



**DRAFT
MINUTES**

NORTH CAROLINA SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES

The regular quarterly meeting of the North Carolina Supplemental Retirement Board of Trustees was called to order at 9:00 a.m., March 21, 2018, by the Chair, State Treasurer Dale R. Folwell, CPA. The meeting was held in the Dogwood Conference Room of the Longleaf Building at 3200 Atlantic Avenue, Raleigh, NC 27604. The Chair indicated there would be a public comment period for organizations and individuals to address the Board of Trustees later in the agenda.

Members Present

The members present were: Treasurer Dale R. Folwell, CPA, Chair, Melinda Baran, Karin Cochran, Ron Copley, Gene Hamilton (by telephone), Heyward McKinney, Michael Lewis, and Robert Orr (by telephone).

Members Absent

No members were absent.

Guests Present

The following guests attended the meeting: Will Dillard and Kelly Henson from Mercer Investment Consulting. Michael McCann, Kelly Keen (by telephone), Aaron Koval, Kathleen Neville, Jessica Quimby (by telephone) from Prudential Retirement.

Department of State Treasurer Staff Present

The staff members present were: Mary Buonfiglio, Reid Chisholm, Joan Fontes, Patti Hall, Catherine Jarboe, Rekha Krishnan, Karah Manning, Loren de Mey, Maja Moseley, and Steve Toole.

Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest

The Chair asked, pursuant to the ethics rules, about conflicts of interest of board members. No conflicts of interest were identified by the members.

Approval of Minutes

The Chair entertained a motion to approve the minutes of the December 14, 2017, board meeting. Ms. Baran so moved and Mr. Lewis seconded; the motion passed unanimously.

Amendment of Investment Policy Statements

The Chair recognized Mr. Chisholm who described the primary changes to both the Plans' and the Program's Investment Policy Statements: selection of the age of 65 as default retirement age for GoalMaker moving forward; revised definition of "Default Investment Option;" amended GoalMaker model allocations and glidepath; addition of previously approved revised investment options and correction of index weighting in the NC Inflation Responsive Fund. A resolution incorporating these items was included in the meeting materials.

The Chair entertained a motion to accept all changes as presented. Ms. Cochran so moved and Mr. McKinney seconded. The motion passed unanimously and the resolution was adopted.

2017-18 Budget Update

The Chair recognized Ms. Buonfiglio who provided the quarterly budget update. Ms. Buonfiglio highlighted the revenue and the expenditures, and discussed the reserve, which is made up of a one- to two-year run rate of expenses invested in the NC Stable Value Fund. Ms. Baran asked if there would be a refund of administrative fees by the end of the year. Ms. Buonfiglio responded that the administrative fees are asset-based and therefore subject to changes in the market values of the Plans. However, Ms. Buonfiglio told the Board that staff would review the administrative fees. The Chair inquired whether state funds were used for the Plans' expenses and Ms. Buonfiglio replied in the negative. The Chair commended the Board and staff for efficient management of the Plans.

Plan Enhancements

The Chair recognized Ms. Jarboe, Ms. Buonfiglio and Ms. Manning. Ms. Buonfiglio directed attendees' attention to the presentation included in the meeting materials and highlighted the important changes impacting participants in the areas of investment line-up and GoalMaker asset allocation and model portfolio expansion. She stated that the goal of the enhancements is to simplify and make consistent the investment offerings across the Plans, smooth GoalMaker's glidepath in order to reduce the magnitude of change with rebalance, and to introduce passive management in the large cap space of GoalMaker.

The members discussed the addition and structure of the new age cohorts in GoalMaker, as well as the trading volume and fees associated with the new models. Ms. Buonfiglio presented the timeline of events for the June enhancements implementation.

Ms. Manning provided an overview of the communication efforts surrounding the timeline. She noted that the communications team utilized not only the Supplemental Retirement Plans channels but also leveraged the channels of the Retirement Systems Division. Ms. Manning also described the types of outreach in detail. Ms. Jarboe emphasized the careful and deliberate approach to communicating with members and employers, and the emphasis on making all aware that no action is needed, unless participants want to take action. She also noted the availability of retirement counselors to meet with the members in person if additional assistance is needed. Ms. Jarboe added that based on the trends, most members tend to choose not to take action, if none is required.

Board members requested a look at the participant communication pieces to better understand the member experience and Ms. Jarboe confirmed that the Board members will receive copies of the *Signature* newsletter and of participant letters moving forward.

Approval of Minutes

The Chair entertained a motion to approve the minutes of the February 21, 2018, Investment Subcommittee meeting. Ms. Baran so moved and Mr. Hamilton seconded; the motion passed unanimously.

Approval of Minutes

The Chair entertained a motion to approve the minutes of the February 26, 2018, Audit Subcommittee meeting. Ms. Baran so moved and Mr. Lewis seconded; the motion passed unanimously.

NC 401(K)/457(B) Plans 4th Quarter Investment Performance Report

The Chair recognized Ms. Henson and Mr. Dillard. Ms. Henson provided the investment managers' update and Mr. Willard discussed the market conditions and funds' performance. Ms. Henson added that the conclusion of the TimesSquare evaluation will be presented to the Investment Subcommittee at its scheduled May meeting.

NC 403(B) Program 4th Quarter Investment Performance Report

The Chair recognized Ms. de Mey who summarized the changes in the total Program assets, discussed the allocation of assets between actively and passively managed funds, and presented the performance report for the quarter. Overall, the funds saw strong performance throughout the year.

NC 401(k)/457(b) Plans and NC 403(b) Program 4th Quarter Administrative Report

The Chair recognized Mr. McCann who presented the highlights of the administrative report, including: GoalMaker utilization, enrollments and plan adoptions, breakdown of assets by Plan and average account balance. He noted that members who utilize the Retirement Income Calculator (as data shows) have, on average, a two percent higher deferral rate over those members who do not utilize the Retirement Income Calculator. Lastly, Mr. McCann provided the Call Service Center data.

Board of Trustees Comments

Mr. Toole noted changes to *myNC* Retirement Statement, formerly known as the Annual Benefits Statement. He added that an employee "Total Benefit Statement" will be rolled out in May for TSERS within ORBIT, and will include a costs associated with NC State Health Plan coverage. Mr. Toole encouraged board members interested in attending the 2018 NAGDCA Annual Conference in Philadelphia to reach out to Ms. Hall to make travel arrangements.

Public Comments

No public comments were offered.

Adjournment

Ms. Cochran made a motion to adjourn the meeting and Mr. Lewis seconded. The meeting adjourned at 10:31 a.m.

Chair

Secretary