Investment Fund (QIB)
Trusts & Clients	Retirement Systems	●			●
	Cash Management Programs	●			
	Ancillary Governmental Participant Investment Program	●	●	●	
	Escheats Fund	●	●		

C. Statutory Compliance – Statutory Asset Classes [§ 147-69.12(a)(5)(c); § 147-69.12(a)(1)]

The table below lists the maximum or minimum percentages of the total assets allowed and actual percentages as of the quarter-end.

Statutory Citation	Minimum or Maximum Percentage of Fund	Percentage of Total Assets Invested	Compliant
N.C.G.S. §§ 147-69.1(c) and 147-69.2(b)(1)-(6b) for fixed income and cash	At least 20%	38.6%	✓
N.C.G.S. § 147-69.2(b)(8) for public equity	No more than 65%	36.0%	✓
N.C.G.S. § 147-69.2(b)(8)(b.) for public equity limited liability investment vehicles	No more than 8.5%	1.3%	✓
N.C.G.S. § 147-69.2(b)(6c) for other fixed income	No more than 7.5%	5.7%	✓
N.C.G.S. § 147-69.2(b)(7) for real estate	No more than 10%	7.2%	✓
N.C.G.S. § 147-69.2(b)(9) for private equity and other alternatives	No more than 8.75%	8.0%	✓
N.C.G.S. § 147-69.2(b)(9a) for inflation protection	No more than 7.5%	4.6%	✓
N.C.G.S. § 147-69.2(b)(10a) for the 35% aggregate portfolio limit	The sum of rows 3 to 7; No more than 35%	26.7%	✓

Note: Percentage of Total Assets Invested is based on market values as of the most recent quarter-end. Undrawn capital commitments are not included in the calculations until they are called and invested.

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 N.C.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 that event will be noted in this report along with the expected impact on the risk profile of the assets. No such change occurred during the fiscal year ending June 30, 2021.

D. Fees – Statutory Asset Classes [§ 147-69.12(a)(1)]

The Investment Management Division utilizes external managers for a portion of the Retirement Systems. Over time, the Department of State Treasurer, with the advice and counsel of the Investment Advisory Committee, has used a relatively lower risk and lower cost approach to investing the North Carolina Retirement System trust funds. While costs have risen somewhat over time as more diverse external investment strategies were pursued, the all-in costs of investing the retirement trust fund remain modest.

The fees incurred to external investment managers, by asset class, are outlined in the Combining Statement of Operations – Pension Trust Funds Investment Program in Appendix 1, Part B. In addition to the fees shown in this statement, internal administrative expenses of the Funds and (for the internally managed portfolios) trade transaction costs are paid by the Treasurer. These charges are reported on the Combined Statement of Operations in Appendix 1, Part B.

During the calendar year 2020, the Department engaged CEM Benchmarking, a leading independent cost and performance analysis firm, to review the cost structure of the funds for the calendar year 2019. The report showed that the funds' cost structure was below that of institutional peers. This leads to savings of roughly 19.7 basis points compared to the median peer. The Department continues to proactively target improvements in cost-efficiency, transparency, risk management, and compliance.

Calendar Year 2019 NCRS Costs of Investment Operations Compared to Peers

(Expressed in basis points where 50 basis points equals 0.50%)

	Total (Basis Points)
Median Peer	51.8
North Carolina Retirement Systems	32.1
Percentile	0%

Source: CEM [Cost Effectiveness Measurement] Benchmarking Inc. The peer group consists of 14 U.S. public pension funds managing from \$54.1 billion to \$243.6 billion. The median peer managed an average of \$91.5 billion throughout the year versus NCRS' \$100.9 billion. In CEM's methodology, total cost excludes carry / performance fees for real estate, infrastructure, natural resources, and private equity funds. Performance fees are included for public market asset classes and hedge funds. All such fees and expenses have been deducted from all investment returns reported by NCRS.

E. Green Managers and Funds [§ 147-69.12(a)(2)]

There is no consensus on a validation group or process to certify green managers for investments, and the statute provides no definition of the term “sustainable practices” that would enable the Treasurer to determine which companies and funds would fall under this provision. Thus, it is not possible to report any relevant data at this time.

