



# North Carolina Supplemental Retirement Board of Trustees

Patrick Vatel, Head of Asset Owners Americas Segment, Asset Servicing

December 2019

# Agenda

- BNY Mellon Business Overview
- BNY Mellon Asset Servicing Overview
- Our Relationship

# BNY Mellon

## Business Overview

3<sup>rd</sup> Quarter 2019

# Our Business (as of September 30, 2019)

Founded in 1784, BNY Mellon is leading the financial industry in Investment Management and Investment Services

## Investment Management



**Institutional and retail investment management**

**\$1.9 trillion**  
assets under management<sup>1</sup>

**7<sup>th</sup> largest**  
asset manager worldwide<sup>4</sup>

**4<sup>th</sup> largest**  
institutional money manager<sup>5</sup>

**Wealth management for individuals and families**

**\$259 billion**  
total private client assets<sup>3</sup>

## Investment Services



**Full range of financial operations, cash management and global payments services**

**\$35.8 trillion**  
assets under custody and/or administration<sup>2</sup>

**\$3.6 trillion**  
average tri-party collateral management balances

**35**  
countries where we operate

## A Seamless and Connected Set of Capabilities

- Design and deliver innovative solutions for managing and servicing investments
- Combine a wide range of investment capabilities into comprehensive solutions
- Provide direct access to opportunities in markets around the world

See important disclosures and disclaimers in Appendix (Footnotes 1,2,3,4,5).

# BNY Mellon: Financial Highlights

## Revenue and Income

Nine months ended Sept 30, 2019

**\$9.3 billion**

Total fee and other revenue

**\$2.4 billion**

Net interest revenue

**\$11.7 billion**

Total revenue

**\$2.9 billion**

Net income applicable to common shareholders

## Assets and Market Cap

At Sept 30, 2019

**\$373.2 billion**

Total assets

**\$41.1 billion**

Total shareholders' equity

**\$41.7 billion**

Market capitalization

## Key Ratios<sup>12</sup>

At Sept 30, 2019

**11.1%**

CET 1 ratio

**13.2%**

Tier 1 capital ratio

**14.0%**

Total capital ratio

**81%**

Fee revenue ratio

## The Bank of New York Mellon – Credit Ratings<sup>13</sup> *(As of September 30, 2019)*

We have consistently received ratings that are among the highest in the financial services industry from all four major credit rating agencies and for key credit categories.

Credit Category	Moody's	S&P	Fitch	DBRS
Long-term deposits	Aa1	AA-	AA+	AA
Long-term senior debt	Aa2	AA-	AA	AA
Subordinated debt	Not Rated	A	Not Rated	Not Rated
Short-term deposits	P-1	A-1+	F1+	R-1 (high)
Commercial paper	P-1	A-1+	F1+	R-1 (high)
Outlook	Stable	Stable	Stable	Positive

See important disclosures and disclaimers in Appendix (Footnotes 12,13).

