
From: Jay Chaudhuri
Sent: Friday, August 28, 2009 7:02 AM
To: Zehner, Mark R.
Cc: Pam Wortham
Subject: Follow-up to Monday's Conversation

Mark:

I am writing this is as a follow-up to our conversation on August 24, 2009, where we agreed that the Department of State Treasurer will not need to provide any additional information requested by you on May 8, 2009. Thus far, as submitted earlier this month, we have provided all the information you requested for the years from 2005 to 2008. You have informed us that you do not need any information prior to 2005 unless we hear from you otherwise.

As always, please do not hesitate to contact if you have additional questions.

Sincerely,

Jay Chaudhuri

From: Zehner, Mark R. [<mailto:ZehnerM@SEC.gov>]
Sent: Sat 08/08/2009 00:27
To: Jay Chaudhuri
Subject: Re: Followup to SEC Request

Jay:
An additional week is OK.
Mark
Sent from BlackBerry Wireless Handheld.

From: Jay Chaudhuri
To: Zehner, Mark R.
Cc: Hall, William Henry
Sent: Fri Aug 07 18:11:50 2009
Subject: RE: Followup to SEC Request
Mark:

As an update, I will need to request an additional week for the information you have provided. I may be able to provide some of the information by mid-week, and I will need to discuss this with you on Monday, if possible.

Please let me know. Direct line is 919.508.1024. Cell is 919.423.5281.

Sincerely,

Jay J. Chaudhuri
General Counsel & Senior Policy Advisor
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385
(919) 508-5176 (phone)

From: Zehner, Mark R. [<mailto:ZehnerM@SEC.gov>]
Sent: Thursday, July 16, 2009 11:49 AM
To: Jay Chaudhuri
Cc: Hall, William Henry
Subject: Followup to SEC Request

Jay:

Thank you for speaking with me this morning. Following up on our conversation, and as a supplement to my original request dated May 8, 2009, I am requesting additional information from the North Carolina State Treasurer's Office. In particular:

1) I am looking for the the dates of the initial and all subsequent contracts or commitments for each investment adviser, manager or fund, together with the compensation paid by year, the formulas pursuant to which that compensation was calculated, and any information in your files regarding any placement agent fees paid by those investment advisers, managers or funds, all since 2001. As you have explained, that is a significant undertaking, and we agreed to a "pilot" program pursuant to which you would provide that information (and/or copies of the relevant contracts) with the following investment advisers, mangers and/or funds:

- Aurora Funds
- Aurora Ventures IV, LLC (4/17/02 ?)
- Aurora Ventures V, L.P. (9/20/05 ?)
- Broyhill Asset Management
- Castle Harlan Inc.
- Castle Harlan Partners IV, L.P. (6/15/02 ?)
- Castle Harlan Partners V, L.P. (2/27/08 ?)
- Franklin Street
- GSO Capital Opportunities Fund LP (7/18/07 ?)
- GSO Capital Partners
- Markstone Capital Partners
- Parish Capital Advisors
- Parish Capital Europe I, L.P. (5/19/06 ?)
- Parish Capital I, L.P. (3/31/04 ?)
- Parish Capital II, L.P. (5/12/06 ?)
- Quellos Group, LLC
- RLJ Development, LLC
- RLJ Urban Lodging Fund, LP (3/31/05 ?)
- RLJ Urban Lodging Fund II, LP (6/8/06 ?)
- RLJ Urban Lodging Fund III, LP (8/14/07 ?)
- Shorenstein Realty Investors
- Shorenstein Realty Investors VII, LP (10/1/04 ?)
- Shorenstein Realty Investors, VIII, LP (8/8/06 ?)
- Shorenstein Realty Investors IX, LP (4/9/07 ?)

We agreed that your response to this request would be provided by August 7, 2009.

2) As a follow-up to question B22 and B23, I have also requested copies of any analysis, study, report, or PowerPoint presentation prepared since 2001 regarding the State's ability to fund future pension fund obligations over 10 or more years, including but not limited to any such document distributed to individual legislators or legislative committees. You have agreed that you could provide me with these by August 7, 2009 as well.

Thank you for your time and attention to this matter. If you have any comments, concerns, or clarifying remarks, please feel free to contact me.

Mark R. Zehner
Regional Municipal Securities Counsel
US Securities and Exchange Commission
701 Market Street, Suite 2000
Philadelphia, PA 19106
(215) 597-5885 (fax)
(215) 597-2936

From: Zehner, Mark R. <ZehnerM@SEC.gov>
Sent: Tuesday, October 06, 2009 5:09 PM
To: Jay Chaudhuri
Subject: Request for Documents in Certain Public Pension Fund Activities (P-1603)

Jay:

As a follow-up and supplement to my original request for information dated May 12, 2009 in the above-referenced investigation, please provide to me the following:

- 1) a spreadsheet or similar record of travel conducted by Patricia Gerrick, CIO of the North Carolina State Treasurer's Office for the years 2006 through 2009, including for each trip: (a) the purpose of that trip, (b) any travel expenses reimbursed by a third party, and (c) the name of the third party paying that reimbursement;
- 2) any travel reimbursement policies recently instituted by the State Treasurer; and
- 3) for each of the 13 trips in 2009, the associated contracts with investment managers that contain the relevant travel reimbursement provisions.

I would appreciate it if you could get to me items 1 and 2 as soon as possible. I appreciate that assembling the contracts described in item 3 will take more time, particularly given that I would like the full contracts, including any amendments, modifications, or supplements thereto. Could you assemble those in a week, such that I could receive them by Wednesday of next week? Thanks!

Mark R. Zehner
Regional Municipal Securities Counsel
US Securities and Exchange Commission
701 Market Street, Suite 2000
Philadelphia, PA 19106
(215) 597-5885 (fax)
(215) 597-2936

From: Jay Chaudhuri
Sent: Wednesday, October 07, 2009 1:28 PM
To: Zehner, Mark R.
Cc: Pam Wortham
Subject: Confidential: Response
Attachments: DST Statement of Economic Interest Disclosure of Third Party Reimbursements (Final).pdf; DST Travel Policies and Regulations.pdf; Acceptance of Third Party Reimbursement Form.pdf

Mark:

In response to your email, please find the new travel reimbursement policy attached. I have also asked Pam Wortham, our Chief Financial Officer, to respond directly to request #1. In addition, I will provide the supplemental Statement of Economic Interest (SEI) form which set outs the 13 trips in 2009 you are inquiring about. As background, our office requested an informal advisory opinion from the State Ethics Commission about whether such trips should be disclosed on the SEI form in August. They have determined that such trips should be disclosed as so-called "scholarships." The supplemental SEI form reflects these disclosures. A policy is attached. Of those 13 trips, not all of them are third-party reimbursements. Some of them are from organizations such as the World Pension Forum which paid for the trip . Therefore, you should expect less than 13 contracts as a response to #3.

As always, I'm available if you have additional questions.

Sincerely,

Jay J. Chaudhuri
General Counsel & Senior Policy Advisor
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385
(919) 508-5176 (phone)
(919) 508-5167 (fax)
www.nctreasurer.com

From: Zehner, Mark R. [<mailto:ZehnerM@SEC.gov>]
Sent: Tuesday, October 06, 2009 5:09 PM
To: Jay Chaudhuri
Subject: Request for Documents in Certain Public Pension Fund Activities (P-1603)

Jay:

As a follow-up and supplement to my original request for information dated May 12, 2009 in the above-referenced investigation, please provide to me the following:

- 1) a spreadsheet or similar record of travel conducted by Patricia Gerrick, CIO of the North Carolina State Treasurer's Office for the years 2006 through 2009, including for each trip: (a) the purpose of that trip, (b) any travel expenses reimbursed by a third party, and (c) the name of the third party paying that reimbursement;
- 2) any travel reimbursement policies recently instituted by the State Treasurer; and
- 3) for each of the 13 trips in 2009, the associated contracts with investment managers that contain the relevant travel reimbursement provisions.

I would appreciate it if you could get to me items 1 and 2 as soon as possible. I appreciate that assembling the contracts described in item 3 will take more time, particularly given that I would like the full contracts, including any amendments, modifications, or supplements thereto. Could you assemble those in a week, such that I could receive them by Wednesday of next week? Thanks!

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**North Carolina Department of State Treasurer
Report of Acceptance of Expenses Paid by Third Party**

On _____, 20__ I attended _____

(name of conference, function or subject of due diligence meeting, location, city, state)

at the invitation of _____

(name of sponsor or organizer)

and, in accordance with the Department of State Treasurer's Travel Policies & Regulations and North Carolina General Statutes §§ 138A-32(f) and 120C-800(d), I received and accepted, on behalf of the Department of State Treasurer and not for my personal benefit, the following paid items from the above-referenced sponsor. I further represent and warrant that such expenses were incurred in pursuit of duly authorized business for the Department of State Treasurer and the approximate value of these items (set forth below) was within the established state employee reimbursement guidelines or otherwise reasonable and necessary under the circumstances.

Any special circumstances (check all applicable to conference, function, or meeting):

- Participation provided DST with access to investment information or resources not otherwise readily obtainable.
- Attendance was integral to investigation, analysis, closing or management of DST investment, proposal or opportunity.
- Open to other similar investors or the public on same terms.
- Hospitality was provided to attendees by or on behalf of sponsor as integral part of event.
- Other:

	<u>Actual or Estimate Cost</u>
Transportation/Carrier _____	\$ _____
Lodging/Number of Days _____	\$ _____
Meals / Specify _____	\$ _____
_____	\$ _____
Other _____	\$ _____

Date: _____ By: _____

Print Name: _____

Submit a Copy of this Form to the Division Head and Financial Operations

Note: If you are covered by the State Ethics Act, you are strongly encouraged to save and file this report.

North Carolina Department of State Treasurer
Report of Acceptance of Expenses Paid by Third Party

Third Party Reimbursement Verification

Contact Name: _____

Company: _____

Address: _____

Phone: _____

Fax: _____

Please Request Reimbursement for *(check those that apply):*

- Airfare
- Hotel
- Ground Transportation
- Meals / Misc.

Remarks:

DST POLICIES AND PROCEDURES

Section II: Human Resources
Title: Employee Relations
Chapter: Statement of Economic Interest Disclosure of Third-Party Reimbursements
Current Effective Date: August 13, 2009
Revision History:
Original Effective Date: August 13, 2009

Background

In March 2009, the Department of State Treasurer ("DST") announced a new a series of ethics and transparency reforms. This policy sets out in detail some of those ethics reforms.

Purpose and Authority

The State Government Ethics Act permits heads of state agencies to develop and implement "in-house educational programs, procedures, or policies tailored to meet the agency's particular needs for ethics education, conflict identification, and conflict avoidance." N.C.G.S. § 138A-15. In addition, this Act does not prevent DST "from adopting additional or supplemental ethics standards application to" the agency's operations. N.C.G.S. § 138A-41.

Consistent with the Act, the purpose of DST's ethics policy is to ensure that DST's head and covered persons "exercise their authority honestly and fairly, free from impropriety, threats, favoritism, and undue influence." N.C.G.S. § 138A-2.

Coverage

This policy extends to the State Treasurer, Chief of Staff, General Counsel, and heads of all divisions and their confidential assistants, employees in exempt positions in accordance with N.C.G.S. §§ 126-5(d)(1), (2) or (2a), and any other employees the State Treasurer, Chief of Staff, and General Counsel deem as a "covered" person.

Disclosure of Third-Party Reimbursements

The North Carolina State Ethics Commission ("Ethics Commission") has determined that third-party reimbursements for travel-related expenses related to a DST's employee's public position must be disclosed as a "scholarship" on their Statement of Economic Interest form under Question 17. Reporting these expenses meets the "covered" employees' statutory obligations under N.C.G.S. § 120C-800(d). These expenses only need to be reported by the "covered" em-

Section II: Human Resources
Title: Employee Relations
Chapter: Statement of Economic Interest Disclosure of Third-Party Reimbursements
Current Effective Date: August 13, 2009

Page 1 of 2

DST POLICIES AND PROCEDURES

employees if they are not from a registered North Carolina lobbyist principal and are an entity domiciled outside of North Carolina.

Compliance

Immediately after the date of promulgation of this policy or upon hire, whichever is applicable, all covered employees will be required to update their 2008 Statement of Economic Interest form (January 1, 2007 to December 31, 2007) and 2009 Statement of Economic Interest (January 1, 2008 to December 31, 2008) by completing Question 17 on the Supplemental Statement of Economic Interest Form. This policy applies to all future Statement of Economic Interest forms.

Section II:	Human Resources
Title:	Employee Relations
Chapter:	Statement of Economic Interest Disclosure of Third-Party Reimbursements
Current Effective Date:	August 13, 2009

Page 2 of 2

DST POLICIES AND PROCEDURES

Section V: Financial Operations
Title: Accounting Operations
Chapter: Travel Policies and Regulations
Current Effective Date: September 27, 2009
Revision History: July 1, 2008
Original Effective Date: July 1, 2003

Purpose and Authority

Statutory regulations for per diem, transportation, and subsistence allowances for state departments, agencies, boards, commissions, committees, and councils are contained in N.C.G.S. §§ 138-5, 138-6, and 138-7. It is the intent of this document to provide statements of policy to enable state departments and agencies a comprehensive reference for uniform interpretation to pay for reimburse allowable state travel and subsistence. Office of State and Budget Management (OSBM).

Policy (Employee Responsibility)

An employee traveling on official state business is expected to exercise the same care when incurring expenses that a prudent person would exercise if traveling on personal business and expending personal funds. Excess costs, circuitous routes, delays, or luxury accommodations and services unnecessary, unjustified, or for the convenience or personal preference of the employee in their performance are not acceptable under this standard.

The State has authorized the use of credit cards (American Express) for employees during travel on official state business. These cards are distributed at the discretion of the Department head or his or her designee. Employee misuse of state-issued credit cards is grounds for termination.

Employees will be responsible for unauthorized costs and any additional expenses incurred for personal preference or convenience.

Pursuant to N.C.G.S. § 138-6(c) requests for reimbursement shall be filed within 30 days after the travel period ends for which the reimbursement is being requested.

It is the responsibility of the employee to obtain appropriate signature authority on both the travel request and the expense form. It is also the employee's responsibility to understand and comply with ethics guidelines that relate to travel and the acceptance of third party payments [see Reimbursement of Third Party Expenses on page 3]. Any ethics forms and/or disclosures

Section V: Financial Operations
Title: Accounting Operations
Chapter: Travel Policy and Regulations
Current Effective Date: September 27, 2009

DST POLICIES AND PROCEDURES

associated with the Department of State Treasurer should be filed with the General Counsel or his or her designee.

Travel Authorization

Travel Coordination. Each division is encouraged to appoint a Travel Coordinator who is available to assist employees in making transportation and lodging arrangements and to assist in processing the travel request. Upon completion of the reservations, the employee will be provided with a travel packet that includes an itinerary, ticket information, lodging information, receipt envelope, and applicable materials to facilitate the reimbursement of expenses.