F. Locations on Website [§ 147-69.12(a)(6)(f,i,j)]

The current Investment Policy Statement may be accessed at the following link:

<https://files.nc.gov/nctreasurer/documents/files/IMD/GovernancePoliciesAndGuidelines/investment-policy-statement-for-ncrs.pdf>

A list of new commitments to external investment managers may be found within the periodic IAC Performance Review presentations at the following link:

<https://www.nctreasurer.com/inv/Pages/IAC-Reports.aspx>

The current Placement Agent, Political Contribution, and Connection Disclosure Policy may be accessed at the following link:

<https://files.nc.gov/nctreasurer/documents/files/IMD/GovernancePoliciesAndGuidelines/placement-agency-political-contribution-and-connection-disclosure-policy.pdf>

Additional information on the use of placement agents by investment managers is available on request.

Appendix 1: Financial Information

Part A: Department of State Treasurer Bank Balances

DEPARTMENT OF STATE TREASURER BANK BALANCES AS OF June 30, 2021 (dollars in thousands)	
Summary of Bank Balances	
Balance as of 03/31/2021	\$ 236,453
Total Receipts	\$ 58,309,556
Total Payments	\$ 58,347,004
Balance as of 06/30/2021	\$ 199,005
Bank Balances as of June 30, 2021	
<i>Bank</i>	<i>Bank Balance</i>
Wells Fargo	\$ 44,795
Bank of America	\$ 45,438
SunTrust	\$ 1,680
PNC	\$ 366
First Citizens	\$ 11,919
BB&T	\$ 7,181
Atlantic Union	\$ 506
Bank of Tennessee	\$ 3
Bank OZK	\$ 2,120
First Horizon Bank	\$ 12,099
Fidelity Bank	\$ 7,722
First Bank	\$ 14,428
First Federal Savings Bank	\$ 1,000
First National Bank	\$ 11,152
HomeTrust Bank	\$ 1,000
KS Bank	\$ 100
Lumbee Guaranty Bank	\$ 2,647
M&F Bank	\$ 2,240
Peoples Bank	\$ 1,000
Pinnacle Bank	\$ 750
Select Bank	\$ 1,000
South State Bank	\$ 1,100
Southern Bank & Trust	\$ 14,159
Surrey Bank	\$ 750
TD Bank	\$ 1,500
Townebank	\$ 2,750
Union Bank	\$ 1,000
United Community Bank	\$ 6,600
Uwharrie Bank	\$ 2,000
Total*	\$ 199,005
*This number reflects the balance in the State treasury credited to all State funds, including not only the General Fund but also other funds.	

Part B: Combined Statement of Net Positions (Fiscal Year to Date)

- Combined Statement of Net Position
- Combining Statement of Net Position – Pension Trust Funds Investment Program
- Other Investment Programs
- Combined Statement of Operations
- Combining Statement of Operations – Pension Trust Funds Investment Program

DEPARTMENT OF STATE TREASURER
COMBINED STATEMENT OF NET POSITION

Unaudited

June 30, 2021

(dollars in thousands)

