



MINUTES SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES

The regular quarterly meeting of the Supplemental Retirement Board of Trustees (Board) was called to order at approximately 9:00 a.m. on August 22, 2024, 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 Board later in the agenda.

Members Present

Board members attending in person: Treasurer Dale R. Folwell, CPA., Lanier McRee, Greg Patterson and Rajinder (Raj) Singh.

Board members attending virtually: Steve Beam, Robert Hillman, Charles Perusse and Bob Shea.

Members Absent

Lorraine Johnson

Guests Present

Guests attending in person: Elizabeth Hood and Weston Lewis from Callan, Matt Herrmann, Robert Luciani, Michael McCann, and Jodie Musselwhite from Empower and Paul Langanki from Galliard.

Department of State Treasurer Staff Present

Staff members attending in person: Shanta Bowley, Kris Byrd, Thomas Causey, Reid Chisholm, Christy Farrelly, Patti Hall, Jeff Hancock, Kristin Merrick and Chris Morris.

Staff members attending virtually: Derek Gee, Elizabeth Hawley, Frank Lester, Paul Palermo and Laura Rowe.

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, unless there is an objection and all votes will be taken by roll call. He stated that today's meeting is being recorded as part of the Department of State Treasurer's (DST) initiative to increase government transparency.

The Chair welcomed newly-appointed Board members, Mr. Charles Perusse, Ms. Lanier McRee, and Mr. Rajinder Singh. Ms. McRee and Mr. Singh were sworn in as members of the Board.

Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest

The Chair asked, pursuant to the ethics rules, about Board members' potential, actual or appearance of a conflict of interest. No conflicts of interest were identified by the Board members.



Evaluation of Statement of Economic Interest for new Board members, Mr. Charles Perusse, Ms. Lanier McRee and Mr. Rajinder (Raj) Singh (included in the Board materials).

The Chair informed the members that the Evaluation of Statements of Economic Interest (SEI) for Ms. Lanier McRee, Mr. Charles Perusse and Mr. Rajinder Singh are available in the appendix. The SEI evaluations are a part of the meeting minutes.

Adoption of Resolutions of Appreciation for the services of Mr. Nels Roseland, Mr. James Lumsden and Ms. Chevella Thomas, as members of the Supplemental Retirement Board of Trustees. The Chair presented Resolutions of Appreciation for Mr. James Lumsden, Mr. Nels Roseland and Ms. Chevella Thomas, whose Board terms recently expired and entertained a motion to adopt the Resolutions. Mr. Patterson so moved; Ms. McRee seconded, and the motion was passed with a unanimous vote of 8-0.

Approval of Board Minutes

The Chair entertained a motion to approve the minutes of the Board's May 23, 2024, quarterly meeting and the Audit Subcommittee's July 11, 2024, meeting. Mr. Patterson so moved; Mr. Shea seconded, and the minutes were approved by a unanimous vote of 7-0. Mr. Hillman abstained.

Administration: Supplemental Retirement Plan's (SRP's) Transition and Audit Annual Update

The Chair recognized Mr. Jeff Hancock, SRP Director, to give an update on Empower's recordkeeping transition and the annual audit results.

Update on Empower's Transition

Mr. Hancock provided an update on the February transition to the Empower platform. He said the latency issues with the mobile app, website and multi-frequency payroll processing have been resolved. There is still opportunity for improvement in the call center. While the contractual goal for calls to be answered within 20 seconds is 80%, the call center average was 55.5% at the end of the second quarter.

Mr. Patterson asked if there is other data regarding the wait time. Mr. Hancock responded that the call abandonment rate is 5.7% where the contractual goal is less than 3%.

Update on Annual Audit

Mr. Hancock thanked the Financial Operations Division for preparing the financial statements for the audit. He said the Audit Subcommittee met on July 11 with the auditor, UHY, who presented a clean, unmodified report. No material issues or significant deficiencies were identified. In addition to the financial statements review, 25 employers (the 10 largest and 15 others selected at random) were audited for their compliance with the plan documents. The review found minor errors by some employers, such as incorrectly defining compensation and failing to implement deferral changes. Mr. Hancock said staff is working with these two employers to determine the extent of the issue and remediate the situation.

Legal Matters: Plan Document and Policy Amendments

The Chair recognized Mr. Reid Chisholm, Assistant General Counsel, to present proposed plan document and policy amendments (included in the Board's materials). Mr. Chisholm reviewed the amendments in the attachments to his memo in the Board's materials. The



amendments incorporated provisions of the SECURE 2.0 Act regarding distributions for disaster-related losses and increased catch-up contributions for participants ages 60-63, as well as recent state law changes that expand eligibility for the NC 401(k) Plan. The amendments also add tiered matching contributions to the NC 401(k) Plan, clarify when a defaulted loan counts as an outstanding loan, remove prior compliance amendments from the NC 401(k) Plan, and make a minor correction to the Policy on Participation and Beneficiaries.

Treasurer Folwell asked about the compliance process for catch-up contributions. Mr. McCann from Empower described the process and the controls in place to monitor contributions that are over the standard limit. Mr. McCann also added that employers have systems in place to monitor contribution limits for their employees.

Mr. Singh inquired about compliance checks on implementing the amendments. Mr. Chisholm said the changes could be monitored by audit, systematically by Empower, and/or by Empower's retirement counselors.