# Asset Servicing Overview

# BNY Mellon is Trusted by Asset Owners Worldwide

Benefit from the global reach, stability and resources of a G-SIFI

## Asset Servicing

**\$35.8 Trillion**

Assets under custody and/or administration<sup>1</sup>

**>\$24 Trillion**

Assets on data management platform<sup>2</sup>

**\$12.7 Trillion**

Assets under measurement<sup>2</sup>

**>900**

Institutional investors<sup>2</sup>

**\$742 Million**

Annual asset servicing technology reinvestment<sup>2</sup>

## Asset Owners

**\$2.93 Trillion**

Subaccount Positions<sup>2</sup>

**\$1.7 Trillion**

Average USD cleared per day<sup>2</sup>

**~8MM**

NAVs in 2018<sup>2</sup>

**~106MM**

Settlements processed in 2018<sup>2</sup>

**795 Asset Owner clients**

Representing \$4T in assets<sup>4</sup>

**346 Corporate clients**

Representing \$1.4T in assets<sup>4</sup>

**115 Public clients**

Representing \$1.7T in assets<sup>4</sup>

**372 Defined Benefit (DB) clients**

Representing \$2.3T in assets<sup>4</sup>

**57 Defined Contributions (DC) clients**

representing \$401B in assets<sup>4</sup>

**233 Endowments & Foundations clients**

Representing \$604B in assets<sup>4</sup>

**#1 AUC/A**

World's largest custodian<sup>3</sup>

**87% of the Top 100**

U.S. Pension and Employee Benefit Funds<sup>5</sup>

**96% of the Top 50**

Life/Health Insurance Companies<sup>6</sup>

**40% of the Top 50**

U.S. Endowments<sup>7</sup>

**28% of the Top 50**

U.S. Foundations<sup>7</sup>

<sup>1</sup> BNY Mellon internal data as of 9/30/19

<sup>2</sup> BNY Mellon internal data as of 3/31/19

<sup>3</sup> Global Investor, 2018

<sup>4</sup> As of 6/30/18

<sup>5</sup> Pensions & Investments, P&I Crain Communications Inc. ©2019

<sup>6</sup> A.M. Best, A.M. Best Company, Inc. ©2019

<sup>7</sup> As of 12/31/18

# Our Relationship



# North Carolina Supplemental Retirement Income Plans (NCSRP) – Client Profile

## Custodian for:

- The Supplemental Retirement Income Plan
- North Carolina Public Employee Deferred Compensation Plan

**Total Market Value: \$12.4 Billion** (as of 10/31/2019)

## Services Provided:

- Domestic and Global Custody
- Global Institutional Accounting
  - Daily and Monthly Valuation
  - Provide Daily Unit Values to the Administrator (Prudential)
  - Unitization
  - Reconciliation with Investment Managers
  - Work with Client on Asset Reallocation and White Label Fund Rebalancing
- Income Collection
- Corporate Action Processing
- Tax Reclaim Processing
- Cash Sweep
- Foreign Exchange
- NEXEN Reporting
- Global Risk Solutions
  - Daily Performance for Fund Option Accounts and Monthly Performance for All Accounts
  - Daily and Monthly Analytics for Separate Accounts
  - Monthly and Look Through Analytics for Line Item Accounts
  - Daily Compliance Monitoring for Separate Accounts
  - Monthly Compliance Monitoring for Commingled Fund Accounts
  - Blended Benchmarks

# International Markets – NCSRP in 2019

- Australia
- Austria
- Belgium
- Brazil
- Canada
- Chile
- China
- Colombia
- Czech Republic
- Denmark
- Egypt
- Finland
- France
- Germany
- Greece
- Hong Kong
- Hungary
- India
- Indonesia
- Ireland
- Israel
- Italy
- Japan/JBG
- Mexico
- Morocco
- Netherlands
- New Zealand
- Norway
- Peru
- Philippines
- Poland
- Portugal
- Qatar
- Singapore
- South Africa
- South Korea
- Spain
- Sweden
- Switzerland
- Taiwan
- Thailand
- Turkey
- UAE
- UK

# Open Items Log for NCSRP (as of November 22, 2019)

BNY Mellon has created a process to effectively track open items identified by the BNY Mellon service team and North Carolina SRP

- The NCSRP Open Items Log was created in October 2018, and has been ongoing every month
- Areas of business covered include: Client Service, Tax Reclaims, Global Institutional Accounting (GIA), Global Risk Solutions (GRS), and Global Documentation, among others
- Full BNY Mellon team and NCSRP team representation on each monthly call