	Short-term Investment Fund	*Pension Trust Funds Investment Program Subtotal	Intrafund Eliminations	Total
Net Assets:				
Investment Securities:				
Cash Equivalents	\$ 4,224,841	\$ -	\$ -	\$ 4,224,841
Certificates of Deposit	-	-	-	-
Repurchase Agreements	1,280,000	-	-	1,280,000
U.S. Treasury Bills/ Notes/ Bonds	29,563,864	6,994,225	-	36,558,089
U.S. Government Agency Notes/ Bonds	11,699,927	774,687	-	12,474,614
GNMA Certificates	-	10,389,557	-	10,389,557
Corporate Obligations	-	11,753,786	-	11,753,786
Other Investments	-	3,639,249	-	3,639,249
Investments in Equity Securities	-	43,456,279	-	43,456,279
Investments in Equity Trusts & Limited Liability Entities**	-	249,959	-	249,959
Investments in Real Estate Trust Funds & Partnerships	-	8,728,839	-	8,728,839
Investments in Alternative Partnerships	-	9,676,255	-	9,676,255
Investments in Credit Partnerships	-	6,943,137	-	6,943,137
Investments in Inflation Partnerships and Other Invest.	-	3,916,767	-	3,916,767
Total Investment Securities	\$ 46,768,632	\$ 106,522,740	\$ -	\$ 153,291,372
Cash in Bank	199,005	-	-	199,005
Deposits in Short-term Investment Fund	-	14,702,178	(14,702,178)	-
Other Assets, Net of Liabilities	(729,036)	178,205	-	(550,831)
Total Net Assets	\$ 46,238,601	\$ 121,403,123	\$ (14,702,178)	\$ 152,939,546
Participant Equity:				
General Fund	\$ 10,137,028	\$ -	\$ -	\$ 10,137,028
Other Funds Which Earn Interest for General Fund	7,246,332	-	-	7,246,332
Highway Fund	1,095,301	-	-	1,095,301
Highway Trust Fund	939,296	-	-	939,296
University Trust Funds	3,571,512	-	-	3,571,512
Pension Trust Funds	1,316,746	121,403,123	-	122,719,869
Other Independent Trust Funds	6,269,502	-	-	6,269,502
Local Political Subdivisions	897,020	-	-	897,020
Licensing Boards	63,686	-	-	63,686
Other Investment Funds	14,702,178	-	(14,702,178)	-
Total Participant Equity	\$ 46,238,601	\$ 121,403,123	\$ (14,702,178)	\$ 152,939,546
Percent of Total	30.23%	79.38%	-9.61%	100.00%

*The Trust Funds Investment Program is presented at market value. Trust Funds detail is included on Combining Statement of Net Position.

**See description of Equity Investment Fund in note on following pages

DEPARTMENT OF STATE TREASURER
COMBINING STATEMENT OF NET POSITION - PENSION TRUST FUNDS INVESTMENT PROGRAM

Unaudited

June 30, 2021

(dollars in thousands)

	Cash Investment Fund	Long-term Investment Fund	External Fixed Inc. Investment Fund	Long-Only Public Equity Investment Fund	Hedged Public Equity Investment Fund *	Real Estate Investment Fund	Alternatives Investment Fund	Other Fixed Income Investment Fund	Inflation Protection Investment Fund	Totals
Net Assets:										
Investment Securities:										
Cash and Cash Equivalents	\$ -	-	-	-	-	-	-	-	-	\$ -
U.S. Treasury Bills/ Notes/ Bonds	-	6,733,178	-	-	-	-	-	-	261,047	6,994,225
U.S. Government Agency Notes/ Bonds	-	774,687	-	-	-	-	-	-	-	774,687
GNMA Certificates	-	10,389,557	-	-	-	-	-	-	-	10,389,557
Corporate Obligations	-	10,923,007	-	-	-	-	-	-	830,779	11,753,786
Other Investments	3,099,010	-	-	-	-	-	-	-	540,239	3,639,249
Investments in Equity Securities	-	-	-	43,438,421	-	-	17,858	-	-	43,456,279
Investments in Equity Trusts & Limited Liability Entities	-	-	-	-	249,959	-	-	-	-	249,959
Investments in Real Estate Trust Funds & Partnerships	-	-	-	-	-	8,728,839	-	-	-	8,728,839
Investments in Alternative Partnerships	-	-	-	-	-	-	9,676,255	-	-	9,676,255
Investments in Credit Partnerships	-	-	-	-	-	-	-	6,943,137	-	6,943,137
Investments in Inflation Partnerships and Other Invest.	-	-	-	-	-	-	-	-	3,916,767	3,916,767
Total Investment Securities	\$ 3,099,010	28,820,429	-	43,438,421	249,959	8,728,839	9,694,113	6,943,137	5,548,832	\$ 106,522,740
Cash in Bank	-	-	-	-	-	-	-	-	-	-
Deposits in Short-term Investment Fund	10,396,044	710,777	3,595,357	-	-	-	-	-	-	14,702,178
Other Assets, Net of Liabilities	-	191,537	-	-	-	-	-	-	(13,332)	178,205
Total Net Assets	\$ 13,495,054	\$ 29,722,743	\$ 3,595,357	\$ 43,438,421	\$ 249,959	\$ 8,728,839	\$ 9,694,113	\$ 6,943,137	\$ 5,535,500	\$ 121,403,123
Participant Equity:										
Pension Trust Funds	\$ 13,495,054	29,722,743	3,595,357	43,438,421	249,959	8,728,839	9,694,113	6,943,137	5,535,500	121,403,123
Total Participant Equity	\$ 13,495,054	\$ 29,722,743	\$ 3,595,357	\$ 43,438,421	\$ 249,959	\$ 8,728,839	\$ 9,694,113	\$ 6,943,137	\$ 5,535,500	\$ 121,403,123
Percent of Total	11.12%	24.48%	2.96%	35.78%	0.21%	7.19%	7.99%	5.72%	4.56%	100.00%

