

Compliance activities “At-a-glance”

April-June, 2017



North Carolina
Total Retirement Plans

Vendor contract management and performance standards monitoring



- Recordkeeper met all performance standards
- Recordkeeper experienced fraudulent activity in 21 member accounts; Accounts have been made whole and improved security controls have been enabled. System is being monitored daily by the recordkeeper
- Custodian met all performance standards
- Investment consultant met all performance standards; SRP staff and the consultant continue contract revision and negotiations

Investment guidelines daily monitoring



- All investment managers are compliant with their respective guidelines
- N.C. House Bill 161 was signed into law on July 27, 2017. The Act requires state divestment from companies that boycott Israel. SRP, IMD and OST staff are in process of developing a project plan to address and implement the Act's legal requirements.

Corporate governance update



- The Department issued an Invitation to Bid (ITB) for a proxy advisor. Current vendor, Glass Lewis, will continue to provide these services.
- SRP Compliance Officer will be responsible for reviewing and submitting all SRP and all IMD proxy votes during 2018 proxy season and thereafter.

Investment manager trading error



- Macquarie Investment Management experienced a trading error on June 8 due to a misinterpretation of the quarterly rebalancing forecasting note. The financial impact to the Plans was \$69,787.86. SRP team met with the manager to discuss the error details and to ensure that additional controls were implemented to prevent such occurrence. The manager made the Plans whole.

Member complaints report



- The Plans' recordkeeper received a total of eight complaints. All were associated with the NC 401(k) Plan.
- All valid complaints were resolved by the recordkeeper and did not require escalation to SRP staff.

New policies and desktop guidelines project management



- Eight additional desktop guides and one new policy were identified and added to the project plan.
- SRP staff expects to provide a full report and a completed SRP Policy and Procedure Manual during the December Board meeting.