Authorization to Travel. All employees are required to complete a Budget Division Authorization (BDA) form prior to all business travel regardless of the funding source. The BDA requires the Travel Coordinator to verify that the hotel selection is necessary and economical in performance of official state business. In addition, the Travel Coordinator must provide justification of hotel selection for all out-of-state travel and for all-in state travel that exceeds the State Budget Manual allowances for lodging. Excess costs, circuitous routes, delays, or luxury accommodations and services unnecessary, unjustified, or for the convenience or personal preference of the employee in the performance of official state business are not acceptable under this standard.

Completing the BDA Form. The BDA form is to be completed and submitted to the appropriate authority as soon as the employee has knowledge the trip is necessary. All employees are strongly encouraged to complete the Report of Acceptance of Expenses Paid by Third Party form with the BDA form so that the division head, Chief of Staff and Financial Operations may ascertain the actual or estimate cost. The BDA must be accompanied by the following documents: (1) itinerary; (2) BDA Exception form if lodging or out-of-country meals are in excess of the authorized rate or an out-of-state rental car is requested; (3) airfare summary; and (4) documentation of hotel selection.

If the travel will be paid by a third party, this should be indicated on the travel request form along with the name of the third party.

Approval must be obtained in advance from the Deputy Treasurer of the Division, Chief of Staff, and Financial Operations.

DST POLICIES AND PROCEDURES

Deputy Treasurer Responsibility. It is the responsibility of the division head to ensure there is adequate backup personnel for travel authorization and expenditure approval. In the absence of the division head, please notify the Chief of Staff and Financial Operations.

Supervisor Responsibility. It is the responsibility of each supervisor to monitor employee travel with regard to reasonable modes of transportation, departure and return times, maximization of productive time, and need for travel. It is the responsibility of the supervisor to ensure that the expenses are reasonable, necessary and within state guidelines and that appropriate documentation is attached to the expense reimbursement. Supervisor approval on the travel request form and expense reimbursement form indicates that this review has been performed.

Retaining the BDA Form. It is the responsibility of both the Deputy Treasurer of the Division and Financial Operations to retain and maintain the BDA form and all supporting documentation. These forms should be retained consistent with the Department of State Treasurer's record retention policy.

Reimbursement

Expense Reimbursement. To be reimbursed for travel, employees should complete an expense reimbursement form. Employees should attempt to schedule their travel to take advantage of reduced airline fares and to obtain lodging within the state's guideline maximums.

Minimum Threshold. The minimum threshold for an employee reimbursement form is \$25.00. Employees may accumulate items for a period of up to three months to meet this threshold. Employee Expense Reimbursement forms that are submitted with items that are not in question will be reimbursed in the next pay cycle. Questionable items will be removed from the reimbursement request, and reimbursed at a later date if deemed allowable.

Reimbursement of Third Party Expenses. In some cases, DST may accept third party reimbursement for allowable travel expenses. Third party payment of employee travel expenses do not have an impact on the Department of State Treasurer's funding levels.

Acceptance of third party expense payments or reimbursements is permissible only for items which would otherwise be fully paid or reimbursed by the Department of State Treasurer.

The ethics code intent is that an employee may not accept personal gifts or favors from an outside vendor or service provider. In cases where lodging costs exceed state maximums, approval can be obtained for reimbursement as part of the travel request process, consistent with the Department of State Treasurer's guidelines.

DST POLICIES AND PROCEDURES

Third Party Payment Reporting. Payments for all items, which are accepted from a third party regardless of payment process, shall be reported by the employee and forwarded to the Deputy Treasurer of the Division and the General Counsel or his or her designee using the Report of Acceptance of Expenses Paid by Third Party form. Consistent with the Department's Statement of Economic Interest Disclosure of Third Party Reimbursements, covered employees must also report all expenses to the State Ethics Commission. This shall be done at the end of the year by completing the annual Statement of Economic Interest form.

When a third party pays for travel, the employee is encouraged to have the Department initially pay for the expenses. Under no circumstances may employees receive direct reimbursements or payment from a contractor, subcontractor, or supplier who: (1) has a contract with DST; (2) has performed under such contract within the past year; or, (3) anticipates bidding in the future. Travel arrangements can be handled by the designated Travel Coordinator. Out-of-pocket costs incurred by the employee should be requested via a travel reimbursement form and submitted to Financial Operations, consistent with general travel procedures. Financial Operations will be responsible for billing the third party and posting the reimbursement.

Speaking Engagements, Conferences, and Advisory Board Meetings.

Speaking Engagement

Department employees may participate in a legitimate speaking engagement in connection with their position with DST. However, the acceptance of an honorarium or other form of compensation is strictly prohibited. To be considered a legitimate speaking engagement: (1) the presentation must be formally scheduled on the agenda of a convention or conference; (2) it must be scheduled in advance of the DST employee's arrival at the event; and (3) the presentation must be before an organization that would normally have outside speakers address them at such an event.

Conferences and Annual Meetings

Department employees may participate in a widely attended event where their attendance is in connection with the performance of his or her position with DST. This applies to a broad range of events: a convention, conference, annual meeting, symposium, forum, or panel discussion. Employees can accept a meal at these types of events, provided that applicable requirements are satisfied: (1) invitation comes from the organization that is actually sponsoring the event; (2) there is a reasonable expectation

DST POLICIES AND PROCEDURES

that at least 10 persons will attend the event; and (3) invitation is open to other individuals such as similar investors or the public on the same terms.

Advisory Board Meetings

Department employees may attend advisory board meetings within the performance of his or her position and can accept meals provided that applicable requirements are satisfied: (1) the meeting will cover fund performance, acquisition and disposition of strategies and market outlooks; and (2) the meeting will allow employees to meet with fellow investors and provide access to investment information or resources not readily obtainable.

Traveling with Spouse or Other. No travel expenses for a spouse or other traveling companion shall be reimbursable. With respect to the cost of lodging, the amount reimbursable to the employee will be equal to the rate of a single room.

Penalties and Charges Resulting from Cancellations. Penalties and charges resulting from the cancellation of travel reservations (including airline, hotel reservations, or conference registration) shall be the Department's obligation if the employee's travel has been approved in advance and the cancellation or change is made at the direction of and/or for the convenience of the Department. If the cancellation or change is made for the personal benefit of the employee, it shall be the employee's obligation to pay the penalties and charges. However, in the event of accidents, serious illness, or death within the employee's immediate family or other critical circumstances beyond the control of the employee, the Department may pay the penalties and charges.

The employee must provide written justification for the penalty or charge and attach to the expense reimbursement form. Financial Operations and the Chief of Staff or designee must approve the form.

Allowable Travel

Lodging.

Authorization

Written approval by the Department head or his or her designee must be obtained in order to qualify for reimbursement for overnight stays. Supervisory personnel certifying the reimbursement request as necessary and proper must require documentation from

DST POLICIES AND PROCEDURES

the traveler to substantiate that the overnight lodging was necessary and accomplished. The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station (vicinity) or home, whichever is less. The maximum allowable statutory rate (N.C.G.S. § 138.6) for lodging is \$65.90 for in-state and \$78.05 for out-of-state.

The payment of sales tax, lodging tax, local tax, or service fees applied to the cost of lodging is allowed in addition to the lodging rate and is to be paid as a lodging expense.

The employee may exceed the part of the ceiling allocated for lodging without approval for over expenditure provided that the total lodging and food reimbursement does not exceed the maximum daily subsistence for which the employee is eligible (according to time leaving and returning, etc.).

Excess Lodging

Excess lodging authorization for in-state, out-of-state, and out-of-country travel must be obtained in advance from the Department head or his or her designee. Excess lodging is allowed when the employee is in a high cost area and unable to secure lodging within the current allowance, or when the employee submits in writing an opinion that his or her personal safety or security is unattainable within the current allowance. Excess lodging authorization is not allowed for reason of convenience or personal preference for the employee. The employee may exceed the part of the ceiling allocated for lodging without approval from the Department head or his or her designee provided that the total lodging and food reimbursement does not exceed the maximum daily subsistence.

If the basis for the stay is that the employee is attending a conference or program at the facility or that it enables the employee to gain professional benefits due to the interaction with other attendees, this must be stated on the BDA form. This exception requires approval of the Department head or his or her designee.

Telephone During Travel

Telephone access fees for business calls are considered a miscellaneous expense. Telephone access fees for personal calls are only reimbursable if they comply with this policy [see Telephone Calls policy on page 21].

DST POLICIES AND PROCEDURES

Meals.

Authorization

Written approval by the Department head or his or her designee must be obtained in order to qualify for reimbursement for meals. Supervisory personnel certifying the reimbursement request as necessary and proper must require documentation from the traveler to substantiate that the payment for meals was necessary and accomplished.

The maximum allowable statutory rate (N.C.G.S. § 138.6) for meals is \$35.15 per day for in-state travel and \$37.50 per day for out-of-state travel.

The following schedule shall be used for reporting allowable subsistence expenses incurred while traveling on official state business:

	<u>In-State</u>	<u>Out-of-State</u>
Breakfast	\$ 7.75	\$ 7.75
Lunch	\$10.10	\$ 10.10
Dinner	\$17.30	\$19.65

Meal Reimbursement

Each employee is responsible for his or her own request for reimbursement. Tips for meals are included in the meal allowance. Each meal reimbursement rate must be listed on the reimbursement request. Times of departure and arrival must also be listed on the reimbursement request. The costs of meals included in other related activities (registration fees, conference costs, hotel registration, etc.) may not be duplicated in reimbursement requests. If requested, each employee may be reimbursed for breakfast even if their lodging establishment offers a free continental breakfast.

The Deputy Treasurer or designee approving reimbursement for meals is certifying that all state policies and regulations have been met and that meal costs are not duplicated.

Meals during Overnight Travel

A state employee may be reimbursed for meals including lunches, while on official state business when the employee is in overnight travel status. The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station (vicinity) or home, whichever is less.

DST POLICIES AND PROCEDURES

Meals during Daily Travel

Employees may be reimbursed for meals for partial days of travel when in overnight travel status and the partial day is the day of departure or the day of return. The following applies:

- Breakfast: Depart duty station prior to 6:00 a.m. and extend the workday by 2 hours.
- Lunch: Depart duty station prior to Noon (day of departure) or return to duty station after 2:00 p.m. (day of return).
- Dinner: Depart duty station prior to 5:00 p.m. (day of departure) or return to duty station after 8:00 p.m. (day of return) and extend the workday by 3 hours.

The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station (vicinity) or home, whichever is less.

Allowances cannot be paid to employees for lunches if travel does not involve an overnight stay; however, employees can be eligible for allowances for the breakfast and evening meals when the following applies:

- Breakfast: Depart duty station prior to 6:00 a.m., and extend the workday by 2 hours.
- Dinner: Return to duty station after 8:00 p.m., and extend the workday by 3 hours.
- The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station (vicinity) or home, whichever is less.
- Allowances for the breakfast and evening meals for employees working nontraditional shifts must have prior approval of OSBM.

Meals and Day-to-Day Activities

State employees may not be reimbursed for meals eaten in conjunction with a congress, conference, assembly, convocation or meeting, or by whatever name called, of the employees within a single state department, institution or agency, or between the employees of two or more state departments, institutions or agencies to discuss issues relating to the employee's normal day-to-day business activities.

DST POLICIES AND PROCEDURES

Meals for Required Employee Attendance

A state employee may be reimbursed for meals, including lunches, when the employee's job requires his attendance at the meeting of a board, commission, committee, or council in his official capacity and the meal is preplanned as part of the meeting for the entire board, commission, committee or council. Such board, commission, committee, or council must include persons other than the employees of a single state department, institution, or agency.

Meals and Commercial Air Travel

Employees are allowed to claim reimbursement for meals even though they are shown and offered as a part of one's flight schedule on a commercial airline.

Excess Meals

No excess reimbursement will be allowed for meals unless such costs are included in registration fees and/or there are predetermined charges, or the meals were for out-of-country travel. The Department head or his or her designee may grant excess subsistence for meals for out-of-country travel. Prior approval of a BDA Exception form is required.

Gratuities. Reimbursable gratuity or tips must be considered reasonable for items that are not already covered under subsistence. Excessive tips will not be reimbursed. A reasonable tip would be one that a prudent person would give if traveling or conducting personal business and expending personal funds.

For further guidance, the following information is provided when calculating a tip:

- Airports: Baggage Handling/Skycaps: no more than \$2 per bag; Shuttle Drivers: no more than \$2 per bag.
- Parking/Auto-Related: Valets: \$2 per car when collecting the car; Taxi Drivers: 15% of the fare and \$1-\$2 a bag.

Registration Fees. State law allows reimbursement of the actual amount of convention registration fees by a valid receipt or invoice [N.C.G.S. § 138-6(a)(4)].

Passport. Reimbursement for costs incurred in obtaining or renewing a passport may be made to an employee who, in the regular course of his or her duties, is required to travel overseas on

Section V: Financial Operations
Title: Accounting Operations
Chapter: Travel Policy and Regulations
Current Effective Date: September 27, 2009

Page 9 of 22

DST POLICIES AND PROCEDURES

official state business. Passport expenses are chargeable to the same fund that supports the employee's trip.

Common Carrier. Reimbursement for air, rail, or bus fare is limited to actual coach fare, substantiated by receipt. Reimbursement for check-in fees is limited to actual costs substantiated by receipt.

Transportation by International Flights

Employees traveling internationally on overseas flights may be reimbursed actual business class fare (substantiated by receipt) with prior approval of the department head or his or her designee.

Frequent Flyer Miles

Frequent flyer miles earned by a state employee while traveling on state business at state expense are the property of the State. Frequent flyer miles accumulated by an individual state employee during previous state business trips should, to the extent possible, be used by the state employee accumulating the frequent flyer miles while traveling on future state business trips.

Coupons or Certificates for Reduced Air Fare

Coupons or certificates for reduced air fare if acquired by a state employee while traveling on state business at state expense are the property of the State and should be used, to the extent possible, by the state employee on future State business trips.

Fees and Service Charges

With sufficient justification and documentation and with approval of the Department head or his or her designee, state employees can be reimbursed for usual, customary, and reasonable fees and service charges imposed by travel agents for assistance in making travel arrangements. The Financial Operations Division must approve payment of fees and service charges when the above conditions are met prior to travel arrangement confirmation.

Personal Vehicle. Actual mileage is reimbursable. Mileage is measured from the closer of duty station or point of departure to destination (and return). The business standard mileage rate set by the Internal Revenue Service (55 cents per mile effective January 1, 2009) will be paid.

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 10 of 22

DST POLICIES AND PROCEDURES

Parking fees, tolls, and storage fees are reimbursable when the required receipts are obtained. A state employee shall be reimbursed the business standard mileage rate set by the Internal Revenue Service when using their personal vehicles for state business when the round trip does not exceed 100 miles and when a state-owned vehicle is not available. However, if a state employee chooses to use a personal vehicle when a state-owned vehicle is available, the Department will reimburse the employee at the motor fleet rate for mileage of 33 cents per mile.