* In terms of calculating performance, all public equity investments with long strategies are grouped together, and all public equity investments with hedged strategies are grouped together.

Note: One external manager, ValueAct Capital Management LP is included in the Long-Only Public Equity Investment Fund group on this combining statement; however, on the "Concordance of IPS and NCGS § 147-69.2" table in Part II, Section B of this report, the assets invested with Value Act are included in the "Public Equity Limited Liability" category, not the "Public Equity" category. The "Public Equity" category includes all assets invested in long strategies.

**DEPARTMENT OF STATE TREASURER
OTHER INVESTMENT PROGRAMS**

Unaudited

June 30, 2021
in thousands

	Bond Index Fund	Equity Index Fund	Escheats Alternative Investments	General Obligation Bond Proceeds	Totals
STATEMENT OF NET POSITION					
Net Assets:					
Deposits in Equity Index Fund	\$ -	492,041	-	-	492,041
Deposits in Bond Index Fund	1,606,433	-	-	-	1,606,433
Deposits in Alternative Investment Fund	-	-	67,555	-	67,555
Other Assets	-	-	-	433,774	433,774
Total Net Assets	\$ 1,606,433	\$ 492,041	\$ 67,555	433,774	2,599,803

STATEMENT OF OPERATIONS (for the Fiscal Year ended June 30, 2021)					
Revenues:					
Investment Income:					
Investment Earnings	\$ 36,702	96,193	(303)	285	132,877
Other Income	-	-	-	-	-
Subtotal	36,702	96,193	(303)	285	132,877
Net Unrealized Appreciation/Depreciation	(43,576)	53,695	11,950	-	22,069
Total Investment Income	(6,874)	149,888	11,647	285	154,946
Expenditures:					
Management Fees	(333)	(99)	(266)	(149)	(847)
Other Cost	-	-	1	-	1
Total Expenditures	(333)	(99)	(265)	(149)	(846)
Net Investment Income (Loss)	\$ (7,207)	\$ 149,789	\$ 11,382	136	154,100

	Bond Index Fund	Equity Index Fund	Escheats Alternatives
Participants:			
Albemarle and Tideland MHRHIT	X	X	
Albemarle RH OPEB	X	X	
Apex OPEB Trust	X	X	
Appalachian DHD OPEB			
Archdale LEOSSA	X	X	
Buncombe County	X	X	
City of Asheville	X	X	
City of Concord	X	X	
City of Greensboro	X	X	
City of Greenville	X	X	
City of Sanford	X	X	
Clean Water	X		
Columbus Regional		X	
Community College Systems	X		
Conservation Easement Endowment Fund	X		
Conservation EE II		X	
Conservation Grant Endowment	X	X	
Cornelius LEOSSA			
Cornelius OPEB			
County of Dare	X	X	
County of Guilford	X	X	
County of Hamett OPEB	X	X	
Cumberland OPEB Trust			
Disability Income	X		
DMS Nutrient Offset	X		
Drinking Water	X		
Ecosystem Restoration Fund	X	X	
ElectriCities OPEB		X	
Employee Benefit Trust	X		
Forsyth County	X	X	
Greensboro LEOSSA	X	X	
Greenville Utilities Commission OPEB	X	X	
Guilford County LEOSSA		X	
Hamett LEOSSA Trust	X	X	
Holly Springs OPEB			
Isothermal Planning & Development OPEB	X	X	
Kill Devil Hills OPEB		X	
Margaret Pardee Hospital	X	X	
Martin County OPEB	X	X	
Mecklenburg County	X	X	
NC Student Loan Fund			
New Hanover Hospital			
Orange County OPEB	X	X	
Partners Behavioral			
State Public Education Property Insurance Fund	X		
Raleigh Housing Authority	X	X	
Register of Deeds	X		
Rowan Cabarrus Community College	X		
State Property Fire Insurance	X		
State Treasurer Escheats	X		X
Town of Morganton	X		
Town of Williamston	X	X	
Trillium Health OPEB	X	X	
UNC SEAA Student Loan			
Union County	X	X	
Watauga Medical Center	X	X	
Wildlife Endowment	X	X	