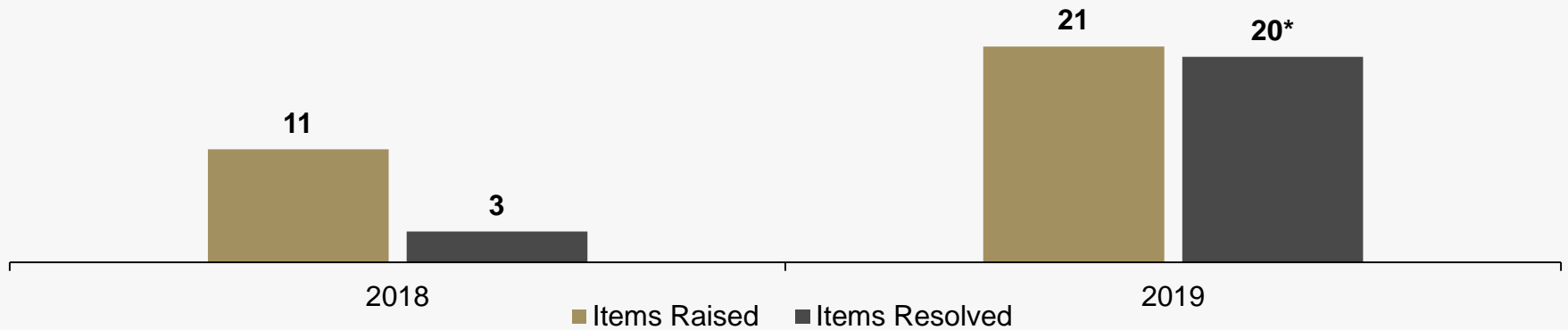
North Carolina SRP Log Dashboard			
Open Items		Actions / Items Closed	
Total Number of Action Items		Total Number of Action Items Closed	
8		23	
Criticality		Criticality	
2	Low	2	Low
2	Medium	7	Medium
4	High	14	High

## Factors considered for each Action Item:

- Priority (defined by NCSRP)
- Description of the item
- BNY Mellon and NCSRP Owners
- Status (In Process, On Hold, Pending Close)
- Target Date/Party responsible for next step
- Comments/Updates

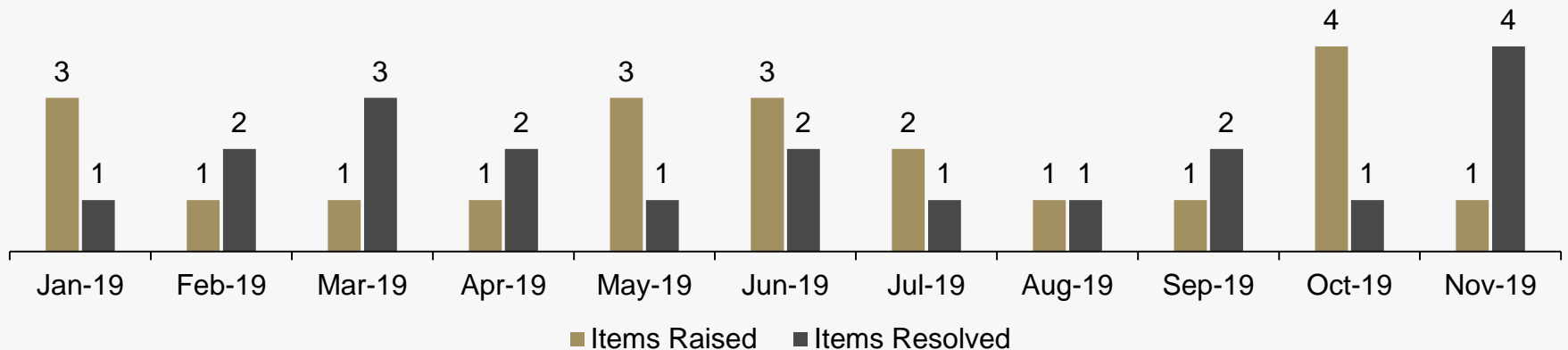
# Open Items Log Statistics for NCSRP (as of November 22, 2019)

## Number of Items Raised and Resolved by Year



\* Items Resolved in 2019 include resolved outstanding items from 2018

## Number of Items Raised and Resolved by Month in 2019



# BNY Mellon Service Team for NCSRP – Responsibilities

## RELATIONSHIP MANAGEMENT

- Serve as business ally
- Ensure client satisfaction
- Understand strategic planning
- Provide product/service updates
- Responsible for fee re-negotiation

## SERVICE COORDINATION

- Primary daily contact and point of escalation for service issues
- Coordinate monthly/quarterly calls with client and BNY Mellon team, as well as ad-hoc meetings upon client request
- Primary contact for negotiations and execution of legal documents
- Coordinate client workbench training
- Monitor unique contractual requirements
- Maintain client specific documentation

## GLOBAL CLIENT ADMINISTRATION

- Assist with new account opening process
- Account maintenance including account closing
- Maintenance of Account Chart
- Establish new Workbench IDs