Rental Vehicles. Rental vehicles may be used; however, rental vehicles are not to be used at state expense solely for the convenience or personal preference of the employee. A receipt is necessary for reimbursement.

Rental vehicles may be used via the state contract with Enterprise Rent A Car (Enterprise). Each division will have a customer number provided by Enterprise. Optional insurance coverage is not reimbursable for travel. Rental vehicles are covered under the state auto insurance program when a state employee rents a vehicle in the scope and course of employment.

In-State (Raleigh Area/Duty Station)

The employee must provide the customer number in order to rent a vehicle from Enterprise. The employee utilizing Enterprise services in the Raleigh area must provide documentation (stamped FM-2 form) to the Financial Operations Division from Motor Fleet Management (MFM) indicating "no state vehicle was available". No BDA will be required if the employee attaches the documentation from MFM to the Enterprise invoice.

In-State (Outside the Raleigh Area/Duty Station)

Applies to HWTFC employees only: Employees having no access to MFM and/or the state car assigned to the division is unavailable, the employee may utilize a rental vehicle from Enterprise. No BDA will be required if the employee attaches a statement from the Division Director (or his/her designee) indicating "no access to MFM and/or the state vehicle assigned to the Division was not available" to the Enterprise invoice.

Outside of North Carolina

Rental vehicles may be used when approved in advance (via BDA Exception form) by the Chief of Staff or designee and substantiated by receipt (Enterprise Rent A Car or the most economical rental vehicle service available if an Enterprise rental vehicle is unavailable).

DST POLICIES AND PROCEDURES

A BDA should be inclusive of all charges to be incurred with the associated expenses. Optional insurance coverage is not reimbursable for travel. When signing the rental contract, decline all optional insurance products as they are included under the state auto insurance program.

Enterprise will direct bill for in-state rental vehicles only. The employee will be reimbursed when utilizing rental vehicles when traveling out-of-state and out-of-country with a receipt and approved BDA Exception form. Invoices from Enterprise will include 8% highway use tax, 3% gross receipt tax, and 5% triangle transit tax.

Enterprise Rates and Guidelines

Please refer to the North Carolina Department of Administration's website: www.doa.state.nc.us/pandc/975a.pdf and the Enterprise Rent A Car's website: www.enterprise.com.

Compact or intermediate class rentals must be selected for one passenger. The standard class rental may be selected for two or more passengers. All other class rentals must be justified and approved in advance. Unlimited mileage is available on some car classes.

Airport Rates

The state contract should be utilized at all Enterprise locations for airport travel in the United States. Please utilize customer number **NC53065** for all rental vehicles at airports across the United States to receive the contracted rate.

Returning the Vehicle

Refuel the vehicle before returning to the Enterprise office to avoid higher gas option charges. If you wish to return the vehicle after operating hours you may leave the keys inside the key drop box located in front of their rental office.

Making a Reservation

You have several options when making a reservation with Enterprise:

DST POLICIES AND PROCEDURES

- Visit www.enterprise.com to make a reservation. In the reservation screen, use your designated billing customer number to receive the contracted rates. The customer number is NC53065 and PIN number is NCD. This is a specific billing customer number for Department of State Treasurer employees only.
- Call 1-800-RENT-A-CAR and provide the customer service representative with the customer number.
- Call local Enterprise branch directly. This is the option that should be used if a free pick up is needed. Please contact your Division's Travel Coordinator, Enterprise website or contact personnel from Enterprise for a list of all Enterprise locations. You will find that numerous locations are close to where you live and will be extremely convenient. You may also park your personal car at these locations when picking up a vehicle (airport offices are the exception to this rule).

Billing

Your billing customer number must be provided to have the rental direct billed (contact division representative) for in-state travel only.

Road Side Assistance

Road side assistance is provided free of charge for all renters. Please call 1-800-RENT-A-CAR for this option.

Contact Personnel at Enterprise

Mat Mayhew, Regional Corporate Sales Manager
(919) 657-8927

Contact Purchasing with Availability/Vendor Issues

Cindy Wood, DST Purchasing Agent
Cynthia.wood@nctreasurer.com
919-508-5958

Transportation by State Vehicle. Procedures for obtaining and using state vehicles owned by the Division of Motor Fleet Management (Department of Administration) are set out in the Rules and Regulations provided by that division. Every individual who uses a permanently assigned state-owned passenger motor vehicle, pickup truck, or van to drive between his official

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 13 of 22

DST POLICIES AND PROCEDURES

workstation and his home, shall reimburse the State for these trips at a rate computed by the Department of Administration.

Non-state Employee Riders

Non-state employees may accompany state employees in state-owned vehicles when they have a business interest in the purpose of the trip and their presence is related to state business. Students of state universities, colleges, and institutions may be passengers in state-owned vehicles to attend athletic events and other activities officially sanctioned by the institution, provided the proper account is reimbursed at the standard mileage cost rate by the student activity fund involved. Spouses and children of state employees may accompany them in state-owned vehicles, if ample space is available and all travel is strictly for official state business [N.C.G.S. § 143-341.8(i)(7)]. Hitchhikers are not permitted to ride in state-owned vehicles.

Transportation by State Vehicle at Destination

At the employee's destination, state-owned vehicles may be used prudently for travel to obtain meals, but not for private purposes or for entertainment while off duty. No common carrier or public transportation fares are reimbursable on a trip on which an employee uses a state-owned vehicle, unless it is shown that such transportation was more economical in a particular situation.

Commuting. No reimbursement shall be made for the use of a personal vehicle in commuting from an employee's home to his duty station. (No mileage reimbursement is allowed to employees on "call back" status. For the state's policy on compensation to employees on "call back" status see the State Personnel Manual.)

Travel To and From Airport.

Employee's Duty Station

Reimbursement for travel between the employee's duty station or home (whichever is less) and the nearest airline terminal (or train/bus station if applicable) and for parking may be made under the following circumstances. For travel by:

- Taxi or Airport Shuttle: Actual costs with receipts.

DST POLICIES AND PROCEDURES

- Private Car: The business standard mileage rate set by the Internal Revenue Service for a maximum of two round trips with no parking charge, or for one round trip with parking charges. Receipts are required for airport parking claims.
- Use of Public Transportation: In lieu of using a taxi or airport shuttle, employees can be reimbursed without receipts: \$5 for each one-way trip from the airport to hotel/meeting or from the hotel/meeting to the airport or the actual cost of the travel with the submission of receipts.

Employee's Destination

Reimbursement for travel to and from the airline terminal (or train/bus station if applicable) at the employee's destination may be made where travel is via most economical mode available as listed below:

- Taxi or Airport Shuttle: Actual costs with receipts.
- Rental Vehicles: May be used with the prior approval of the Department head or his or her designee; however, rental vehicles may not be used for the sole convenience of the employee (receipt required). See rental vehicle policy.
- Use of Public Transportation: In lieu of using a taxi or airport shuttle, employees can be reimbursed without receipts: \$5 for each one-way trip from the airport to hotel/meeting or from the hotel/meeting to the airport or the actual cost of the travel with the submission of receipts.

Parking. Parking expenses are reimbursable while in the course of conducting official state business as long as such expenses are determined reasonable and clearly show that there was care taken to keep the costs to the State as low as possible. Any parking rates considered excessive and only for the convenience of the traveler will not be reimbursable. For example, excessive or inappropriate parking would be the use of an airport's hourly parking lot for an overnight trip.

Travel Involving Trips Other Than To and From the Airport . The actual cost of taxi and shuttle service fares (receipt required) is reimbursable when required for travel on official state business. The request must be documented with a receipt. The use of public transportation is reimbursable for actual costs with a receipt.

Authorization for Out-of-Country Travel. All out-of-country travel must be authorized by the Chief of Staff or his or her designee.

Out-of-country travel status begins when the employee leaves the country and remains in effect until the employee returns to the country. If the employee and other qualified official travelers use hotel and meal facilities located outside North Carolina, but within the continental

DST POLICIES AND PROCEDURES

United States, immediately prior to and upon returning from out-of-country travel but during the same travel period, out-of-state subsistence rates shall apply.

State Officials

From time to time, state officials, both elected and appointed, attend functions or meetings that are political in nature. The following policies are intended to be guidelines for the payment of state funds for travel and subsistence costs surrounding the attendance of state public officials at political functions or meetings.

Travel Related to a Political Function. No state funds may be used to pay travel and/or subsistence costs for a state official while attending a political function or meeting. In the event, a state-owned aircraft is used, the reimbursement rate will be the actual operating cost rate per flight hour. If a state-owned vehicle is used, the reimbursement rate to the State will be the motor pool rate.

Travel Related to Official State Business that includes Political Function. If a trip includes both official state business and political functions or meetings, state funds may be used to pay up to one-half of the travel and/or subsistence costs. In the event that a state-owned aircraft is used, the cost to the State will be charged at the regular rate per flight hour and the charge to a non-state source will be at the actual operating cost rate per flight hour. If a state-owned vehicle is used, the reimbursement rate to the State will be the motor pool rate.

All Other Travel. Travel reimbursement policies and regulations for all other travel for state officials is the same as for state employees.

Members of State Boards, Commissions, Committees, and Councils (Other Than Licensing Boards of the General Assembly)

Per Diem. Pursuant to N.C.G.S. § 138-5(a)(1), non-state employees who are members of state boards, commissions, committees, and councils shall receive \$15 per day of official service. State employees and members of all state boards, commissions, and councils whose salaries or any portion of whose salaries are paid from state funds shall receive no per diem compensation from state funds for their services. It is the responsibility of the fiscal officer of the board, commission, committee, or council to insure that such per diem compensation is not paid to state employees.

OSBM has clarified this to define “day of official service” as the day(s) that meetings are held. If members travel on days before or after the meeting, they may not receive per diem for the “travel only” days. For example:

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 16 of 22

DST POLICIES AND PROCEDURES

If a member of a board travels from Asheville to Raleigh on Wednesday for a board meeting on Thursday and returns on Friday, they would only receive per diem for Thursday (the day of the meeting).

Subsistence. Meal subsistence for non-state employee members of state boards, councils, commissions, or committees is a daily, lump-sum allowance payable per day of official service. The subsistence reimbursement for actual lodging expenses must be documented by a receipt of actual lodging expenses from a commercial establishment. Meals and lodging are to be reimbursed as follows:

- In-State Travel
 - \$35.15 for meals.
 - Actual expenses up to \$65.90 lodging documented by a receipt of actual lodging expenses for a commercial lodging establishment.
- Out-of-State Travel
 - \$37.50 for meals.
 - Actual expenses up to \$78.05 lodging documented by a receipt of actual lodging expenses for a commercial lodging establishment.
 - OSBM has clarified this to define "day of official service" as the day(s) that meetings are held. For the "travel only" days, they will be reimbursed in exactly the same manner as regular state employees.

Excess Subsistence. Authorization for excess expenses for in-state or out-of-state travel may be granted by the Department head or his or her designee (division director or board chairperson) when such costs are included in registration fees and/or there are predetermined charges.

Out-of-State Travel. Expenses for out-of-state travel on official business shall be reimbursed only upon authorization obtained in the manner prescribed by regulations governing out-of-state travel for state employees.

Meetings. Refreshments, i.e., coffee, soft drinks, cookies, doughnuts, may be served at official board meetings. Reimbursement may be paid from state funds for actual cost not to exceed \$4.50 per member and required staff, per meeting per day. "Required staff" shall be defined as an employee who, in the regular course of his duties, is expected to attend the meeting and any other employee whose presence is necessary to accomplish a purpose of the meeting.

Transportation. Transportation policies and regulations are the same as for those for state employees, except that a mileage reimbursement rate set by any other law by reference to N.C.G.S. § 138-6(a)(1) is established at 33 cents a mile, not the IRS rate.

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 17 of 22

DST POLICIES AND PROCEDURES

Subsistence of State Employees serving as Board Members. As allowed under N.C.G.S. § 138-6, a state employee who is a member of a state board, commission, committee or council that operates from funds deposited with the State Treasurer, may be reimbursed for actual cost of any meal (including lunch) eaten while on official state business if the meal is preplanned as part of the meeting for the entire board, commission, committee, or council. However, when an overnight stay is required, the state employee is limited to a daily reimbursement as follows:

- In-State Travel
 - \$35.15 for meals.
 - Actual expenses up to \$65.90 lodging documented by a receipt of actual lodging expenses for a commercial lodging establishment.
- Out-of-State Travel
 - \$37.50 for meals.
 - Actual expenses up to \$78.05 lodging documented by a receipt of actual lodging expenses for a commercial lodging establishment.

No Overnight Stay. When an overnight stay is not required, the state employee is allowed actual cost of any meal (including lunch) eaten while on official state business if the meal is preplanned as part of the meeting for the entire board, commission, committee or council.

Other Meals. If the employee is eligible for reimbursement for any other meal, that reimbursement is limited by the same reimbursement amounts and regulations as those allowed for in-state and out-of-state travel by a state employee who is not a member of a state board, commission, committee, or council.

Members of the General Assembly Serving on State Boards, Commissions, Committees, and Councils

Per Diem Compensation. Pursuant to N.C.G.S. § 120-3.1, per diem compensation is not applicable.

Subsistence. A member of the General Assembly shall receive a subsistence allowance for meals and lodging at a daily rate (which is currently \$104) equal to the maximum per diem rate for federal employees traveling to Raleigh, North Carolina, as set out at 58 Federal Register 67959 (December 22, 1993), while the General Assembly remains in session, and, except as otherwise provided in this subsection when, with the approval of the Speaker of the House in the case of Representatives or the President Pro Tempore of the Senate in case of Senators, the member is: (1) traveling as a representative of the General Assembly or of its committees or commissions; or (2) otherwise in the service of the State.

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 18 of 22

DST POLICIES AND PROCEDURES

Excess Subsistence. A member who is authorized to travel, whether in or out of session, within the United States but outside of North Carolina may elect to receive, in lieu of the amount provided in the preceding paragraph, a subsistence allowance of \$26.00 a day for meals, plus actual expenses for lodging when evidenced by a receipt satisfactory to the Legislative Services Officer, not to exceed the maximum per diem rate for federal employees traveling to the same place, as set out at 58 Federal Register 67950-67964 (December 22, 1993) and at 59 Federal Register 23702-23709 (May 6, 1996).

Transportation. A member will receive a travel allowance at the rate equal to the business standard mileage rate set by the Internal Revenue Service whenever the member travels, whether in or out of session, as a representative of the General Assembly or of its committees or commissions, with the approval of the Legislative Services Commission.

Convention Registration. Convention registration policies and regulations are the same as for those for state employees.

Non-State Employees

Non-state employees may be those on official state business whose expenses are paid by the State and subject to state regulations, such as prospective professional employees, public school and community college employees, students on official state business, and attendants of handicapped state employees traveling on official state business (provided advance approval is obtained from Department head or designee). Non-state employees are not family members of state employees, students attending athletic events, student organization events (these should be paid from trust funds or fees levied to support these activities), or students traveling for their own academic purpose.