DEPARTMENT OF STATE TREASURER
COMBINED STATEMENT OF OPERATIONS
FOR THE QUARTER ENDED June 30, 2021
(dollars in thousands)

Unaudited

	Short-term Investment Fund	Pension Trust Funds Investment Program Subtotal*	Intrafund Eliminations	Total
Revenues:				
Investment Income:				
Investment Earnings	\$ 135,827	\$ 5,994,046	\$ -	\$ 6,129,873
Intra-Pool Interest Earnings	-	51,862	(51,862)	-
Income from Securities Lending	2,559	2,178	-	4,737
Commission Recapture	-	-	-	-
Other Income	-	9	-	9
Subtotal	138,386	6,048,095	(51,862)	6,134,619
Net Unrealized Appreciation/Depreciation	-	14,038,202	-	14,038,202
Total Investment Income	138,386	20,086,297	(51,862)	20,172,821
Expenditures:				
Treasurer's Allocated Cost	(3,868)	(38)	-	(3,906)
Management Fees	-	(249,276)	-	(249,276)
Placement Fees**	-	-	-	-
Incentive Fees	-	(136,146)	-	(136,146)
Dividend Withholding Tax	-	(13,938)	-	(13,938)
Other Cost	(5,356)	(23,819)	-	(29,175)
Total Expenditures	(9,224)	(423,217)	-	(432,441)
Net Investment Income (Loss)	\$ 129,162	\$ 19,663,080	\$ (51,862)	\$ 19,740,380
Total Investment Income Allocated:				
General Fund	\$ 16,264	\$ -	\$ -	\$ 16,264
Highway Fund	2,301	-	-	2,301
Highway Trust Fund	1,939	-	-	1,939
University Trust Funds	14,722	-	-	14,722
Pension Trust Funds	6,214	19,663,080	-	19,669,294
Other Independent Trust Funds	31,373	-	-	31,373
Local Political Subdivisions	3,694	-	-	3,694
Licensing Boards	245	-	-	245
Other Investment Funds	52,410	-	(51,862)	548
Total Investment Income Allocated	\$ 129,162	\$ 19,663,080	\$ (51,862)	\$ 19,740,380

Cash Return, Fiscal Year-to-Date (Annualized) **0.43%**

*Pension Trust Funds detail is included on the Combining Statement of Operations-Pension Trust Funds Investment Program.

**By policy and practice, neither the Department of State Treasurer nor the funds bear the cost of placement agent fees.

DEPARTMENT OF STATE TREASURER
COMBINING STATEMENT OF OPERATIONS - PENSION TRUST FUNDS INVESTMENT PROGRAM
FOR THE QUARTER ENDED June 30, 2021
(dollars in thousands)