## ASSET REALLOCATION EVENTS

- Assist client with completion of the Asset Reallocation Form (AFR)
- Manage the asset event with all the internal and external functional partners
- Maintain client documentation and records for auditing purposes

## GLOBAL INSTITUTIONAL ACCOUNTING

- Accounting and valuation – monthly/daily
- Manager reconciliation
- Ledger and financial statements
- Regulatory Support
- Line Item Processing (hedge fund, commingled)

## PRIVATE INVESTMENT ACCOUNTING & ADMINISTRATIVE SERVICES

- Private Equity Portfolio valuations
- Liaison with General Partners

## CLIENT CUSTODY SERVICES

- Also known as the Investment Support Services Group, CCS provides a dedicated team to apprise managers of:
  - Their portfolio's trading status
  - Daily short-term investment balances
  - Cash forecasting
  - Up-coming account activity
  - Handle manager queries concerning custody trade related questions / inquiries

## GLOBAL RISK SOLUTIONS

- Monthly Performance Processing
- Risk Analytics / Pooled Fund Look Through
- Charts/Universes Comparison
- Attribution Analysis
- NEXEN Training
- Compliance Monitoring

## CASH

- Provide support for all incoming/outgoing cash activity:
  - Process outgoing client activity via Instruction Capture (IC)
  - Process client activity instructed via Fax/Standard Forms (outgoing wires for fee payments, fund investments, capital calls), Foreign Exchanges, Mutual Fund activity, cash movements in/out client DDA
- Monitor control reports throughout the day to ensure timely and accurate processing
- Support for cash related inquiries
- NEXEN Instruction Capture and custody report support

## GLOBAL CLIENT DOCUMENTATION

- Centralized team supporting all required local market documentation

## SECURITIES LENDING

- Marking to market
- Collecting dividends and interest
- Tracking investments
- Collecting interest on investments
- Charging borrower fees
- Paying borrower rebates
- Controlling delivery and return of loans and collateral
- Providing timely and accurate client reporting
- Disbursing earnings to clients as applicable
- Maintaining lending, investment, operations and client service systems

# Accomplishments for Our Relationship in 2019

## Client Service/Administrative

- Best Practice Review
- BNY Mellon Invoicing
  - Updates to KPIs and Scorecard
  - Timely production of invoices

## Accounting

- 100% accuracy on NAV calculations sent to Prudential
- 100% distribution of Audited Statements by second business day
- Met monthly standards of on-time reporting for the last 12 months to Prudential

## Global Custody

- Tax Reclaims
  - All-encompassing reclaim overview
- Hong Kong Connect
  - Successful negotiation of contract and fee addendum and implemented

## Global Risk Solutions

- BNY Mellon/Factset Feed established
- Monthly Blended Benchmarks

# Top 2020 Priorities for Our Relationship

## **Client Service/Administrative**

- Amendment No. 4 to the Master Custodian Agreement
- Best Practice Review – Implementation of changes
- Instruction Capture (NEXEN IC)
  - Automation of trade instructions, reducing the risks associated with faxing

## **Accounting**

- Accurate and timely processing of the Quarterly Goal Maker rebalancing
- Continued accuracy and timeliness around NAV valuation and distribution
- High Responsiveness from all BNY Mellon teams to client inquiries

## **Tax Reclaim**

- Tax Reclaim Dashboard via NEXEN
  - Currently in testing phase
- Expand Reclaim Service
  - Regular review of required tax documentation



BNY MELLON

# Appendix



# Our Capabilities

## Expertise Throughout the Investment Lifecycle

- CORPORATE TRUST
- BNY MELLON MARKETS
- DEPOSITARY RECEIPTS

We restructure assets to support your changing financial needs.

- INVESTMENT MANAGEMENT
- BNY MELLON MARKETS
- PERSHING\*\*

We distribute\* assets to deploy your capital more efficiently.

- INVESTMENT MANAGEMENT
- PERSHING\*\*
- WEALTH MANAGEMENT

We manage assets to support your specific investment goals.