Non-state employees traveling on official state business whose expenses are paid by the State are subject to these regulations, including statutory subsistence allowances, to the same extent as are state employees. Travel expenses for members of a non-employee's family are not eligible to be paid by the State. No travel advances will be made to non-state employees.

Prospective Professional Employees. A Department head or his or her designee is authorized to approve reimbursement of transportation expenses of prospective professional employees visiting state departments for employment interviews. These expenses are limited to transportation and subsistence for 3 days (5 days if one is a Saturday) at the in-state rate. Excess lodging expenses may be approved by the Department head or his or her designee.

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 19 of 22

DST POLICIES AND PROCEDURES

Students. Students at state institutions who travel on official state business are reimbursed at the same extent as are state employees. All other student related travel must be paid from non-state funds supporting that particular organization or activity.

Attendants. Payment of travel and subsistence expenses (motel and meal costs) for attendants for handicapped employees while traveling on official state business may be reimbursed to the same extent as are state employees if advance approval is obtained from the Department head or his or her designee.

Telephone Calls

Long Distance. Employees are not allowed to charge long distance phone calls to the State for calls made of a personal nature, except as stated below. All long distance calls that are to be paid by the State are those made pursuant to the employee conducting official state business.

Reimbursement. Official phone calls are reimbursable under "Miscellaneous." Individual calls over \$5.00 must be identified as to point of origin and destination.

Allowable Personal Calls. An employee who is in travel status for two or more consecutive nights in a week is allowed one personal long distance telephone call for each two nights for which reimbursement to the employee may not exceed \$3.00 for each in-state call or \$5.00 for each out-of-state call. Documentation is required for reimbursement.

Employee Emergency Calls. Employees may use the state network system, state credit card, or may be reimbursed for a personal long distance call(s) if such call(s) is/are of an emergency nature as determined by the Department. An example is a call made when an employee calls home to inform someone that the travel period has been extended beyond original plans due to unforeseen reasons.

Mobile Telephones. Because mobile telephone charges (cellular and digital) are based on measured use, no personal calls should be made on mobile telephones except in case of emergency as determined by the Department. Mobile telephone calls to conduct official state business should only be used when more economical means of telephoning are not reasonably available.

If an employee uses his or her personal mobile telephone in conducting state business, the employee can be eligible for reimbursement. In order for the agency to reimburse the employee, the employee must indicate on his or her telephone bill the reimbursable calls, individuals called, and nature of calls and submit the telephone bill to their supervisor for approval. If the supervisor approves the calls as state business related, the agency will reimburse the actual billed cost of the call.

DST POLICIES AND PROCEDURES

Use of Telephone with Computer Hook-ups. Employees traveling on official state business needing to transmit data via their computers should use the most efficient manner available, including services available through the State's Information Technology Services (ITS) access such as air card and broadband services.

Exceptions

Any exception to the rules and regulations as herein stated in the State Budget Manual, except those expressly delegated, must be approved in advance by the Office of State Budget and Management.

DST POLICIES AND PROCEDURES

INDEX

Purpose and Authority.....	1
Policy (Employee Responsibility)	1
Travel Authorization	2
Travel Coordination.....	2
Authorization of Travel.....	2
Completing the BDA Form.....	2
Deputy Treasurer Responsibility	3
Supervisor Responsibility	3
Retaining the BDA Form	3
Reimbursement	3
Expense Reimbursement.....	3
Minimum Threshold.....	3
Reimbursement of Third Party Expenses	3
Third Party Payment Reporting.....	4
Speaking Engagements, Conferences and Advisory Board Meetings	4
Traveling with Spouse or Other.....	5
Penalties and Charges Resulting from Cancellations	5
Allowable Travel.....	5
Lodging	5
Meals	7
Gratuities.....	9
Registration Fees	9
Passport.....	9
Common Carrier	9
Personal Vehicle	10
Rental Vehicles	11
Transportation by State Vehicle.....	13
Commuting.....	14
Travel To and From Airport	14
Parking.....	15
Travel Involving Trips Other Than To and From the Airport	15
Authorization for Out-of-County Travel.....	15
State Officials	16
Members of State Boards, Commissions, Committees, and Councils	16
Members of the General Assembly Serving on State Boards, Commissions, Committees, and Councils.....	18
Non-State Employees.....	19
Telephone Calls	20
Exceptions	21

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 22 of 22

DST POLICIES AND PROCEDURES

Section II: Human Resources
Title: Employee Relations
Chapter: Statement of Economic Interest Disclosure of Third-Party Reimburse-
ments
Current Effective Date: August 13, 2009
Revision History:
Original Effective Date: August 13, 2009

Background

In March 2009, the Department of State Treasurer ("DST") announced a new a series of ethics and transparency reforms. This policy sets out in detail some of those ethics reforms.

Purpose and Authority

The State Government Ethics Act permits heads of state agencies to develop and implement "in-house educational programs, procedures, or policies tailored to meet the agency's particular needs for ethics education, conflict identification, and conflict avoidance." N.C.G.S. § 138A-15. In addition, this Act does not prevent DST "from adopting additional or supplemental ethics standards application to" the agency's operations. N.C.G.S. § 138A-41.

Consistent with the Act, the purpose of DST's ethics policy is to ensure that DST's head and covered persons "exercise their authority honestly and fairly, free from impropriety, threats, favoritism, and undue influence." N.C.G.S. § 138A-2.

Coverage

This policy extends to the State Treasurer, Chief of Staff, General Counsel, and heads of all divisions and their confidential assistants, employees in exempt positions in accordance with N.C.G.S. §§ 126-5(d)(1), (2) or (2a), and any other employees the State Treasurer, Chief of Staff, and General Counsel deem as a "covered" person.

Disclosure of Third-Party Reimbursements

The North Carolina State Ethics Commission ("Ethics Commission") has determined that third-party reimbursements for travel-related expenses related to a DST's employee's public position must be disclosed as a "scholarship" on their Statement of Economic Interest form under Question 17. Reporting these expenses meets the "covered" employees' statutory obligations under N.C.G.S. § 120C-800(d). These expenses only need to be reported by the "covered" em-

Section II: Human Resources
Title: Employee Relations
Chapter: Statement of Economic Interest Disclosure of Third-Party Reimbursements
Current Effective Date: August 13, 2009

Page 1 of 2

DST POLICIES AND PROCEDURES

employees if they are not from a registered North Carolina lobbyist principal and are an entity domiciled outside of North Carolina.

Compliance

Immediately after the date of promulgation of this policy or upon hire, whichever is applicable, all covered employees will be required to update their 2008 Statement of Economic Interest form (January 1, 2007 to December 31, 2007) and 2009 Statement of Economic Interest (January 1, 2008 to December 31, 2008) by completing Question 17 on the Supplemental Statement of Economic Interest Form. This policy applies to all future Statement of Economic Interest forms.

Section II:	Human Resources
Title:	Employee Relations
Chapter:	Statement of Economic Interest Disclosure of Third-Party Reimbursements
Current Effective Date:	August 13, 2009

Page 2 of 2

**North Carolina Department of State Treasurer
Report of Acceptance of Expenses Paid by Third Party**

On _____, 20__ I attended _____

(name of conference, function or subject of due diligence meeting, location, city, state)

at the invitation of _____

(name of sponsor or organizer)

and, in accordance with the Department of State Treasurer's Travel Policies & Regulations and North Carolina General Statutes §§ 138A-32(f) and 120C-800(d), I received and accepted, on behalf of the Department of State Treasurer and not for my personal benefit, the following paid items from the above-referenced sponsor. I further represent and warrant that such expenses were incurred in pursuit of duly authorized business for the Department of State Treasurer and the approximate value of these items (set forth below) was within the established state employee reimbursement guidelines or otherwise reasonable and necessary under the circumstances.

Any special circumstances (check all applicable to conference, function, or meeting):

- Participation provided DST with access to investment information or resources not otherwise readily obtainable.
- Attendance was integral to investigation, analysis, closing or management of DST investment, proposal or opportunity.
- Open to other similar investors or the public on same terms.
- Hospitality was provided to attendees by or on behalf of sponsor as integral part of event.
- Other: _____

	<u>Actual or Estimate Cost</u>
Transportation/Carrier _____	\$ _____
Lodging/Number of Days _____	\$ _____
Meals / Specify _____	\$ _____
Other _____	\$ _____

Date: _____ By: _____

Print Name: _____

Submit a Copy of this Form to the Division Head and Financial Operations

Note: If you are covered by the State Ethics Act, you are strongly encouraged to save and file this report.

North Carolina Department of State Treasurer
Report of Acceptance of Expenses Paid by Third Party

Third Party Reimbursement Verification

Contact Name: _____

Company: _____

Address: _____

Phone: _____

Fax: _____

Please Request Reimbursement for *(check those that apply):*

- Airfare
- Hotel
- Ground Transportation
- Meals / Misc.

Remarks:

DST POLICIES AND PROCEDURES

Section V: Financial Operations
Title: Accounting Operations
Chapter: Travel Policies and Regulations
Current Effective Date: September 27, 2009
Revision History: July 1, 2008
Original Effective Date: July 1, 2003

Purpose and Authority

Statutory regulations for per diem, transportation, and subsistence allowances for state departments, agencies, boards, commissions, committees, and councils are contained in N.C.G.S. §§ 138-5, 138-6, and 138-7. It is the intent of this document to provide statements of policy to enable state departments and agencies a comprehensive reference for uniform interpretation to pay for reimburse allowable state travel and subsistence. Office of State and Budget Management (OSBM).

Policy (Employee Responsibility)

An employee traveling on official state business is expected to exercise the same care when incurring expenses that a prudent person would exercise if traveling on personal business and expending personal funds. Excess costs, circuitous routes, delays, or luxury accommodations and services unnecessary, unjustified, or for the convenience or personal preference of the employee in their performance are not acceptable under this standard.

The State has authorized the use of credit cards (American Express) for employees during travel on official state business. These cards are distributed at the discretion of the Department head or his or her designee. Employee misuse of state-issued credit cards is grounds for termination.

Employees will be responsible for unauthorized costs and any additional expenses incurred for personal preference or convenience.

Pursuant to N.C.G.S. § 138-6(c) requests for reimbursement shall be filed within 30 days after the travel period ends for which the reimbursement is being requested.

It is the responsibility of the employee to obtain appropriate signature authority on both the travel request and the expense form. It is also the employee's responsibility to understand and comply with ethics guidelines that relate to travel and the acceptance of third party payments [see Reimbursement of Third Party Expenses on page 3]. Any ethics forms and/or disclosures

Section V: Financial Operations
Title: Accounting Operations
Chapter: Travel Policy and Regulations
Current Effective Date: September 27, 2009

DST POLICIES AND PROCEDURES

associated with the Department of State Treasurer should be filed with the General Counsel or his or her designee.

Travel Authorization

Travel Coordination. Each division is encouraged to appoint a Travel Coordinator who is available to assist employees in making transportation and lodging arrangements and to assist in processing the travel request. Upon completion of the reservations, the employee will be provided with a travel packet that includes an itinerary, ticket information, lodging information, receipt envelope, and applicable materials to facilitate the reimbursement of expenses.

Authorization to Travel. All employees are required to complete a Budget Division Authorization (BDA) form prior to all business travel regardless of the funding source. The BDA requires the Travel Coordinator to verify that the hotel selection is necessary and economical in performance of official state business. In addition, the Travel Coordinator must provide justification of hotel selection for all out-of-state travel and for all-in state travel that exceeds the State Budget Manual allowances for lodging. Excess costs, circuitous routes, delays, or luxury accommodations and services unnecessary, unjustified, or for the convenience or personal preference of the employee in the performance of official state business are not acceptable under this standard.

Completing the BDA Form. The BDA form is to be completed and submitted to the appropriate authority as soon as the employee has knowledge the trip is necessary. All employees are strongly encouraged to complete the Report of Acceptance of Expenses Paid by Third Party form with the BDA form so that the division head, Chief of Staff and Financial Operations may ascertain the actual or estimate cost. The BDA must be accompanied by the following documents: (1) itinerary; (2) BDA Exception form if lodging or out-of-country meals are in excess of the authorized rate or an out-of-state rental car is requested; (3) airfare summary; and (4) documentation of hotel selection.

If the travel will be paid by a third party, this should be indicated on the travel request form along with the name of the third party.

Approval must be obtained in advance from the Deputy Treasurer of the Division, Chief of Staff, and Financial Operations.

DST POLICIES AND PROCEDURES

Deputy Treasurer Responsibility. It is the responsibility of the division head to ensure there is adequate backup personnel for travel authorization and expenditure approval. In the absence of the division head, please notify the Chief of Staff and Financial Operations.

Supervisor Responsibility. It is the responsibility of each supervisor to monitor employee travel with regard to reasonable modes of transportation, departure and return times, maximization of productive time, and need for travel. It is the responsibility of the supervisor to ensure that the expenses are reasonable, necessary and within state guidelines and that appropriate documentation is attached to the expense reimbursement. Supervisor approval on the travel request form and expense reimbursement form indicates that this review has been performed.

Retaining the BDA Form. It is the responsibility of both the Deputy Treasurer of the Division and Financial Operations to retain and maintain the BDA form and all supporting documentation. These forms should be retained consistent with the Department of State Treasurer's record retention policy.

Reimbursement

Expense Reimbursement. To be reimbursed for travel, employees should complete an expense reimbursement form. Employees should attempt to schedule their travel to take advantage of reduced airline fares and to obtain lodging within the state's guideline maximums.

Minimum Threshold. The minimum threshold for an employee reimbursement form is \$25.00. Employees may accumulate items for a period of up to three months to meet this threshold. Employee Expense Reimbursement forms that are submitted with items that are not in question will be reimbursed in the next pay cycle. Questionable items will be removed from the reimbursement request, and reimbursed at a later date if deemed allowable.

Reimbursement of Third Party Expenses. In some cases, DST may accept third party reimbursement for allowable travel expenses. Third party payment of employee travel expenses do not have an impact on the Department of State Treasurer's funding levels.

Acceptance of third party expense payments or reimbursements is permissible only for items which would otherwise be fully paid or reimbursed by the Department of State Treasurer.

The ethics code intent is that an employee may not accept personal gifts or favors from an outside vendor or service provider. In cases where lodging costs exceed state maximums, approval can be obtained for reimbursement as part of the travel request process, consistent with the Department of State Treasurer's guidelines.

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 3 of 22

DST POLICIES AND PROCEDURES

Third Party Payment Reporting. Payments for all items, which are accepted from a third party regardless of payment process, shall be reported by the employee and forwarded to the Deputy Treasurer of the Division and the General Counsel or his or her designee using the Report of Acceptance of Expenses Paid by Third Party form. Consistent with the Department's Statement of Economic Interest Disclosure of Third Party Reimbursements, covered employees must also report all expenses to the State Ethics Commission. This shall be done at the end of the year by completing the annual Statement of Economic Interest form.