Unaudited

	Cash Investment Fund	Long-term Investment Fund	External Fixed Inc. Investment Fund	Long-Only Public Equity Investment Fund	Hedged Public Equity Investment Fund	Real Estate Investment Fund	Alternative Investment Fund	Other Fixed Income Investment Fund	Inflation Protection Investment Fund	Totals
Revenues:										
Investment Income:										
Investment Earnings	\$ 953	1,036,078	-	3,182,461	81,449	574,341	707,340	173,765	237,659	\$ 5,994,046
Intra-Pool Interest Earnings	39,182	1,410	11,270	-	-	-	-	-	-	51,862
Income from Securities Lending	-	2,178	-	-	-	-	-	-	-	2,178
Commission Recapture	-	-	-	-	-	-	-	-	-	-
Other Income	6	-	-	-	3	-	-	-	-	9
Subtotal	40,141	1,039,666	11,270	3,182,461	81,452	574,341	707,340	173,765	237,659	6,048,095
Net Unrealized Appreciation/Depreciation	-	(1,188,785)	-	10,447,393	41,592	288,467	2,634,344	1,336,187	479,004	14,038,202
Total Investment Income	40,141	(149,119)	11,270	13,629,854	123,044	862,808	3,341,684	1,509,952	716,663	20,086,297
Expenditures:										
Treasurer's Allocated Cost	-	(12)	-	(15)	-	(3)	(3)	(3)	(2)	(38)
Management Fees	-	-	-	(56,054)	(3,359)	(70,865)	(55,968)	(43,689)	(19,341)	(249,276)
Incentive Fees	-	-	-	-	-	(24,669)	(53,776)	(22,042)	(35,659)	(136,146)
Placement Fees*	-	-	-	-	-	-	-	-	-	-
Dividend Withholding Tax	-	-	-	(14,180)	-	(378)	633	-	(13)	(13,938)
Other Cost	(86)	(2,592)	(312)	(3,180)	-	(3,564)	(6,799)	(3,404)	(3,882)	(23,819)
Total Expenditures	(86)	(2,604)	(312)	(73,429)	(3,359)	(99,479)	(115,913)	(69,138)	(58,897)	(423,217)
Net Investment Income (Loss)	\$ 40,055	\$ (151,723)	\$ 10,958	\$ 13,556,425	\$ 119,685	\$ 763,329	\$ 3,225,771	\$ 1,440,814	\$ 657,766	\$ 19,663,080
Total Investment Income Allocated:										
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highway Fund	-	-	-	-	-	-	-	-	-	-
Highway Trust Fund	-	-	-	-	-	-	-	-	-	-
University Trust Funds	-	-	-	-	-	-	-	-	-	-
Pension Trust Funds	40,055	(151,723)	10,958	13,556,425	119,685	763,329	3,225,771	1,440,814	657,766	19,663,080
Other Independent Trust Funds	-	-	-	-	-	-	-	-	-	-
Local Political Subdivisions	-	-	-	-	-	-	-	-	-	-
Licensing Boards	-	-	-	-	-	-	-	-	-	-
Other Investment Funds	-	-	-	-	-	-	-	-	-	-
Total Investment Income Allocated	\$ 40,055	\$ (151,723)	\$ 10,958	\$ 13,556,425	\$ 119,685	\$ 763,329	\$ 3,225,771	\$ 1,440,814	\$ 657,766	\$ 19,663,080
Total Return, 12, 24, and 36 and 60 months:										
12 months	0.39%	-0.52%	0.44%	41.87%	38.26%	9.26%	45.77%	24.65%	12.56%	19.13%
24 months	1.10%	5.36%	1.16%	22.02%	14.25%	5.49%	20.53%	7.72%	1.86%	11.50%
36 months	1.50%	6.80%	1.41%	16.10%	9.37%	6.10%	16.80%	6.50%	2.68%	9.83%
60 months	1.37%	3.82%	1.30%	15.95%	8.13%	7.81%	14.86%	7.53%	5.22%	9.51%

*By policy and practice, neither the Department of State Treasurer nor the funds bear the cost of placement agent fees.

Appendix 2: References

Part A: Implementation vs. Long-Term Policy Benchmark

The Implementation Benchmark is a blend of the Asset Class Benchmarks at policy weights. It is currently weighted as follows: 58% Growth Benchmark, 29% Rates & Liquidity Benchmark, 11% Inflation Sensitive & Diversifiers Benchmark, and 2% Multi-Strategy Benchmark.

The Long-Term Policy Benchmark is comprised of 57% MSCI ACWI IMI Net, 33% BOAML 5+ Years U.S. Treasury Index, 6% Bloomberg Commodity Index, and 4% BOAML 1-3 Years U.S. Inflation-Linked Treasury Index.

