

§ 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.
- (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.

(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. (2025-6, ss. 2.2, 3.1(d).)