When a third party pays for travel, the employee is encouraged to have the Department initially pay for the expenses. Under no circumstances may employees receive direct reimbursements or payment from a contractor, subcontractor, or supplier who: (1) has a contract with DST; (2) has performed under such contract within the past year; or, (3) anticipates bidding in the future. Travel arrangements can be handled by the designated Travel Coordinator. Out-of-pocket costs incurred by the employee should be requested via a travel reimbursement form and submitted to Financial Operations, consistent with general travel procedures. Financial Operations will be responsible for billing the third party and posting the reimbursement.

Speaking Engagements, Conferences, and Advisory Board Meetings.

Speaking Engagement

Department employees may participate in a legitimate speaking engagement in connection with their position with DST. However, the acceptance of an honorarium or other form of compensation is strictly prohibited. To be considered a legitimate speaking engagement: (1) the presentation must be formally scheduled on the agenda of a convention or conference; (2) it must be scheduled in advance of the DST employee's arrival at the event; and (3) the presentation must be before an organization that would normally have outside speakers address them at such an event.

Conferences and Annual Meetings

Department employees may participate in a widely attended event where their attendance is in connection with the performance of his or her position with DST. This applies to a broad range of events: a convention, conference, annual meeting, symposium, forum, or panel discussion. Employees can accept a meal at these types of events, provided that applicable requirements are satisfied: (1) invitation comes from the organization that is actually sponsoring the event; (2) there is a reasonable expectation

DST POLICIES AND PROCEDURES

that at least 10 persons will attend the event; and (3) invitation is open to other individuals such as similar investors or the public on the same terms.

Advisory Board Meetings

Department employees may attend advisory board meetings within the performance of his or her position and can accept meals provided that applicable requirements are satisfied: (1) the meeting will cover fund performance, acquisition and disposition of strategies and market outlooks; and (2) the meeting will allow employees to meet with fellow investors and provide access to investment information or resources not readily obtainable.

Traveling with Spouse or Other. No travel expenses for a spouse or other traveling companion shall be reimbursable. With respect to the cost of lodging, the amount reimbursable to the employee will be equal to the rate of a single room.

Penalties and Charges Resulting from Cancellations. Penalties and charges resulting from the cancellation of travel reservations (including airline, hotel reservations, or conference registration) shall be the Department's obligation if the employee's travel has been approved in advance and the cancellation or change is made at the direction of and/or for the convenience of the Department. If the cancellation or change is made for the personal benefit of the employee, it shall be the employee's obligation to pay the penalties and charges. However, in the event of accidents, serious illness, or death within the employee's immediate family or other critical circumstances beyond the control of the employee, the Department may pay the penalties and charges.

The employee must provide written justification for the penalty or charge and attach to the expense reimbursement form. Financial Operations and the Chief of Staff or designee must approve the form.

Allowable Travel

Lodging.

Authorization

Written approval by the Department head or his or her designee must be obtained in order to qualify for reimbursement for overnight stays. Supervisory personnel certifying the reimbursement request as necessary and proper must require documentation from

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 5 of 22

DST POLICIES AND PROCEDURES

the traveler to substantiate that the overnight lodging was necessary and accomplished. The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station (vicinity) or home, whichever is less. The maximum allowable statutory rate (N.C.G.S. § 138.6) for lodging is \$65.90 for in-state and \$78.05 for out-of-state.

The payment of sales tax, lodging tax, local tax, or service fees applied to the cost of lodging is allowed in addition to the lodging rate and is to be paid as a lodging expense.

The employee may exceed the part of the ceiling allocated for lodging without approval for over expenditure provided that the total lodging and food reimbursement does not exceed the maximum daily subsistence for which the employee is eligible (according to time leaving and returning, etc.).

Excess Lodging

Excess lodging authorization for in-state, out-of-state, and out-of-country travel must be obtained in advance from the Department head or his or her designee. Excess lodging is allowed when the employee is in a high cost area and unable to secure lodging within the current allowance, or when the employee submits in writing an opinion that his or her personal safety or security is unattainable within the current allowance. Excess lodging authorization is not allowed for reason of convenience or personal preference for the employee. The employee may exceed the part of the ceiling allocated for lodging without approval from the Department head or his or her designee provided that the total lodging and food reimbursement does not exceed the maximum daily subsistence.

If the basis for the stay is that the employee is attending a conference or program at the facility or that it enables the employee to gain professional benefits due to the interaction with other attendees, this must be stated on the BDA form. This exception requires approval of the Department head or his or her designee.

Telephone During Travel

Telephone access fees for business calls are considered a miscellaneous expense. Telephone access fees for personal calls are only reimbursable if they comply with this policy [see Telephone Calls policy on page 21].

DST POLICIES AND PROCEDURES

Meals.

Authorization

Written approval by the Department head or his or her designee must be obtained in order to qualify for reimbursement for meals. Supervisory personnel certifying the reimbursement request as necessary and proper must require documentation from the traveler to substantiate that the payment for meals was necessary and accomplished.

The maximum allowable statutory rate (N.C.G.S. § 138.6) for meals is \$35.15 per day for in-state travel and \$37.50 per day for out-of-state travel.

The following schedule shall be used for reporting allowable subsistence expenses incurred while traveling on official state business:

	<u>In-State</u>	<u>Out-of-State</u>
Breakfast	\$ 7.75	\$ 7.75
Lunch	\$10.10	\$ 10.10
Dinner	\$17.30	\$19.65

Meal Reimbursement

Each employee is responsible for his or her own request for reimbursement. Tips for meals are included in the meal allowance. Each meal reimbursement rate must be listed on the reimbursement request. Times of departure and arrival must also be listed on the reimbursement request. The costs of meals included in other related activities (registration fees, conference costs, hotel registration, etc.) may not be duplicated in reimbursement requests. If requested, each employee may be reimbursed for breakfast even if their lodging establishment offers a free continental breakfast.

The Deputy Treasurer or designee approving reimbursement for meals is certifying that all state policies and regulations have been met and that meal costs are not duplicated.

Meals during Overnight Travel

A state employee may be reimbursed for meals including lunches, while on official state business when the employee is in overnight travel status. The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station (vicinity) or home, whichever is less.

DST POLICIES AND PROCEDURES

Meals during Daily Travel

Employees may be reimbursed for meals for partial days of travel when in overnight travel status and the partial day is the day of departure or the day of return. The following applies:

- Breakfast: Depart duty station prior to 6:00 a.m. and extend the workday by 2 hours.
- Lunch: Depart duty station prior to Noon (day of departure) or return to duty station after 2:00 p.m. (day of return).
- Dinner: Depart duty station prior to 5:00 p.m. (day of departure) or return to duty station after 8:00 p.m. (day of return) and extend the workday by 3 hours.

The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station (vicinity) or home, whichever is less.

Allowances cannot be paid to employees for lunches if travel does not involve an overnight stay; however, employees can be eligible for allowances for the breakfast and evening meals when the following applies:

- Breakfast: Depart duty station prior to 6:00 a.m., and extend the workday by 2 hours.
- Dinner: Return to duty station after 8:00 p.m., and extend the workday by 3 hours.
- The travel must involve a travel destination located at least 35 miles from the employee's regularly assigned duty station (vicinity) or home, whichever is less.
- Allowances for the breakfast and evening meals for employees working nontraditional shifts must have prior approval of OSBM.

Meals and Day-to-Day Activities

State employees may not be reimbursed for meals eaten in conjunction with a congress, conference, assembly, convocation or meeting, or by whatever name called, of the employees within a single state department, institution or agency, or between the employees of two or more state departments, institutions or agencies to discuss issues relating to the employee's normal day-to-day business activities.

DST POLICIES AND PROCEDURES

Meals for Required Employee Attendance

A state employee may be reimbursed for meals, including lunches, when the employee's job requires his attendance at the meeting of a board, commission, committee, or council in his official capacity and the meal is preplanned as part of the meeting for the entire board, commission, committee or council. Such board, commission, committee, or council must include persons other than the employees of a single state department, institution, or agency.

Meals and Commercial Air Travel

Employees are allowed to claim reimbursement for meals even though they are shown and offered as a part of one's flight schedule on a commercial airline.

Excess Meals

No excess reimbursement will be allowed for meals unless such costs are included in registration fees and/or there are predetermined charges, or the meals were for out-of-country travel. The Department head or his or her designee may grant excess subsistence for meals for out-of-country travel. Prior approval of a BDA Exception form is required.

Gratuities. Reimbursable gratuity or tips must be considered reasonable for items that are not already covered under subsistence. Excessive tips will not be reimbursed. A reasonable tip would be one that a prudent person would give if traveling or conducting personal business and expending personal funds.

For further guidance, the following information is provided when calculating a tip:

- Airports: Baggage Handling/Skycaps: no more than \$2 per bag; Shuttle Drivers: no more than \$2 per bag.
- Parking/Auto-Related: Valets: \$2 per car when collecting the car; Taxi Drivers: 15% of the fare and \$1-\$2 a bag.

Registration Fees. State law allows reimbursement of the actual amount of convention registration fees by a valid receipt or invoice [N.C.G.S. § 138-6(a)(4)].

Passport. Reimbursement for costs incurred in obtaining or renewing a passport may be made to an employee who, in the regular course of his or her duties, is required to travel overseas on

Section V: Financial Operations
Title: Accounting Operations
Chapter: Travel Policy and Regulations
Current Effective Date: September 27, 2009

Page 9 of 22

DST POLICIES AND PROCEDURES

official state business. Passport expenses are chargeable to the same fund that supports the employee's trip.

Common Carrier. Reimbursement for air, rail, or bus fare is limited to actual coach fare, substantiated by receipt. Reimbursement for check-in fees is limited to actual costs substantiated by receipt.

Transportation by International Flights

Employees traveling internationally on overseas flights may be reimbursed actual business class fare (substantiated by receipt) with prior approval of the department head or his or her designee.

Frequent Flyer Miles

Frequent flyer miles earned by a state employee while traveling on state business at state expense are the property of the State. Frequent flyer miles accumulated by an individual state employee during previous state business trips should, to the extent possible, be used by the state employee accumulating the frequent flyer miles while traveling on future state business trips.

Coupons or Certificates for Reduced Air Fare

Coupons or certificates for reduced air fare if acquired by a state employee while traveling on state business at state expense are the property of the State and should be used, to the extent possible, by the state employee on future State business trips.

Fees and Service Charges

With sufficient justification and documentation and with approval of the Department head or his or her designee, state employees can be reimbursed for usual, customary, and reasonable fees and service charges imposed by travel agents for assistance in making travel arrangements. The Financial Operations Division must approve payment of fees and service charges when the above conditions are met prior to travel arrangement confirmation.

Personal Vehicle. Actual mileage is reimbursable. Mileage is measured from the closer of duty station or point of departure to destination (and return). The business standard mileage rate set by the Internal Revenue Service (55 cents per mile effective January 1, 2009) will be paid.

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 10 of 22

DST POLICIES AND PROCEDURES

Parking fees, tolls, and storage fees are reimbursable when the required receipts are obtained. A state employee shall be reimbursed the business standard mileage rate set by the Internal Revenue Service when using their personal vehicles for state business when the round trip does not exceed 100 miles and when a state-owned vehicle is not available. However, if a state employee chooses to use a personal vehicle when a state-owned vehicle is available, the Department will reimburse the employee at the motor fleet rate for mileage of 33 cents per mile.

Rental Vehicles. Rental vehicles may be used; however, rental vehicles are not to be used at state expense solely for the convenience or personal preference of the employee. A receipt is necessary for reimbursement.

Rental vehicles may be used via the state contract with Enterprise Rent A Car (Enterprise). Each division will have a customer number provided by Enterprise. Optional insurance coverage is not reimbursable for travel. Rental vehicles are covered under the state auto insurance program when a state employee rents a vehicle in the scope and course of employment.

In-State (Raleigh Area/Duty Station)

The employee must provide the customer number in order to rent a vehicle from Enterprise. The employee utilizing Enterprise services in the Raleigh area must provide documentation (stamped FM-2 form) to the Financial Operations Division from Motor Fleet Management (MFM) indicating "no state vehicle was available". No BDA will be required if the employee attaches the documentation from MFM to the Enterprise invoice.

In-State (Outside the Raleigh Area/Duty Station)

Applies to HWTFC employees only: Employees having no access to MFM and/or the state car assigned to the division is unavailable, the employee may utilize a rental vehicle from Enterprise. No BDA will be required if the employee attaches a statement from the Division Director (or his/her designee) indicating "no access to MFM and/or the state vehicle assigned to the Division was not available" to the Enterprise invoice.

Outside of North Carolina

Rental vehicles may be used when approved in advance (via BDA Exception form) by the Chief of Staff or designee and substantiated by receipt (Enterprise Rent A Car or the most economical rental vehicle service available if an Enterprise rental vehicle is unavailable).

Section V: Financial Operations
Title: Accounting Operations
Chapter: Travel Policy and Regulations
Current Effective Date: September 27, 2009

Page 11 of 22

DST POLICIES AND PROCEDURES

A BDA should be inclusive of all charges to be incurred with the associated expenses. Optional insurance coverage is not reimbursable for travel. When signing the rental contract, decline all optional insurance products as they are included under the state auto insurance program.

Enterprise will direct bill for in-state rental vehicles only. The employee will be reimbursed when utilizing rental vehicles when traveling out-of-state and out-of-country with a receipt and approved BDA Exception form. Invoices from Enterprise will include 8% highway use tax, 3% gross receipt tax, and 5% triangle transit tax.

Enterprise Rates and Guidelines

Please refer to the North Carolina Department of Administration's website: www.doa.state.nc.us/pandc/975a.pdf and the Enterprise Rent A Car's website: www.enterprise.com.

Compact or intermediate class rentals must be selected for one passenger. The standard class rental may be selected for two or more passengers. All other class rentals must be justified and approved in advance. Unlimited mileage is available on some car classes.

Airport Rates

The state contract should be utilized at all Enterprise locations for airport travel in the United States. Please utilize customer number **NC53065** for all rental vehicles at airports across the United States to receive the contracted rate.

Returning the Vehicle

Refuel the vehicle before returning to the Enterprise office to avoid higher gas option charges. If you wish to return the vehicle after operating hours you may leave the keys inside the key drop box located in front of their rental office.

Making a Reservation

You have several options when making a reservation with Enterprise:

DST POLICIES AND PROCEDURES

- Visit www.enterprise.com to make a reservation. In the reservation screen, use your designated billing customer number to receive the contracted rates. The customer number is NC53065 and PIN number is NCD. This is a specific billing customer number for Department of State Treasurer employees only.
- Call 1-800-RENT-A-CAR and provide the customer service representative with the customer number.
- Call local Enterprise branch directly. This is the option that should be used if a free pick up is needed. Please contact your Division's Travel Coordinator, Enterprise website or contact personnel from Enterprise for a list of all Enterprise locations. You will find that numerous locations are close to where you live and will be extremely convenient. You may also park your personal car at these locations when picking up a vehicle (airport offices are the exception to this rule).