The Implementation Benchmark represents the Retirement System's current strategic policy allocations, and thus allows for the evaluation of (1) the impact of manager selection and (2) the impact of tactical variations away from the strategic policy allocations. The Long-Term Policy Benchmark represents the Retirement System's passively-managed equivalent and allows for evaluation of the active asset allocation decisions made across the Retirement System. Taken together, these two benchmarks may provide insights as to how the Retirement System is performing versus reasonably comparable hypothetical portfolios.

Part B: Other Benchmark Definitions

The Growth Benchmark is a blend of the Public Equity Benchmark, Private Equity Benchmark, Non-Core Real Estate Benchmark, and Opportunistic FI Benchmark at policy weights.

The Public Equity Benchmark is the dynamically-weighted combination of the MSCI ACWI IMI Net (Long-Only) and a beta adjusted MSCI ACWI IMI Net (Hedged Equity).

The Private Equity Benchmark is comprised of the following Burgiss Group Private iQ indices: 50% Buyout, 20% Venture Capital, and 30% Distressed.

The Non-Core Real Estate Benchmark is comprised of the following Burgiss Group Private iQ indices: 80% U.S. Non-Core Real Estate (Opportunistic and Value-Added) and 20% Non-U.S. Non-Core Real Estate (Opportunistic and Value-Added).

The Opportunistic Fixed Income Benchmark is comprised of 50% HFRX Distressed Securities Index, 20% HFRX Relative Value Index, 15% Credit Suisse Leveraged Loan Index, and 15% BOAML High Yield Index.

The Rates & Liquidity Benchmark is a blend of the IG Fixed Income Benchmark and the Cash Benchmark at policy weights.

The IG Fixed Income Benchmark is comprised 10% iMoneyNet First Tier Institutional Money Market Funds Net Index and 90% custom BOAML Core Investment Grade Index. The custom BOAML core index is comprised of the following weightings: 30% BOAML 5+ Years Governments, 35% BOAML 5+ Years Investment Grade Corporates, and 35% BOAML Mortgage Master.

The Cash Benchmark is the iMoneyNet First Tier Institutional Money Market Funds Net Index.

The Inflation Sensitive & Diversifiers Benchmark is a blend of the Inflation Sensitive Benchmark and the Core Real Estate Benchmark at policy weights.

The Inflation Sensitive Benchmark is the dynamically-weighted combination of the Bank of America Merrill Lynch 1-3 Years U.S. Inflation-Linked Treasury Index (TIPS), the Bloomberg Commodities Index (Commodities), and a combination of the benchmarks of investments classified within Private Natural Resources or Other Real Assets and Diversifiers.

The Core Real Estate Benchmark is comprised of 80% NCREIF ODCE Net and 20% FTSE EPRA NAREIT Global Index.

The Multi-Strategy Benchmark is comprised of a dynamically-weighted combination of the HFRX ED: Multi-Strategy Index, net of fees, and the market value weighted benchmarks for any other total fund strategies within the Portfolio.

The Escheat Alternatives Benchmark is the total blended Burgiss Private iQ Private Equity index.

Part C: Definitions and Procedures

The following is information that the Department of State Treasurer provides regarding its internal procedures for submitting statutorily-required reports, as well as definitions of terms used within this report.

REQUIRED INVESTMENT REPORTS

- (a) The State Treasurer shall issue all the reports required by N.C.G.S. § 147-69.12(e) concerning the State Treasurer's investment programs on or before the dates required by law. The State Treasurer may also issue voluntary reports or include in mandatory reports additional information that is not required by the statute.
- (b) Reports required by different statutory provisions may be combined, so long as the combined report provides all the information required by each statutory provision.
- (c) Failure by any Department of State Treasurer employee to comply with any provision of this Section may result in disciplinary action up to and including dismissal.