- CORPORATE TRUST
- DEPOSITARY RECEIPTS
- BNY MELLON MARKETS

We create assets to provide access to capital.

- CLEARANCE & COLLATERAL MANAGEMENT
- BNY MELLON MARKETS
- PERSHING\*\*
- TREASURY SERVICES

We trade\* assets to enable you to seize new opportunities.

- ASSET SERVICING
- BNY MELLON MARKETS
- PERSHING\*\*
- WEALTH MANAGEMENT

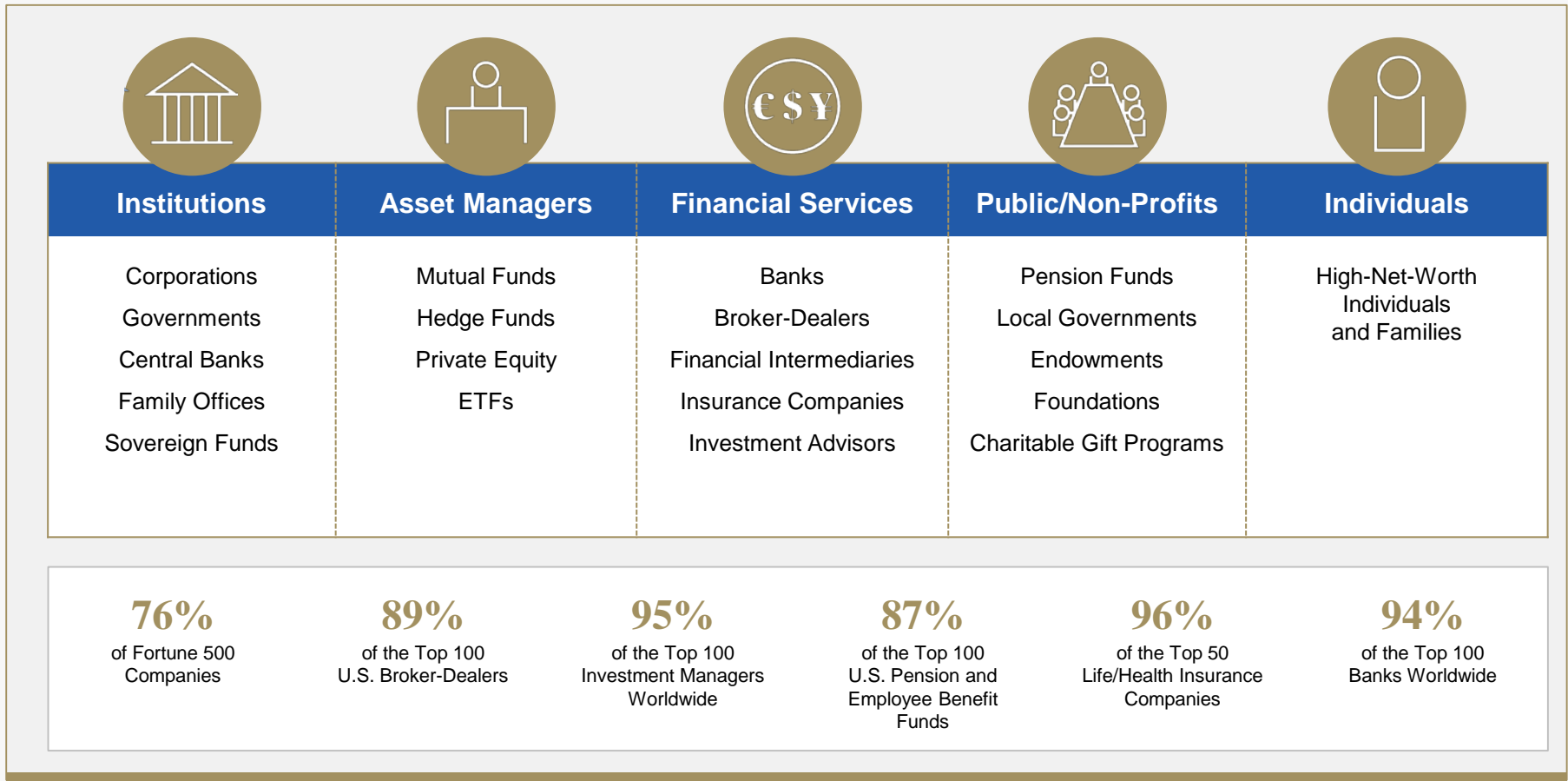
We hold and service assets to help keep investments secure.

