



## INVESTMENT MANAGEMENT

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### Memorandum

To: The North Carolina Supplemental Retirement Board of Trustees

From: Loren de Mey, Assistant Investment Director

Date: May 3, 2017

Subject: Investment Guideline Compliance Reporting – 1<sup>st</sup> quarter of 2017

The NC Total Retirement Plans NC 401(k) and NC 457 experienced a manager change in the first quarter of the year. Trust Company of the West (TCW) replaced J.P. Morgan as one of the two underlying managers in the NC Fixed Income Fund, effective January 3, 2017.

The custodian has built and coded compliance guidelines for the TCW separate account according to the investment guidelines outlined in TCW's Investment Management Agreement. The custodian has also removed the J.P. Morgan investment guidelines from the reporting; however, the historical data has been retained on file by the Department for future reference as needed. For TCW, the custodian initially recorded several guidelines incorrectly resulting in false breaches. Staff has worked with the custodian to fix these issues to ensure that the coding of the guidelines in BNY's system is now an accurate representation of the IMA guidelines.

On March 20, 2017, House Bill 161 was introduced in the NC General Assembly. This bill, if passed, would require state divestment from, and prohibit the state from contracting with, companies that boycott Israel. If passed, the Department would be required to create a list of such companies, similar to the list currently in place as a result of the Iran Divestment Act. OST and SRP Legal staff is monitoring the changes and overall progress of House Bill 161, and will provide future updates. At this time, no action is being requested by SRP fund managers.

No other material issues occurred in the first quarter and the managers are in compliance with guidelines.