Billing

Your billing customer number must be provided to have the rental direct billed (contact division representative) for in-state travel only.

Road Side Assistance

Road side assistance is provided free of charge for all renters. Please call 1-800-RENT-A-CAR for this option.

Contact Personnel at Enterprise

Mat Mayhew, Regional Corporate Sales Manager
(919) 657-8927

Contact Purchasing with Availability/Vendor Issues

Cindy Wood, DST Purchasing Agent
Cynthia.wood@nctreasurer.com
919-508-5958

Transportation by State Vehicle. Procedures for obtaining and using state vehicles owned by the Division of Motor Fleet Management (Department of Administration) are set out in the Rules and Regulations provided by that division. Every individual who uses a permanently assigned state-owned passenger motor vehicle, pickup truck, or van to drive between his official

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 13 of 22

DST POLICIES AND PROCEDURES

workstation and his home, shall reimburse the State for these trips at a rate computed by the Department of Administration.

Non-state Employee Riders

Non-state employees may accompany state employees in state-owned vehicles when they have a business interest in the purpose of the trip and their presence is related to state business. Students of state universities, colleges, and institutions may be passengers in state-owned vehicles to attend athletic events and other activities officially sanctioned by the institution, provided the proper account is reimbursed at the standard mileage cost rate by the student activity fund involved. Spouses and children of state employees may accompany them in state-owned vehicles, if ample space is available and all travel is strictly for official state business [N.C.G.S. § 143-341.8(i)(7)]. Hitchhikers are not permitted to ride in state-owned vehicles.

Transportation by State Vehicle at Destination

At the employee's destination, state-owned vehicles may be used prudently for travel to obtain meals, but not for private purposes or for entertainment while off duty. No common carrier or public transportation fares are reimbursable on a trip on which an employee uses a state-owned vehicle, unless it is shown that such transportation was more economical in a particular situation.

Commuting. No reimbursement shall be made for the use of a personal vehicle in commuting from an employee's home to his duty station. (No mileage reimbursement is allowed to employees on "call back" status. For the state's policy on compensation to employees on "call back" status see the State Personnel Manual.)

Travel To and From Airport.

Employee's Duty Station

Reimbursement for travel between the employee's duty station or home (whichever is less) and the nearest airline terminal (or train/bus station if applicable) and for parking may be made under the following circumstances. For travel by:

- Taxi or Airport Shuttle: Actual costs with receipts.

DST POLICIES AND PROCEDURES

- Private Car: The business standard mileage rate set by the Internal Revenue Service for a maximum of two round trips with no parking charge, or for one round trip with parking charges. Receipts are required for airport parking claims.
- Use of Public Transportation: In lieu of using a taxi or airport shuttle, employees can be reimbursed without receipts: \$5 for each one-way trip from the airport to hotel/meeting or from the hotel/meeting to the airport or the actual cost of the travel with the submission of receipts.

Employee's Destination

Reimbursement for travel to and from the airline terminal (or train/bus station if applicable) at the employee's destination may be made where travel is via most economical mode available as listed below:

- Taxi or Airport Shuttle: Actual costs with receipts.
- Rental Vehicles: May be used with the prior approval of the Department head or his or her designee; however, rental vehicles may not be used for the sole convenience of the employee (receipt required). See rental vehicle policy.
- Use of Public Transportation: In lieu of using a taxi or airport shuttle, employees can be reimbursed without receipts: \$5 for each one-way trip from the airport to hotel/meeting or from the hotel/meeting to the airport or the actual cost of the travel with the submission of receipts.

Parking. Parking expenses are reimbursable while in the course of conducting official state business as long as such expenses are determined reasonable and clearly show that there was care taken to keep the costs to the State as low as possible. Any parking rates considered excessive and only for the convenience of the traveler will not be reimbursable. For example, excessive or inappropriate parking would be the use of an airport's hourly parking lot for an overnight trip.

Travel Involving Trips Other Than To and From the Airport . The actual cost of taxi and shuttle service fares (receipt required) is reimbursable when required for travel on official state business. The request must be documented with a receipt. The use of public transportation is reimbursable for actual costs with a receipt.

Authorization for Out-of-Country Travel. All out-of-country travel must be authorized by the Chief of Staff or his or her designee.

Out-of-country travel status begins when the employee leaves the country and remains in effect until the employee returns to the country. If the employee and other qualified official travelers use hotel and meal facilities located outside North Carolina, but within the continental

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 15 of 22

DST POLICIES AND PROCEDURES

United States, immediately prior to and upon returning from out-of-country travel but during the same travel period, out-of-state subsistence rates shall apply.

State Officials

From time to time, state officials, both elected and appointed, attend functions or meetings that are political in nature. The following policies are intended to be guidelines for the payment of state funds for travel and subsistence costs surrounding the attendance of state public officials at political functions or meetings.

Travel Related to a Political Function. No state funds may be used to pay travel and/or subsistence costs for a state official while attending a political function or meeting. In the event, a state-owned aircraft is used, the reimbursement rate will be the actual operating cost rate per flight hour. If a state-owned vehicle is used, the reimbursement rate to the State will be the motor pool rate.

Travel Related to Official State Business that includes Political Function. If a trip includes both official state business and political functions or meetings, state funds may be used to pay up to one-half of the travel and/or subsistence costs. In the event that a state-owned aircraft is used, the cost to the State will be charged at the regular rate per flight hour and the charge to a non-state source will be at the actual operating cost rate per flight hour. If a state-owned vehicle is used, the reimbursement rate to the State will be the motor pool rate.

All Other Travel. Travel reimbursement policies and regulations for all other travel for state officials is the same as for state employees.

Members of State Boards, Commissions, Committees, and Councils (Other Than Licensing Boards of the General Assembly)

Per Diem. Pursuant to N.C.G.S. § 138-5(a)(1), non-state employees who are members of state boards, commissions, committees, and councils shall receive \$15 per day of official service. State employees and members of all state boards, commissions, and councils whose salaries or any portion of whose salaries are paid from state funds shall receive no per diem compensation from state funds for their services. It is the responsibility of the fiscal officer of the board, commission, committee, or council to insure that such per diem compensation is not paid to state employees.

OSBM has clarified this to define "day of official service" as the day(s) that meetings are held. If members travel on days before or after the meeting, they may not receive per diem for the "travel only" days. For example:

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 16 of 22

DST POLICIES AND PROCEDURES

If a member of a board travels from Asheville to Raleigh on Wednesday for a board meeting on Thursday and returns on Friday, they would only receive per diem for Thursday (the day of the meeting).

Subsistence. Meal subsistence for non-state employee members of state boards, councils, commissions, or committees is a daily, lump-sum allowance payable per day of official service. The subsistence reimbursement for actual lodging expenses must be documented by a receipt of actual lodging expenses from a commercial establishment. Meals and lodging are to be reimbursed as follows:

- In-State Travel
 - \$35.15 for meals.
 - Actual expenses up to \$65.90 lodging documented by a receipt of actual lodging expenses for a commercial lodging establishment.
- Out-of-State Travel
 - \$37.50 for meals.
 - Actual expenses up to \$78.05 lodging documented by a receipt of actual lodging expenses for a commercial lodging establishment.
 - OSBM has clarified this to define "day of official service" as the day(s) that meetings are held. For the "travel only" days, they will be reimbursed in exactly the same manner as regular state employees.

Excess Subsistence. Authorization for excess expenses for in-state or out-of-state travel may be granted by the Department head or his or her designee (division director or board chairperson) when such costs are included in registration fees and/or there are predetermined charges.

Out-of-State Travel. Expenses for out-of-state travel on official business shall be reimbursed only upon authorization obtained in the manner prescribed by regulations governing out-of-state travel for state employees.

Meetings. Refreshments, i.e., coffee, soft drinks, cookies, doughnuts, may be served at official board meetings. Reimbursement may be paid from state funds for actual cost not to exceed \$4.50 per member and required staff, per meeting per day. "Required staff" shall be defined as an employee who, in the regular course of his duties, is expected to attend the meeting and any other employee whose presence is necessary to accomplish a purpose of the meeting.

Transportation. Transportation policies and regulations are the same as for those for state employees, except that a mileage reimbursement rate set by any other law by reference to N.C.G.S. § 138-6(a)(1) is established at 33 cents a mile, not the IRS rate.

DST POLICIES AND PROCEDURES

Subsistence of State Employees serving as Board Members. As allowed under N.C.G.S. § 138-6, a state employee who is a member of a state board, commission, committee or council that operates from funds deposited with the State Treasurer, may be reimbursed for actual cost of any meal (including lunch) eaten while on official state business if the meal is preplanned as part of the meeting for the entire board, commission, committee, or council. However, when an overnight stay is required, the state employee is limited to a daily reimbursement as follows:

- In-State Travel
 - \$35.15 for meals.
 - Actual expenses up to \$65.90 lodging documented by a receipt of actual lodging expenses for a commercial lodging establishment.
- Out-of-State Travel
 - \$37.50 for meals.
 - Actual expenses up to \$78.05 lodging documented by a receipt of actual lodging expenses for a commercial lodging establishment.

No Overnight Stay. When an overnight stay is not required, the state employee is allowed actual cost of any meal (including lunch) eaten while on official state business if the meal is preplanned as part of the meeting for the entire board, commission, committee or council.

Other Meals. If the employee is eligible for reimbursement for any other meal, that reimbursement is limited by the same reimbursement amounts and regulations as those allowed for in-state and out-of-state travel by a state employee who is not a member of a state board, commission, committee, or council.

Members of the General Assembly Serving on State Boards, Commissions, Committees, and Councils

Per Diem Compensation. Pursuant to N.C.G.S. § 120-3.1, per diem compensation is not applicable.

Subsistence. A member of the General Assembly shall receive a subsistence allowance for meals and lodging at a daily rate (which is currently \$104) equal to the maximum per diem rate for federal employees traveling to Raleigh, North Carolina, as set out at 58 Federal Register 67959 (December 22, 1993), while the General Assembly remains in session, and, except as otherwise provided in this subsection when, with the approval of the Speaker of the House in the case of Representatives or the President Pro Tempore of the Senate in case of Senators, the member is: (1) traveling as a representative of the General Assembly or of its committees or commissions; or (2) otherwise in the service of the State.

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 18 of 22

DST POLICIES AND PROCEDURES

Excess Subsistence. A member who is authorized to travel, whether in or out of session, within the United States but outside of North Carolina may elect to receive, in lieu of the amount provided in the preceding paragraph, a subsistence allowance of \$26.00 a day for meals, plus actual expenses for lodging when evidenced by a receipt satisfactory to the Legislative Services Officer, not to exceed the maximum per diem rate for federal employees traveling to the same place, as set out at 58 Federal Register 67950-67964 (December 22, 1993) and at 59 Federal Register 23702-23709 (May 6, 1996).

Transportation. A member will receive a travel allowance at the rate equal to the business standard mileage rate set by the Internal Revenue Service whenever the member travels, whether in or out of session, as a representative of the General Assembly or of its committees or commissions, with the approval of the Legislative Services Commission.

Convention Registration. Convention registration policies and regulations are the same as for those for state employees.

Non-State Employees

Non-state employees may be those on official state business whose expenses are paid by the State and subject to state regulations, such as prospective professional employees, public school and community college employees, students on official state business, and attendants of handicapped state employees traveling on official state business (provided advance approval is obtained from Department head or designee). Non-state employees are not family members of state employees, students attending athletic events, student organization events (these should be paid from trust funds or fees levied to support these activities), or students traveling for their own academic purpose.

Non-state employees traveling on official state business whose expenses are paid by the State are subject to these regulations, including statutory subsistence allowances, to the same extent as are state employees. Travel expenses for members of a non-employee's family are not eligible to be paid by the State. No travel advances will be made to non-state employees.

Prospective Professional Employees. A Department head or his or her designee is authorized to approve reimbursement of transportation expenses of prospective professional employees visiting state departments for employment interviews. These expenses are limited to transportation and subsistence for 3 days (5 days if one is a Saturday) at the in-state rate. Excess lodging expenses may be approved by the Department head or his or her designee.

DST POLICIES AND PROCEDURES

Students. Students at state institutions who travel on official state business are reimbursed at the same extent as are state employees. All other student related travel must be paid from non-state funds supporting that particular organization or activity.

Attendants. Payment of travel and subsistence expenses (motel and meal costs) for attendants for handicapped employees while traveling on official state business may be reimbursed to the same extent as are state employees if advance approval is obtained from the Department head or his or her designee.

Telephone Calls

Long Distance. Employees are not allowed to charge long distance phone calls to the State for calls made of a personal nature, except as stated below. All long distance calls that are to be paid by the State are those made pursuant to the employee conducting official state business.

Reimbursement. Official phone calls are reimbursable under "Miscellaneous." Individual calls over \$5.00 must be identified as to point of origin and destination.

Allowable Personal Calls. An employee who is in travel status for two or more consecutive nights in a week is allowed one personal long distance telephone call for each two nights for which reimbursement to the employee may not exceed \$3.00 for each in-state call or \$5.00 for each out-of-state call. Documentation is required for reimbursement.

Employee Emergency Calls. Employees may use the state network system, state credit card, or may be reimbursed for a personal long distance call(s) if such call(s) is/are of an emergency nature as determined by the Department. An example is a call made when an employee calls home to inform someone that the travel period has been extended beyond original plans due to unforeseen reasons.

Mobile Telephones. Because mobile telephone charges (cellular and digital) are based on measured use, no personal calls should be made on mobile telephones except in case of emergency as determined by the Department. Mobile telephone calls to conduct official state business should only be used when more economical means of telephoning are not reasonably available.

If an employee uses his or her personal mobile telephone in conducting state business, the employee can be eligible for reimbursement. In order for the agency to reimburse the employee, the employee must indicate on his or her telephone bill the reimbursable calls, individuals called, and nature of calls and submit the telephone bill to their supervisor for approval. If the supervisor approves the calls as state business related, the agency will reimburse the actual billed cost of the call.

DST POLICIES AND PROCEDURES

Use of Telephone with Computer Hook-ups. Employees traveling on official state business needing to transmit data via their computers should use the most efficient manner available, including services available through the State's Information Technology Services (ITS) access such as air card and broadband services.

Exceptions

Any exception to the rules and regulations as herein stated in the State Budget Manual, except those expressly delegated, must be approved in advance by the Office of State Budget and Management.