\*Securities transactions are effected, where required, only through registered broker-dealers.

\*\* See important disclosures and disclaimers in Appendix (Footnote 11)

# Our Clients

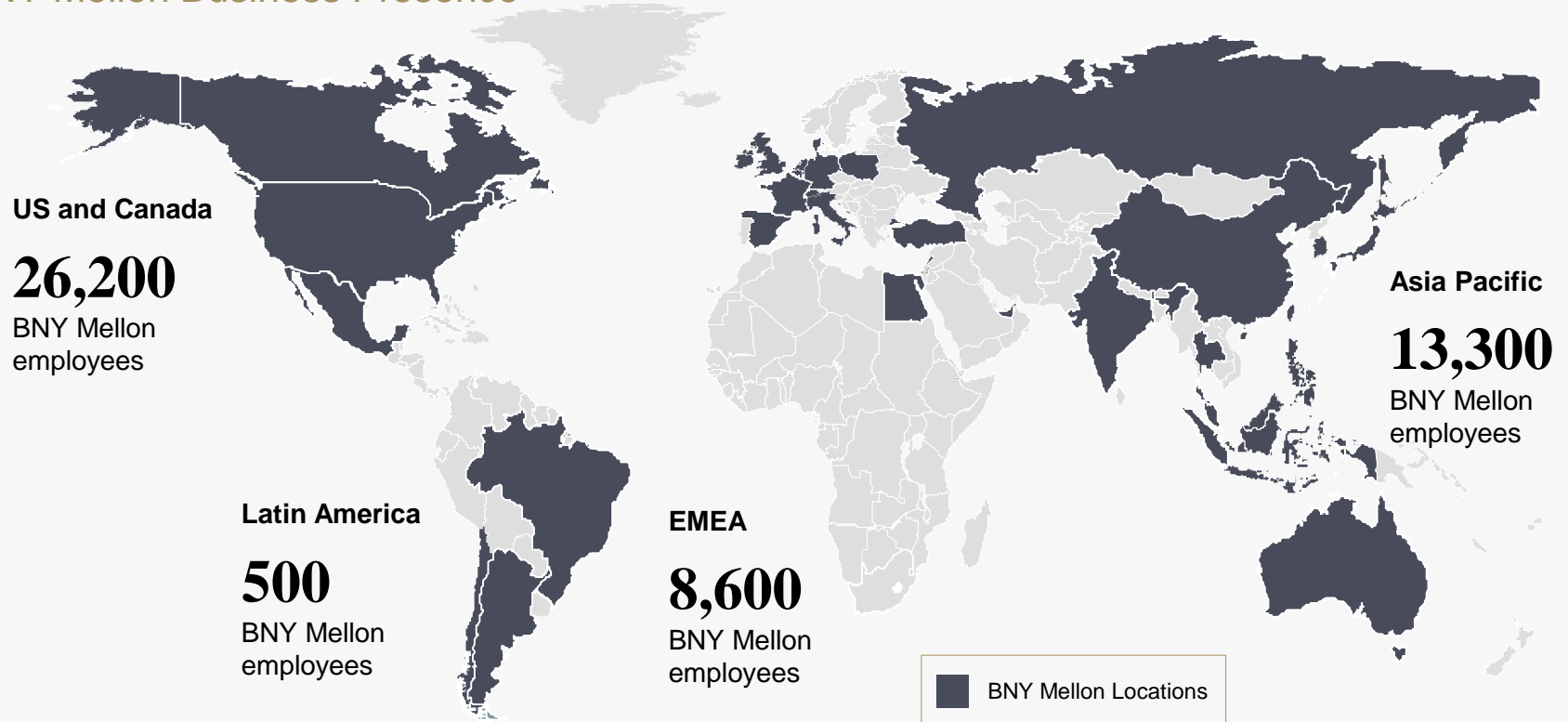
## Institutions and Individuals<sup>6</sup>



See important disclosures and disclaimers in Appendix (Footnote 6).

