

Compliance activities "at-a-glance"

April - June 2018



North Carolina
Total Retirement Plans
401k | 457 | 403b



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Vendor contract management and performance standards monitoring



- Recordkeeper met all performance standards
- Custodian met all performance standards with the exception of timely daily NAV transmission; credit of \$1,033 will be received in the 3rd quarter of the year
- Investment consultant met all performance standards
- Proxy advisor met all performance standards

Investment guidelines daily monitoring



- All investment managers were compliant with their respective guidelines
- The NC TIPS Fund guidelines were implemented; investment guidelines for the eliminated NC Global Equity Fund were removed from the monitoring system
- No prohibited holdings identified in applicable departmental divestment policies were held in the Supplemental Retirement Plans Group Trust portfolio during the quarter

Corporate governance update



- The departmental proxy voting policy was finalized and published on NCTreasurer.com
- IMD and SRP staff successfully concluded the voting process under the uniform guidelines during the 2018 proxy season

Policy update



- The NC General Assembly clarified that the fee-setting authority granted to the SRP Board extends to both Plans and the Program under the purview of the Board; proposed administrative rule will be presented to the Board in the 3rd quarter of the year
- SRP staff begun conducting annual reviews of relevant policies and desktop guides; the reviews are expected to conclude by November 30, 2018

Member complaints report



- The Plans' recordkeeper received a total of four complaints, which were attributed to service center performance; one complaint was invalid
- One of the four complaints was filed with the NC Department of Justice and related to a payment to a member's estate; satisfactory explanation of Plan rules has been provided to DOJ and the complainant. An escalated member complaint from the first quarter resulted in member's appeal filing with the Office of Administrative Hearings; the appeal is still under review.
- Two additional complaints were received by the staff directly and satisfactory explanations were provided to members

Multi-employer plan management



- The staff prepared a draft summary of findings for plan process review in the fiscal year 2018-2019; the summary aims to review and improve several processes impacting plan documents, subplans and member-facing processes; tentative review and implementation is scheduled to begin in 3rd quarter of the year

Vendor Performance Guarantees Report

Vendor	Measured	Fees at Risk	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Contractual Goal	2018 Results
BNY Mellon									
Unit Value Timeliness (daily unit value file provided to Administrator by 7:30 p.m. ET)	Daily	\$1033/mo	√	√	X \$1033 credit to be reflected in June 2018 invoice			No more than 1 late delivery per month	Standard not met; two files were provided late
Unit Value Accuracy (accurate unit value file provided to Administrator each day)	Daily	\$1033/mo	√	√	√			No more than 1 incorrect file per month	Standard met
NAV Report Timeliness	Monthly	\$525/mo	√	√	√			No later than 2nd business day after month end	Standard met
NAV Report Accuracy	Monthly	\$525/mo	√	√	√			No reports restated (due to custodial error) per month	Standard met
Performance Measurement Report Timeliness	Monthly	\$525/mo	√	√	√			No less than 98% timely delivery per month	Standard met
Performance Measurement Report Accuracy	Monthly	\$525/mo	√	√	√			No less than 98% accurate measurement per month	Standard met
Best and Final Offer Review	Custodian delivered all the services described in the final offer, as agreed upon by the Plans' management								
Prudential NC 401(k)/457(b)/403(b)									
Call Speed Center to Answer	Quarterly	\$20,000/yr	√	√	√			80% of calls answered within 20 sec	10 sec
Call Abandonment	Quarterly	\$10,000/yr	√	√	√			Less than 3%	0.30%
Statement Mailing Timeliness	Quarterly	\$10,000/qr	√	√	√			99% mailed within 10 business days after quarter end	Standard met
Website Availability	Annually	\$10,000/yr	√	N/A	N/A			Available at least 97.5% of the time on 24/7 schedule	2018 result to be reported in Q1 2019
Participant Satisfaction Survey	Annually	\$10,000/yr	√	N/A	N/A			94% of members respond "YES" to survey question	2018 result to be reported in Q1 2019
Contribution Processing Timeliness	Annually	\$10,000/yr	√	N/A	N/A			99% processed within 1 business day of receipt	2018 result to be reported in Q1 2019
Distribution Processing Timeliness	Annually	\$20,000/yr	√	N/A	N/A			99% processed within 2 business days	2018 result to be reported in Q1 2019

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Vendor Performance Guarantees Report

		Fees at Risk							
Vendor	Measured	(\$)	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018 Results	
Mercer									
Investment Policy Statement Development and Monitoring	Annually	Any material deficiencies will reduce the fee by \$5,000 for the next calendar quarter, up to the maximum reduction of \$20,000 in any rolling 12-month period	√	√	√			Standard met	
Plan Design Review and Recommendations	Annually		√	√	√			Standard met	
Investment Manager Searches and Ongoing Monitoring	Quarterly		√	√	√			Standard met	
Performance and Risk Reporting	Quarterly		√	√	√			Standard met	
Industry Research	Quarterly		√	√	√			Standard met	
Glidepath Review	Annually		√	√				Standard met	
Stable Value Fund Review	Annually		√	√	√			Standard met	
Board Meeting Presentations	Quarterly		√	√	√			Standard met	
Recordkeeper Benchmarking Study	Annually		√	√	√			Standard met	
Glass Lewis									
Voting System Availability	Daily	Failure to meet one or more of the performance standards during a quarter shall reduce the fees by \$1,000.00, up to a maximum of \$5,000.00 in any 12-month period	√	√	√			Standard met	
Client Service Representative Responsiveness	Daily		√	√	√			Standard met	
Voting Accuracy	Per ballot		√	√	√			Standard met	
Reconciliation Reports	Monthly and Annually		√	√	√			Standard met	
Account audit	Quarterly		√	√	√			Standard met	
Status Meeting	Quarterly		√	√	√			Standard met	
Proxy Policy Review	Annually		√	√	√			Standard met	