



**North Carolina**  
Total Retirement Plans  
**401k | 457**



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

**DRAFT MINUTES**  
**AUDIT SUBCOMMITTEE OF**  
**THE NORTH CAROLINA SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES**

The meeting of the Audit Subcommittee was called to order at approximately 11:00 a.m. EDT on July 19, 2022, by the Chair, State Treasurer Dale R. Folwell, CPA. The meeting was held in a hybrid format, with people attending virtually or in person, 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 Subcommittee later in the agenda.

**Members Present**

Audit Subcommittee members attending in person: Treasurer Dale R. Folwell.

Audit Subcommittee members attending virtually: Melinda Baran, Steven Beam, and Michael Lewis.

**Members Absent**

No subcommittee members were absent.

**Guests Present**

Guests attending in person: Chris Kessler from CliftonLarsonAllen.

Guests attending virtually: Tonia Shultz from CliftonLarsonAllen.

**Department of State Treasurer Staff Present**

Staff members attending in person: Thomas Causey, Reid Chisholm, Joan Fontes, Patti Hall, Jeff Hancock, Alan Jaquith, Fran Lawrence, Christopher Morris, and Paul Palermo.

Staff members attending virtually: Zora Falkowski, Derek Gee, and Kristin Merrick.

The Chair called the meeting to order and reminded members that, since this meeting is being held in a hybrid format, members must announce their names when they arrive, when they depart, and when speaking. In addition, he explained that making a motion will be assumed to be a vote for the proposal and that all votes will be taken by roll call. The Chair stated that today's meeting is being recorded as part of the Department of State Treasurer's initiative to increase government transparency.

**Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest**

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

**Auditor's Report and Approval of 2021 Financial Statements for the NC 401(k) and NC 457 Plans**

The Chair recognized Mr. Chris Kessler with CliftonLarsonAllen (CLA) to share the results of the 2021 audit of both plans. Mr. Kessler noted that the audit document presented is a draft and the letter regarding the financial statements of the NC 401(k) Plan and NC 457 Plan (the Plans), as

prepared by the Department of the State Treasurer, will state that it is an “unmodified”, or a clean opinion. He said this is the highest level opinion possible. The financial statements are presented fairly, in all material respects, following U.S. GAAP (generally accepted accounting principles). Mr. Kessler mentioned that the statements look slightly different this year due to new auditing standards enacted, however, the new report structure includes all the same content as before.

Mr. Kessler said the auditors found no material weaknesses or significant deficiencies with the internal controls; no footnotes are needed to disclose additional findings as they have no findings to report.

Mr. Kessler reviewed the required communications and shared that CLA had no difficulties completing the audit; management was a pleasure to work with.

Mr. Kessler commented that as part of the yearly audit process, CLA conducts testing at the employer level. Employer testing each year includes the 10 largest employers in the state, plus another 15 employers chosen at random on a rotational basis. He said there were a few very minor, low risk, immaterial findings with some employers and these findings are being rectified.

In response to a question, Mr. Kessler stated that CLA typically does not see unclean audits with government plans. Occasionally there are some problems with internal controls and processes, as many entities are being asked to do more with less resources, and this may cause some items to be overlooked. In response to a question regarding distributions, he commented that CLA did not see any clear trend of increased distributions across their audits this year.

Mr. Jeff Hancock, Director, Supplemental Retirement Plans (SRP), shared that SRP reviewed the distribution trends for the NC 457 Plan and NC 401(k) Plan and the spike noted last year related to COVID-19 distributions around the CARES (Coronavirus Aid, Relief, and Economic Security) Act.

In response to a question from the Chair, Mr. Kessler encouraged everyone to remain diligent watching over the process as we deal with the current market decline.

The Chair entertained a motion to approve the audited 2021 financial statements for the NC 401(k) and NC 457 Plans. Mr. Steve Beam made a motion to approve and Ms. Melinda Baran and Mr. Michael Lewis both seconded. The motion passed by a unanimous roll call vote of 4-0.

### **Public Comments**

No comments were offered.

### **Audit Subcommittee Comments**

The Treasurer said we need to emphasize to everyone that the recordkeeper is responsible for tracking a member’s contributions and choice of investments, and is not involved in managing the investments in the NC 401(k) and NC 457 Plans. We must reiterate that Empower purchasing the Prudential Retirement recordkeeping business amounts only to a name change. We have seen a decline in the value of the investments in the Plans, which is related to the drop in the US and global equity and bond markets, and has nothing to do with our recordkeeper.

The Chair thanked everyone for participating and announced the next quarterly SRP Board of Trustees meeting will be held on Thursday, August 25, 2022, at 9:00 a.m. EDT.

**Adjournment**

There being no further business before the Subcommittee, Mr. Beam moved to adjourn the meeting and Ms. Baran seconded. The motion passed by a unanimous roll call vote of 4-0. The meeting adjourned at 11:30 a.m. EDT.

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Chair

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Secretary