# Our Presence

## BNY Mellon Business Presence



### Global Service, Local Delivery

- Powered by the collaborative and collective efforts of approximately 48,600 people around the world
- Seamless global network for cross-border speed, convenience and reliability
- Our experts are located in-market and on-the-ground for close collaboration with clients

Full-time employees as of September 30, 2019.

# Asset Servicing Digital Strategy

Our goal is to accelerate information delivery, transform client oversight and transparency and provide insights based on data and analytics – helping clients to harness the power of data



## Accelerate Information Delivery

- System to system data interactions via APIs
- Intraday reporting of positions, cash, transaction and holdings data from core services
- Enhanced reporting



## Enhance Client Oversight & Transparency

- Pan-asset performance and exposure analysis
- Workflow for private markets capital calls and distribution
- Instruction capture and document management
- New account and market opening workflow



## Deliver Data and Analytics Solutions

- Integrated data solutions to benchmark asset allocations across peer universe and ESG criteria
- Digital solutions ecosystem (including third-party solutions)
- Exploring distributed ledger solutions to re-invent core service delivery

# Our Model is Built the Way you Want to do Business

## Delivery Channels

NEXEN Portal

Interactive Reporting

APIs

Excel Add-in

Integrated 3<sup>rd</sup> Party Platforms

## Key Features

- Mobile-friendly portal with consistent user experience
- Customizable and intuitive reporting



- Multiple delivery channels and file formats
- Flexibility of choice for front office vs. vertically siloed solutions

## Fully Integrated Core Processing Platform

Custody

Accounting

Performance & Attribution

Analytics

Data Feeds & APIs

# Our Strategic Partnerships Continue to Grow in Number and Significance



Venn is a portfolio risk tool that delivers quantitatively driven portfolio analysis and optimization capabilities to perform risk and return analysis in portfolio construction.



Caissa is a pan-asset class reporting and analytics platform with flexible risk and performance analytics, attribution, portfolio transparency and liquidity analysis.



Kingfield will streamline client service inquiries through a standardized network, eliminating inefficiencies and the need for bespoke communication channels.



Client access to BNY Mellon's data and analytical workflow tools directly through BlackRock's Aladdin platform.



Client access to BNY Mellon's data and analytical workflow tools directly through Bloomberg AIM.



EZOps is an artificial intelligence-based reconciliation and data control solution aimed at better serving clients' complex data needs.

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1. Preliminary. Excludes securities lending cash management assets and assets managed in the Investment Services business.
2. Preliminary. Includes the AUC/A of CIBC Mellon Global Securities Services Company ("CIBC Mellon"), a joint venture with the Canadian Imperial Bank of Commerce, of \$1.4 trillion at Sept 30, 2019.
3. Preliminary. Includes AUM and AUC/A in the Wealth Management business.
4. Willis Towers Watson, October 30, 2018. Based on discretionary assets under management at the end of 2017; does not include saving/current accounts or assets unrelated to investment business, money market funds, advisory portfolios, or transactional assets. Analysis based on data supplied by third parties in U.S. dollars.
5. Pensions & Investments, May 2019. Rankings based on a survey of more than 580 investment management firms that provided information in response to an online survey. In order to qualify for inclusion the firm must manage assets for US institutional tax-exempt clients. Ranked by total worldwide institutional assets under management as of 12/31/2018.
6. **Fortune 500:** Fortune, Time Inc. ©2018; **Broker-Dealers:** Investment News, InvestmentNews LLC ©2019; **Investment Managers, Pensions and Employee Benefits:** Pensions & Investments, P&I Crain Communications Inc. ©2019; **Life and Health Insurance Companies:** A.M. Best, A.M. Best Company, Inc. ©2019; **Banks:** relbanks.com, Relbanks.com ©2011-2018; BNY Mellon client data as of December 2018.
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12. Preliminary. For our CET1, Tier 1 capital and Total capital ratios, our effective capital ratios under the U.S. capital rules are the lower of the ratios as calculated under the Standardized and Advanced Approaches, which for the periods noted above was the Advanced Approaches.
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