DST POLICIES AND PROCEDURES

INDEX

Purpose and Authority	1
Policy (Employee Responsibility)	1
Travel Authorization	2
Travel Coordination.....	2
Authorization of Travel.....	2
Completing the BDA Form.....	2
Deputy Treasurer Responsibility	3
Supervisor Responsibility	3
Retaining the BDA Form	3
Reimbursement	3
Expense Reimbursement.....	3
Minimum Threshold	3
Reimbursement of Third Party Expenses	3
Third Party Payment Reporting.....	4
Speaking Engagements, Conferences and Advisory Board Meetings	4
Traveling with Spouse or Other.....	5
Penalties and Charges Resulting from Cancellations	5
Allowable Travel.....	5
Lodging	5
Meals	7
Gratuities	9
Registration Fees	9
Passport.....	9
Common Carrier	9
Personal Vehicle	10
Rental Vehicles	11
Transportation by State Vehicle.....	13
Commuting.....	14
Travel To and From Airport	14
Parking.....	15
Travel Involving Trips Other Than To and From the Airport	15
Authorization for Out-of-County Travel.....	15
State Officials	16
Members of State Boards, Commissions, Committees, and Councils	16
Members of the General Assembly Serving on State Boards, Commissions, Committees, and Councils	18
Non-State Employees.....	19
Telephone Calls	20
Exceptions	21

Section V:	Financial Operations
Title:	Accounting Operations
Chapter:	Travel Policy and Regulations
Current Effective Date:	September 27, 2009

Page 22 of 22

From: Zehner, Mark R. <ZehnerM@SEC.gov>
Sent: Wednesday, October 07, 2009 6:48 PM
To: Jay Chaudhuri
Subject: Re: Confidential: Response

Jay:
I have all nine pages. Thanks!
Mark
Sent from BlackBerry Wireless Handheld.

From: Jay Chaudhuri
To: Zehner, Mark R.
Cc: Pam Wortham
Sent: Wed Oct 07 13:27:35 2009
Subject: Confidential: Response
Mark:

In response to your email, please find the new travel reimbursement policy attached. I have also asked Pam Wortham, our Chief Financial Officer, to respond directly to request #1. In addition, I will provide the supplemental Statement of Economic Interest (SEI) form which set outs the 13 trips in 2009 you are inquiring about. As background, our office requested an informal advisory opinion from the State Ethics Commission about whether such trips should be disclosed on the SEI form in August. They have determined that such trips should be disclosed as so-called "scholarships." The supplemental SEI form reflects these disclosures. A policy is attached. Of those 13 trips, not all of them are third-party reimbursements. Some of them are from organizations such as the World Pension Forum which paid for the trip . Therefore, you should expect less than 13 contracts as a response to #3.

As always, I'm available if you have additional questions.

Sincerely,

Jay J. Chaudhuri
General Counsel & Senior Policy Advisor
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385
(919) 508-5176 (phone)
(919) 508-5167 (fax)
www.nctreasurer.com

From: Zehner, Mark R. [<mailto:ZehnerM@SEC.gov>]
Sent: Tuesday, October 06, 2009 5:09 PM
To: Jay Chaudhuri
Subject: Request for Documents in Certain Public Pension Fund Activities (P-1603)

Jay:

As a follow-up and supplement to my original request for information dated May 12, 2009 in the above-referenced investigation, please provide to me the following:

- 1) a spreadsheet or similar record of travel conducted by Patricia Gerrick, CIO of the North Carolina State Treasurer's Office for the years 2006 through 2009, including for each trip: (a) the purpose of that trip, (b) any travel expenses reimbursed by a third party, and (c) the name of the third party paying that reimbursement;
- 2) any travel reimbursement policies recently instituted by the State Treasurer; and
- 3) for each of the 13 trips in 2009, the associated contracts with investment managers that contain the relevant travel reimbursement provisions.

I would appreciate it if you could get to me items 1 and 2 as soon as possible. I appreciate that assembling the contracts described in item 3 will take more time, particularly given that I would like the full contracts, including any amendments, modifications, or supplements thereto. Could you assemble those in a week, such that I could receive them by Wednesday of next week? Thanks!

Mark R. Zehner
Regional Municipal Securities Counsel
US Securities and Exchange Commission
701 Market Street, Suite 2000
Philadelphia, PA 19106
(215) 597-5885 (fax)
(215) 597-2936

From: Jay Chaudhuri
Sent: Thursday, October 08, 2009 10:41 AM
To: Zehner, Mark R.
Subject: PDF SEI 17 Gerrick

Mark:

Please find the 2009 SEI, as discussed.

Jay



DOC100709-001....

North Carolina State Ethics Commission
Supplement to Statement of Economic Interest ("SEI")

Name of Person Filing Supplement:

PATRICIA GERRICK

Name of Agency or Board:

Dept of STATE Treasurer

Date(s) of SEI Supplement:

9/3/09

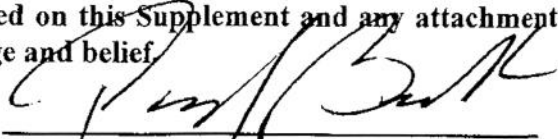
17. During the preceding year (but only the time period after you were appointed, employed, or filed or were nominated as a candidate), have you accepted a "scholarship" (a "grant-in-aid to attend a conference, meeting, or similar event") from a person or group of persons acting together and that was related to your public position? If so, and the value of that scholarship exceeds \$200 and was given by donor(s) *outside North Carolina*, please provide the following information.

► Do not report gifts that have previously been reported by you to the Department of the Secretary of State on the "Expense Report for Exempted or Persons Not Covered."

Date of Scholarship	Name and Address of Donor(s)	Describe Event	Estimated Market Value
2/6/08 - 2/7/08	Francisco SFCA Los Angeles, CA	Advisory Bd /	508.88
2/7 - 2/8/08	Angelino	Advisory Board	1215
3/4 - 3/6/08	Angelo Gordon New York	Advisory Board	1000.00
3/27/08	W L ROSS New York	Advisory Bd	359.00
3/31/08 - 4/2/08	Quinrena Houston, TX	Advisory Bd	1083.46
4/22/08 - 4/23	Warburg Pincus New York, NY	Advisory BA	248.80
5/14 - 5/15/08	Horsely Budy SAN Francisco CA	Annual Meeting	600.00
6/10 - 12/08	Emerging Managers New York	Conducts / Speaker	800.00
7/14 - 7/16/08	IFE SACRAMENTO	Seminar	

Oath or Affirmation

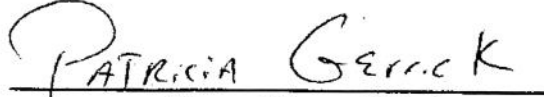
I hereby swear or affirm, under penalty of perjury and other penalties established by North Carolina law, that I have read this Supplement to Statement of Economic Interest and any attachments thereto and that the information provided on this Supplement and any attachments is true, correct, and complete to the best of my knowledge and belief.



Signature of Person Filing

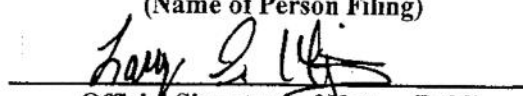
STATE OF NORTH CAROLINA
COUNTY OF Wake

Signed and sworn to or affirmed before me this day by



(Name of Person Filing)

Date: 9/13/09
(Official Seal)



Official Signature of Notary Public

Notary's printed or typed name: Larry S. Hurwitz

My Commission Expires: 11-25-09

Amended Per Treasurer Council Directive

North Carolina State Ethics Commission
Supplement to Statement of Economic Interest ("SEI")

Name of Person Filing Supplement:

PATRICIA GERRICK

Name of Agency or Board:

Dept of STATE Treasurer

Date(s) of SEI Supplement:

9/3/09

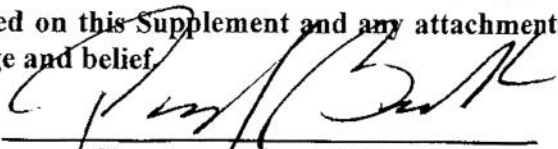
17. During the preceding year (but only the time period after you were appointed, employed, or filed or were nominated as a candidate), have you accepted a "scholarship" (a "grant-in-aid to attend a conference, meeting, or similar event") from a person or group of persons acting together and that was related to your public position? If so, and the value of that scholarship exceeds \$200 and was given by donor(s) *outside North Carolina*, please provide the following information.

► Do not report gifts that have previously been reported by you to the Department of the Secretary of State on the "Expense Report for Exempted or Persons Not Covered."

Date of Scholarship	Name and Address of Donor(s)	Describe Event	Estimated Market Value
2/6/08 - 2/7/08	Francisco SFTA Los Angeles, CA ↓	Advisory Bd /	508.88
2/7 - 2/8/08	Angelino	Advisory Board	1215
3/4 - 3/6/08	Angelo Gordon New York	Advisory Board	1000.00
3/27/08	W L ROSS New York	Advisory Bd	359.00
3/31/08 - 4/2/08	Quinana Houston, TX	Advisory Bd	1083.46
4/22/08 - 4/23	Warburg Pincus New York, NY	Advisory BA	248.80
5/14 - 5/15/08	Horsely Brady SAN Francisco CA	Annual Meeting	600.00
6/10 - 12/08	Emerging Managers New York	Coordinator / Speaker	800.00
7/14 - 7/16/08	IFE Sacramento	Seminar	

Oath or Affirmation

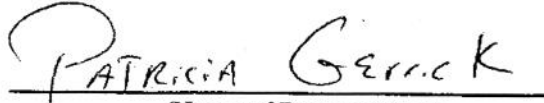
I hereby swear or affirm, under penalty of perjury and other penalties established by North Carolina law, that I have read this Supplement to Statement of Economic Interest and any attachments thereto and that the information provided on this Supplement and any attachments is true, correct, and complete to the best of my knowledge and belief.



Signature of Person Filing

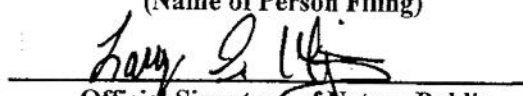
STATE OF NORTH CAROLINA
COUNTY OF Wake

Signed and sworn to or affirmed before me this day by



(Name of Person Filing)

Date: 9/13/09
(Official Seal)



Official Signature of Notary Public

Notary's printed or typed name: Larry S. Hurwitz

My Commission Expires: 11-25-09

Amended Per Treasurer Cowell Directive

From: Jay Chaudhuri
Sent: Wednesday, October 14, 2009 12:17 PM
To: Zehner, Mark R.
Subject: Attorney-Client Privilege: Recent News Articles

Mark:

As mentioned, here are some additional articles.

Jay

New Questions Surround Ousted Treasury Official And Fund Managers- October 12, 2009

Carolina Journal

North Carolina's pension fund has invested \$225 million since 2007 in Horsley Bridge Partners, a San Francisco investment firm where — according to the state's former chief investment officer — the spouse of a top executive is also an executor of the ousted state official's will.

The arrangement raises questions about the adequacy of disclosure requirements for treasury officials dealing with high-flying investment funds and other outside management firms.

The state paid almost \$1.5 million in management fees in 2007 and 2008 to Horsley Bridge Partners. A managing director of the firm, Alfred Giuffrida, is married to Pamela Joyner, who is mentioned in the Durham County property records of former Deputy State Treasurer Patricia Gerrick.

Gerrick's 2006 mortgage mentions a 2005 trust "for the benefit" of Joyner and three other people. Gerrick owns her home at 4723 Knights Arm Drive in Durham as trustee of the Patricia A. Gerrick 2005 Revocable Trust, according to the warranty deed.

Gerrick, who was fired from her job last month, said she didn't see any potential conflict in the arrangement.

"It's not for her [Joyner's] benefit," Gerrick said. "She and about three other people are the executors of my will. She's not getting any money from me, and I'm not getting any money from her."

State Treasurer Janet Cowell, who took office in January, hasn't said why Gerrick was fired, though documents released in an open records request filed by Carolina Journal and other media organizations show that **Cowell** terminated Gerrick after "a review of various agency records" and "other concerns."

Joyner and Giuffrida did not return repeated phone calls.

James Cox, a law professor at Duke University, said the relationship between Gerrick and Joyner raises questions.

"It certainly is something that raises eyebrows and needs explaining," Cox said. "I find that very curious."

The state's \$225 million investment in Horsley Bridge Partners since 2007 is the sixth-largest investment among the 30 different private equity companies it's invested in over that time.

Joyner also works for Avid Partners, which was the placement agent that helped arrange a \$150 million investment in 2005 from the state pension fund in a fund run by Apollo Investment Management.

Placement agents have been involved in an alleged kickback scandal in New York involving the Empire State's pension fund, and the U.S. Securities and Exchange Commission is considering banning investment firms from paying placement agents to get government business.

In an e-mail, Gerrick said the use of Avid Partners as placement agent followed due-diligence policies in effect at the time.

Heather Franco, a spokeswoman for **Cowell**, said in a statement that "this administration has never used placement agents and has put into place policy that requires full disclosure of the use of placement agents by fund managers."

Gerrick did not disclose her relationship with Joyner as a potential conflict of interest in the statements she filed with the State Ethics Commission. But Gerrick said **the treasurer's office** knew about her relationship with Joyner.

"I fully disclosed my relationship with Pamela Joyner to the treasurer," Gerrick said.

Richard Moore, the previous state treasurer who hired Gerrick in 2004 and backed a bill last year in the General Assembly boosting her salary to \$340,000, did not return a phone call. Moore now works for the San Diego-based firm Relational Investors. An employee with Relational Investors said Moore did not want to comment.

Cowell's spokeswoman **Franco** said Gerrick's relationship with Joyner was "not something that we can speak to" because it is not required to be disclosed on statements Gerrick filed with the State Ethics Commission.

Cox, the Duke law school professor, said that if the state's ethics laws do not require relationships such as Gerrick's to be disclosed, "That shows you the general weaknesses that we have in North Carolina about the disclosures."

Horsley Bridge, founded in 1983, invests in venture capital and other opportunities and manages more than \$6.6 billion in assets. Giuffrida has worked at Horsley Bridge since 1995. Joyner, who married Giuffrida in 2004, helped found Avid Partners, which advises private equity firms. She has been on the board of Dartmouth College and the San Francisco Ballet Association and has an MBA from Harvard.

In 2008, Joyner donated \$4,000 to Cowell's campaign. She also made a donation in Gerrick's honor to the SECU Family House, a Chapel Hill nonprofit where Gerrick served on the board.

"I have no financial relationship with Pamela Joyner in any form or fashion," Gerrick said. "She is someone who I trust."

The other people mentioned in Gerrick's mortgage are Mary Drummer, Terry Grimes, and Allison Grant Williams.

Gerrick attended an annual limited partners meeting held by Horsley Bridge over three days in May 2008 at the Calistoga Ranch, a luxury resort in Napa Valley, Calif. Gerrick was reimbursed \$665.75 by the department, including \$486 for airfare and \$70.75 for meals on the trip.

Horsley Bridge paid for her stay at the resort, which Gerrick valued at about \$600, according to state records. The Web sites for Calistoga Ranch and the nearby Solage Resort, which also housed attendees at the meeting, indicate that nightly room rates at Calistoga Ranch start at \$550 and go as high as \$2,200. Rooms at Solage Resort range from \$405 to \$875 a night. Meals are not included in lodging expenses.

Ex-investment officer defends her ties to fund managers- October 12, 2009

WRAL

The woman who until last month oversaw investments for North Carolina's \$56 billion public pension fund said Monday that her friendships with fund managers benefited the state.