TRANSMISSION OF REPORTS

- (a) The State Treasurer will issue reports directly or through a deputy authorized under N.C.G.S. § 147-75.
- (b) To fulfill the report delivery requirements set out in N.C.G.S. § 147-69.12(d):
 - (1) E-mail delivery shall be used to send reports to the Joint Legislative Commission on Government Operations, chairs of the House of Representatives and Senate Appropriations Committees, chairs of the House of Representative and Senate Finance Committees, Fiscal Research Division, Governor, Council of State, and State Auditor.
 - (2) A paper copy shall also be sent to the Joint Legislative Commission on Government Operations, unless the Commission indicates that a paper copy is not necessary.
 - (3) The website of the State Treasurer shall have a publicly accessible page that collects recent reports required by the North Carolina General Statutes concerning the State Treasurer's investment programs. Reports shall be collected for at least ten years.
 - (4) E-mail delivery or website portal delivery, at the State Treasurer's discretion, shall be used to send reports, where required by N.C.G.S. § 147-69.12(d), to other officials, institutions, boards, commissions, or agencies investing in a State Treasurer investment program, including but not limited to the State Treasurer's Ancillary Governmental Participant Investment Programs (AGPIPs).

SCOPE OF REPORTING; LEVEL OF DETAIL

- (a) Each statutory investment report shall include all State Treasurer investments, unless the statute specifically requests only certain types of investments.
- (b) For internally managed portfolios, the State Treasurer may make aggregated reports for each strategy that describe performance and assets at the portfolio level, rather than listing each asset within the internally managed portfolio.
- (c) Unless otherwise specified by the Department of State Treasurer in the report, all reports shall use generally accepted accounting principles and performance measurement methodologies as adopted by the State Treasurer in its policies and procedures. The State Treasurer shall periodically review and update such policies and procedures and make them available upon request.

DEFINITIONS OF TERMS

In the State Treasurer's required investment reports, the following words and phrases shall have the meanings defined below:

- (1) "Bank balance" means money held by the State Treasurer in a bank or savings institution.
- (2) "Cash management programs" means the Short-Term Investment Fund, bank balances, and any other future investment fund or strategy designed primarily to preserve capital and maintain a strong liquidity profile, as well as achieve competitive relative returns.

- (3) “Duration” of an investment refers to the sensitivity of an investment’s price to changes in interest rates. The calculation involves the present value of the investment, its yield, coupon payment, maturity date and other features, and is measured in terms of years. A higher figure suggests higher interest rate sensitivity. The duration of a portfolio is calculated as the weighted average of all of the underlying securities’ duration.
- (4) “Fee” means a charge against the State Treasurer or a State Treasurer investment. The State Treasurer’s reports shall include under “fees” all of the following types of charges:
- (i) Management fees;
 - (ii) Incentive compensation, carried interest, incentive fees, or performance fees; and
 - (iii) Placement fees.
- (5) “Expense” means the Department of State Treasurer’s administrative costs attributable to and charged to the investment portfolio. The State Treasurer’s reports shall include under “expenses” all of the following types of charges, as communicated to the State Treasurer:
- (i) Administrative expenses;
 - (ii) Commissions, asset fees, or custody fees;
 - (iii) Partnership or organizational expenses;
 - (iv) Pass-through expenses; and
 - (v) The portion of the Department of State Treasurer’s administrative costs attributable to and charged to the investment portfolio or investment fund.
- (6) “Investment manager” means a person or entity, other than Department of State Treasurer employees, given authority or discretion by the State Treasurer to make decisions concerning State Treasurer investments.
- (7) “Placement fee” or “placement agent fee” means a net fee, after any offsets, (i) to a placement agent or (ii) to any other entity, other than the investment manager itself or one of its employees or affiliates, that an investment manager directly or indirectly engaged in order to obtain investment from the State Treasurer.
- (8) “Rate of return” refers to the time-weighted return of each period shown, with adjustments made for cash inflows and outflows to limit distorting effects. Periods of greater than one year are annualized. All returns shown are net of all investment manager fees and all related State Treasurer expenses.
- (9) “State Treasurer investments” shall mean all investments of any kind by the Treasurer of the State of North Carolina or Department of State Treasurer, including but not limited to securities held directly, securities held in separate accounts pursuant to third-party investment management agreements, interests in limited liability investment vehicles or other investment companies as defined under generally accepted United States accounting principles as promulgated by the Financial Accounting Standards Board.
- (10) “Website portal delivery” means a secure method of accessing messages on a website portal set up by the Department of State Treasurer.