NORTH CAROLINA STATE ETHICS COMMISSION

SAMPLE¹
ETHICS AWARENESS & CONFLICT OF INTEREST REMINDER

(to be read by the Chair or his or her designee at the beginning of each meeting)

________________________________________________________________

In accordance with the State Government Ethics Act, it is the duty of every [Board] member to avoid both conflicts of interest and appearances of conflict.

Does any [Board] member have any known conflict of interest or appearance of conflict with respect to any matters coming before the [Board] today?

If so, please identify the conflict or appearance of conflict and refrain from any undue participation² in the particular matter involved.

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¹ N.C.G.S. §138A-15 (e): “At the beginning of any meeting of a board, the chair shall remind all members of their duty to avoid conflicts of interest and appearances of conflict under [Chapter 138A].” There is no set language required by the Act. Specific language can and should be tailored to fit the needs of each covered board as necessary.

² “A public servant shall take appropriate steps, under the particular circumstances and considering the type of proceeding involved, to remove himself or herself to the extent necessary, to protect the public interest and comply with this Chapter, from any proceeding in which the public servant’s impartiality might reasonably be questioned due to the public servant’s familial, personal, or financial relationship with a participant in the proceeding.” See N.C.G.S. §138A-36 (c). If necessary, the Chairman or individual member involved should consult with his ethics liaison, legal counsel, or the State Ethics Commission to help determine the appropriate response in a given situation.
The Endowment Fund of North Carolina State University
2015 Annual Report

BACKGROUND
The Endowment Fund of North Carolina State University (Endowment Fund) was created by North Carolina General Statute 116.36, and is reported in the university’s financial statements. The Endowment Fund is subject to review by State of North Carolina auditors as part of their annual university audit.

The Board of Trustees of the Endowment Fund (Board) is responsible for the prudent investment of endowment assets and is subject to NC General Statute 36E “Uniform Prudent Management of Institutional Funds Act” (UPMIFA) as well as any requirements placed on the endowments by contract or donor agreements.

REPORT
The Endowment Fund’s net assets were $385.7 million at June 30, 2015 as compared to $360.8 million at June 30, 2014, an increase of 6.9%. The increase is primarily attributable to net investment gains and appreciation. The net $24.9 million increase includes $17.7 million in net investment gains and appreciation, $11.9 million in gifts and matching, less transfers to other university funds and endowment spending of $4.7 million.

Net assets are made up of cash, directly owned programmatic real estate, and pooled long-term investments. There are 219 endowments, consisting of 76 scholarships, 8 fellowships, 87 professorships and 48 endowments with a variety of other purposes. A ten-year historical chart of net asset values is provided below:

The Endowment Fund’s investable assets of $206.9 million are held with the NC State Investment Fund, Inc. (NCSIF). During the fiscal year, the NCSIF continued its investment with UNC Management Company (UNCMC). UNCMC provides investment management services to the constituent institutions of the UNC System through a pooled investment vehicle called the UNC Investment Fund (System Fund). As such, the NCSIF has adopted the investment objectives, portfolio composition and specific return targets of the System Fund. The NCSIF began investing its non-committed assets with the System Fund effective July 2008 with completion of the transition occurring December 2009, and has a 13% membership interest in the System Fund as of June 30, 2015.

In addition to the allocation with the System Fund of $605.2 million as of June 30, 2015, the NCSIF has $28.0 million with other managers in private equity funds, $41.7 million in a BlackRock Liquid Policy Portfolio (LPP), and $1.8 million in the State Treasurer’s Short-Term Investment Fund (STIF).
For the long term, the primary investment objective for the NCSIF is to earn a total return (net of investment and custodial fees) within prudent levels of risk, sufficient to maintain in real terms the purchasing power of the NCSIF and to meet the spending needs of the participants. To help meet this investment objective, the NCSIF invests in various asset classes to offer diversification. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total fund. The NCSIF’s policy target, the target by which the NCSIF monitors performance, was adopted from the Investment Policy Statement of the System Fund.

NCSIF’s actual asset allocation as of June 30, 2015 is as follows:

For the fiscal year ended June 30, 2015, the NCSIF experienced a net investment return of 9.0% compared to the policy benchmark of 3.1%.

Respectfully submitted,

Board of Trustees of the Endowment Fund of North Carolina State University