State Treasurer Janet Cowell fired Patricia Gerrick as the state's chief investment officer. No reason for the termination has been disclosed.

Questions about ties between the **Treasurer's Office** and investment fund managers have come to light recently because of a "pay-to-play" investigation in New York's state pension fund

A former political power-broker and an investment executive have pleaded guilty in New York to accepting kickbacks from investment firms doing business with that state's public pension fund. Because of the scandal, the Securities and Exchange Commission is considering beefing up limits on contributions from people doing pension business with states.

A month before last year's election, **Cowell** received a \$4,000 check from Pamela Joyner, the founder of investment firm Avid Partners. Records show the firm was paid as a "placement agent" for lining up a state pension contract in 2005.

Joyner and her husband, Fred Giuffrida, are longtime friends of Gerrick.

In 2007, Giuffrida's investment firm, Horsley Bridge, was contracted to handle \$225 million in state pension money for a \$1.5 million fee.

Gerrick said her friendships helped the state.

"My relationship with Pam helped me get access to a very good investment for North Carolina," she told WRAL News.

She also said she fully disclosed her relationship with Joyner and Giuffrida to former Treasurer Richard Moore.

The State Employees Association of North Carolina, which has pushed to spread control of the pension to several advisers, questions the links between the Treasurer's Office and fund managers.

"This is just another example of the disturbing relationships between the **Treasurer's Office** and investment fund managers. No politician (or) their appointees should have sole control over a \$56 billion pension fund," said Ardis Watkins, SEANC's legislative director.

Cowell last month implemented new ethics guidelines for the **State Treasurer's Office**, requiring all employees to disclose any payments made to placement agents for helping pension managers find funds in which to invest.

From: Ferlauto, Richard C. <FerlautoR@SEC.GOV>
Sent: Monday, April 19, 2010 3:19 PM
To: Ferlauto, Richard C.
Cc: Ferlauto, Richard C.
Subject: Help with the SEC proxy voting education effort
Attachments: Proxy voting effort article 4-19 update.doc

Hello,

We are in the first half of proxy season but it is not too late to education your members and plan beneficiaries about the importance of voting proxies for the stocks that they may own as individuals. If you have not done so already this email contains a few steps you can take. Please see the attached and/or consider linking your member website to <http://www.sec.gov/spotlight/proxymatters.shtml>

Pension Systems important partners for investor education:

Help increase proxy voting among members

The Securities and Exchange Commission is working to increase the number of individual investors who vote their proxies in corporate elections. To help maximize this effort the Commission's Office of Education and Advocacy is reaching out to pension funds, and other market players, for support educating their plan participants, who often also are retail investors, about the value of proxy voting. This effort comes as companies and shareholders gear up for corporate elections at annual meetings usually scheduled between late March and June during what has become known as the proxy season.

<<Proxy voting effort article 4-19 update.doc>>

Regards,

Rich

Richard Ferlauto

Deputy Director, Policy

Office of Investor Education and Advocacy

Securities and Exchange Commission

Mail Stop 2551

100 F Street, NE

Washington, DC 20549

ferlautor@sec.gov

phone 202 551 4658

mobile 202 257 0012

Pension Systems important partners for investor education: Help increase proxy voting among members

The Securities and Exchange Commission ~~is working to~~ has launched an educational program to increase the number of individual investors ~~voting~~ who vote their proxies in corporate elections. To help maximize this effort the Commission's Office of Education and Advocacy is reaching out to pension funds, and other market players, for support educating their plan participants, who often also are retail investors, about the value of proxy voting ~~in corporate elections.~~ This effort comes as companies and shareholders gear up for their corporate elections at annual ~~shareholder~~ meetings usually scheduled between late March and June during what has become known as the proxy season.

While institutional investors such as pension funds and welfare trusts have a fiduciary obligation established by ERISA to vote their proxies and engage in corporate governance, voting by individuals is purely a voluntary matter. In the past individual investors have had relatively low participation rates in the proxy process because many thought that either their votes would not make a difference or brokers would cast their votes.

~~While individual investors have no obligation to vote, voting may help affect the company's bottom line, send a message to directors about executive pay or signal a concern that shareholders have about a particular issue.~~

Role of Corporate Governance

Even though individuals are not required to vote their proxies it is important to be an engaged investor. SEC Chairman Mary L. Schapiro says that "Investor participation in elections at companies they own is critical to effective corporate governance."

~~While individual investors have no obligation to vote, voting may help affect the company's bottom line, send a message to directors about executive pay or signal a concern that shareholders have about a particular issue.~~

Role of Corporate Governance

~~Investor participation in the elections of companies they own is critical to effective corporate governance. Corporate governance establishes a system of accountability among shareholders, directors and managers through rules and regulations, the corporate charter and bylaws, formal policies, and customs. Shareholder activists often cite the failure of corporate governance as a root cause of the recent financial crisis when pay was not related to performance and risk management was not properly monitored.~~

New Voting Rules in Place

~~Recent changes to the voting rules for the election of directors have increased the importance of voter participation. Last year, the Commission approved a change to the~~

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New York Stock Exchange rule that previously allowed brokers the discretion to vote shares held in customer accounts in an uncontested election of directors without receiving voting instructions from those customers. Now, brokers can only vote those shares in elections at companies if they are instructed by their customers. The rule change does not affect mutual funds so that brokers continue to vote these shares if they do not hear from their clients.

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In the past the uninstructed broker vote averaged about 15 percent of total votes cast in director elections at large companies. These votes had little impact on the outcome of elections because of the widespread use of plurality voting standards. The expansion of the majority voting standard for the election of directors—requiring directors to receive a majority of affirmative votes cast even if they have no opposition in order to be elected—along with anticipated rule making that will allow shareholders access to the proxy for their director nominees in elections means that voting by even small investors could have a large impact. Many elections are now close so every vote counts.

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Web delivery of proxy information

As the delivery of proxy materials has migrated from paper mailings to web-based electronic formats, voting participation has fallen off. A few years ago a new rule, known as e-proxy, allowed permitted proxy materials to be delivered to shareholders over the web. These e-proxy rules allowed companies to send a one-page “notice” to shareholders explaining that the materials could be “accessed” electronically instead of mailing a full package containing a proxy card, annual report and proxy statement. Increasingly companies have moved to this mode of proxy dissemination because it saves on mailing and reproduction expenses and is good for the environment.

As the delivery of proxy materials migrated from paper mailings to web-based electronic formats, voting participation fell off. However, with e-proxy in place less than 20% of all individual shareholders voted in annual elections in 2009 according to Broadridge and voting participation fell even further to about 5 percent among investors that received e-proxy notifications about internet materials according to Broadridge, the major proxy services provider.

The Commission took action when it recognized that the e-proxy system needed further reform to ensure that the voting franchise was preserved for investors who were not web savvy or did not have access to a computer.

So earlier this year the Commission issued updated e-proxy rules so that the proxy notices would be easier to understand by the average shareholder. The new rules clarify and provide additional flexibility to companies and shareholders relying on these “notices” to solicit votes from shareholders, including allowing explanatory or educational materials regarding the rules to be sent to shareholders. The notices also make clear that investors have a right to receive paper proxy materials if they so desire. The goal is ensure that all shareholders have the information and opportunity to exercise their voting rights in corporate elections.

How Pension Funds can help increase the retail proxy vote

Pension funds can play a key role increasing voter turnout by educating their members about proxy voting. The SEC is looking for educational partner opportunities with plans because ~~a~~As fiduciaries of retirement assets ~~you~~ pension systems ~~have~~ have the attention and trust of hundreds of thousands plan participants, who may be looking for non-biased information about the investment world.

Here are a few ways that ~~you can help pension systems~~ can get the words out about proxy voting:

- Provide a hotlink from your website to the SEC proxy matters resource page. These educational materials are housed on ~~our~~ the Proxy Matters page on the SEC web site on our Spotlight web pages on <http://www.sec.gov/spotlight/proxymatters.shtml>.
- ~~Spotlight web pages on SEC.gov~~. The web pages are organized in a layered Q and A format that explains the proxy voting system for retail investors in plain English in as much or as little detail as the user wants. The materials answer basic questions such as: What is a proxy? What is Corporate Governance? How can I get hard copies of proxy materials or find materials online? What is the difference between registered and beneficial ownership?
- Create a simple envelope stuffer for mailings that urge your members who own stock as individuals ~~to~~ vote their proxies and directs them to more detailed web based and traditional educational materials
- Contact the SEC Office of Investment and Advocacy ~~to~~ obtain bulk copies of paper brochures explaining the proxy process, ~~and/or~~ include proxy voting information in ~~financial/~~ investment literacy training sponsored by your fund.
- Disclosure and post your fund's proxy votes on your pension fund website so members are educated about how their own fund votes it proxies and uses corporate governance.
- ~~Link your web site to new online resources such as ShareOwners.org, Proxy Democracy and Moxy Vote, which are being specifically developed to help retail investors make informed proxy voting decisions~~

The SEC's Office of Investor Education and Advocacy is also available to provide additional information over the phone on proxy issues or other investment matters. The OIEA office can be reached at 1-800-SEC-0330 or [click here](#) learn more about the OIEA at ~~(~~.

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Pension Systems important partners for investor education:
Help increase proxy voting among members

The Securities and Exchange Commission ~~is working to~~ ~~has~~ ~~launched an educational program to~~ increase the number of individual investors ~~voting~~ who vote their proxies in corporate elections. To help maximize this effort the Commission's Office of Education and Advocacy is reaching out to pension funds, and other market players, for support educating their plan participants, who often also are retail investors, about the value of proxy voting ~~in corporate elections~~. This effort comes as companies and shareholders gear up for their corporate elections at annual ~~shareholder~~ meetings usually scheduled between late March and June during what has become known as the proxy season.

While institutional investors such as pension funds and welfare trusts have a fiduciary obligation established by ERISA to vote their proxies and engage in corporate governance, voting by individuals is purely a voluntary matter. In the past individual investors have had relatively low participation rates in the proxy process because many thought that either their votes would not make a difference or brokers would cast their votes.

While individual investors have no obligation to vote, voting may help affect the company's bottom line, send a message to directors about executive pay or signal a concern that shareholders have about a particular issue.

Role of Corporate Governance

Even though individuals are not required to vote their proxies it is important to be an engaged investor. SEC Chairman Mary L. Schapiro says that "Investor participation in elections at companies they own is critical to effective corporate governance."

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Role of Corporate Governance

~~Investor participation in the elections of companies they own is critical to effective corporate governance. Corporate governance establishes a system of accountability among shareholders, directors and managers through rules and regulations, the corporate charter and bylaws, formal policies, and customs. Shareholder activists often cite the failure of corporate governance as a root cause of the recent financial crisis when pay was not related to performance and risk management was not properly monitored.~~

New Voting Rules in Place

Recent changes to the voting rules for the election of directors have increased the importance of voter participation. Last year, the Commission approved a change to the

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New York Stock Exchange rule that previously allowed brokers the discretion to vote shares held in customer accounts in an uncontested election of directors without receiving voting instructions from those customers. Now, brokers can only vote those shares in elections at companies if they are instructed by their customers. The rule change does not affect mutual funds so that brokers continue to vote these shares if they do not hear from their clients.

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In the past the uninstructed broker vote averaged about 15 percent of total votes cast in director elections at large companies. These votes had little impact on the outcome of elections because of the widespread use of plurality voting standards. The expansion of the majority voting standard for the election of directors—requiring directors to receive a majority of affirmative votes cast even if they have no opposition in order to be elected—along with anticipated rule making that will allow shareholders access to the proxy for their director nominees in elections means that voting by even small investors could have a large impact. Many elections are now close so every vote counts.

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Web delivery of proxy information

~~As the delivery of proxy materials has migrated from paper mailings to web-based electronic formats, voting participation has fallen off. A few ago years ago a new rules, known as e-proxy, allowed permitted proxy materials to be delivered to shareholders over the web. These e-proxy rules allowed companies to send a one-page “notice” to shareholders explaining that the materials could be “accessed” electronically instead of mailing a full package containing a proxy card, annual report and proxy statement. Increasingly companies have moved to this mode of proxy dissemination because it saves on mailing and reproduction expenses and is good for the environment.~~

~~As the delivery of proxy materials migrated from paper mailings to web-based electronic formats, voting participation fell off. However w~~With e-proxy in place less than 20% of all individual shareholders voted in annual elections in 2009 according to Broadridge and voting participation fell even further to about 5 percent among investors that received e-proxy notifications about internet materials according to Broadridge, the major proxy services provider.

~~The Commission took action when it recognizedeased that the e-proxy system needed further reform to ensure that the voting franchise was preserved for investors who were not web savvy or did not have access to a computer~~

~~So E~~Earlier this year the Commission issued updated its e- proxy rules so that the proxy notices would be easier to understand by the average shareholder. The new rules clarify and provide additional flexibility to companies and shareholders relying on these “notices” to solicit votes from shareholders, including allowing explanatory or educational materials regarding the rules to be sent to shareholders. The notices also make clear that investors have a right to receive paper proxy materials if they so desire. The goal is ensure that all shareholders have the information and opportunity to exercise their voting rights in corporate elections.

How Pension Funds can help increase the retail proxy vote

Pension funds can play a key role increasing voter turnout by educating their members about proxy voting. The SEC is looking for educational partner opportunities with plans because ~~as~~ fiduciaries of retirement assets ~~you~~ pension systems ~~have~~ have the attention and trust of hundreds of thousands plan participants, who may be looking for non-biased information about the investment world.

Here are a few ways that ~~you can help~~ pension systems can get the words out about proxy voting:

- Provide a hotlink from your website to the SEC proxy matters resource page. These educational materials are housed on ~~our~~ the Proxy Matters page on the SEC web site on our Spotlight web pages on <http://www.sec.gov/spotlight/proxymatters.shtml>.
- ~~Spotlight web pages on SEC.gov~~ - The web pages are organized in a layered Q and A format that explains the proxy voting system for retail investors in plain English in as much or as little detail as the user wants. The materials answer basic questions such as: What is a proxy? What is Corporate Governance? How can I get hard copies of proxy materials or find materials online? What is the difference between registered and beneficial ownership?
- Create a simple envelope stuffer for mailings that urge your members who own stock as individuals -to vote their proxies and directs them to more detailed web based and traditional educational materials
- Contact the SEC Office of Investment and Advocacy to obtain bulk copies of paper brochures explaining the proxy process, ~~and/or~~ include proxy voting information in -financial/ investment literacy training sponsored by your fund.
- Disclosure and post your fund's proxy votes on your pension fund -website so members are educated about how their own fund votes it proxies and uses corporate governance.
- ~~Link your web site to new online resources such as ShareOwners.org, Proxy Democracy and Moxy Vote, which are being specifically developed to help retail investors make informed proxy voting decisions~~

The SEC's Office of Investor Education and Advocacy is also available to provide additional information over the phone on proxy issues or other investment matters. The OIEA office can be reached at 1-800-SEC-0330 or click here learn more about the OIEA at ~~(~~.

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