Treasurer Folwell entertained a motion to accept staff's recommendation to adopt the amendments to the NC 401(k) and NC 457 Plans and the Policy on Participation and Beneficiaries in the Board's materials. Mr. Beam so moved; Mr. Singh seconded, and the motion passed with a unanimous vote of 8-0.

Administrative Update: Second Quarter 2024 Administrative Report

The Chair recognized Mr. Michael McCann, Empower Client Relations and Business Development Vice President, Matt Hermann, Senior Director, Participant Engagement, and Mr. Rob Luciani, Vice President Specialty Markets, to discuss the Second Quarter 2024 Administrative Report (included in the Board's materials).

Mr. McCann said Mr. Hermann has accepted a new position with Empower and Jodie Musselwhite is the new Retirement Education Team Leader for the NC 401(k) and NC 457 Plans.

Mr. McCann noted there is still work to be done in the call center, though data is trending positively.

Treasurer Folwell and Mr. Hancock discussed the financial cost for missing the service level agreement goal for the call center speed to answer. Mr. McCann added the average participant's balance and the average employee deferrals are trending positively; however, distributions were higher than contributions for the rolling 13-month period. As of August 2024, there were approximately 316,000 unique participants in the Plans. As of June 30, 2024, the active participating rate was 34.63% with an average monthly contribution of \$284.54.

Treasurer Folwell reminded Empower and the Board of the Cost-Comparison Document which allows participants to compare services and associated fees side-by-side. Participants are encouraged to have new brokers complete this form for all rollovers.

Mr. Hermann said there are 18 Retirement Education Counselors on the NC Plans team who collectively held 529 group meetings with 15,840 attendees, 6,346 individual meetings, 896 employer meetings and 316 on-site visits. He added that enrollment activity since the February



transition is lower than normal due to reporting issues, and it appears 2024 is in line with expectations.

Mr. Hermann added there will be more focused communication with K-12 employees and First Responders throughout National Retirement Security Month.

Ms. McRee asked what contributed to the success in 2023. Mr. Hermann said the hybrid model and outreach efforts to participants were the most successful in reaching participants.

Investment Update

Second Quarter 2024 Stable Value Portfolio Review

The Chair recognized Paul Langanki, Client Relationship Manager at Galliard Capital Management, to present the NC 401(k) and NC 457 Plans Second Quarter 2024 Stable Value Portfolio Review (included in the Board's materials).

Mr. Langanki said the net credit rate for the Stable Value portfolio was 3.08% as of June 30, 2024. He added that the investment management fees for the Stable Value portfolio is 5.5 basis points, and the total annual fund operating expense is 26.3 basis points.

Mr. Langanki said Galliard lowered the rating for Jennison and placed it on the watchlist due to performance and personnel changes. Galliard, staff and Callan are currently working to find a replacement investment manager from a list of four possible choices.

Investment Performance Report, Administrative and Recordkeeping Fee Review, SMID Structure Performance, Stable Value Review

The Chair recognized Ms. Elizabeth Hood, CFA, Senior Vice President and Manager, and Mr. Weston Lewis, CFA, CAIA, Senior Vice President, at Callan, to present the Second Quarter Investment Performance Report (included in the Board's materials), Administrative and Recordkeeping Fee Review (included in the Board's materials), SMID Structure Performance (included in the Board's materials) and the Stable Value Fund Review (included in the Board's materials).

Investment Performance Report

Mr. Lewis recapped the performance of the equity and fixed income markets during the second quarter. The U.S. market outperformed the international market, and the emerging markets improved due to China and India. Stable value lagged the large cap funds, and small and mid-cap outperformed the benchmark.

Mr. Lewis said that the Supplemental Retirement Plans' (SRP) fees are lower due to the size of the portfolio, and most investment managers' fees are below the median.

Mr. Morris added the pension plans' portfolio also contributes to SRP's lower fees since both the pension plan and SRP share some of the same investment managers.

Mr. Lewis added there are two investment managers are on the watch list. Macquarie is on the watchlist for personnel changes and performance, and TCW is on the watchlist for personnel changes.

Charles Perusse left the meeting at 11:15 a.m.



Administrative and Recordkeeping Fee Review

Ms. Hood said Empower's fees are competitive and are below other providers' fees. The fees (administrative, transaction, investment management and other) were benchmarked against two other recordkeepers.

NC Small/Mid Cap Equity Fund (SMID) Structure Performance

Ms. Hood said the current allocation of the NC Small/Mid Cap Core Fund is 30% to AllianceBernstein's small/mid cap value strategy, 30% to Earnest Partners' small/mid cap core strategy, 30% to Brown Advisory's small/mid cap growth strategy, and 10% to BlackRock's Russell 2500 Index fund. The fees are approximately 0.43% and the annualized excess return (net of fees) is 0.69% as of June 30, 2024.

Stable Value Fund Review

Mr. Lewis said Galliard maintains a favorable rating in their stable value approach and their underlying fixed income strategies, the investment team has low turnover and the investment process is consistent. He added that the NC Stable Value Fund net of fees is competitive, the credit rating ranks above its peers, and the market-to-book ratio remains in-line with peers.

Investment Compliance Report

The Chair recognized Mr. Chris Morris, DST's Co-Chief Investment Officer and Chief Risk and Operations Officer, and Kristopher Byrd, SRP Portfolio Manager, to present the Second Quarter 2024 Investment Compliance Summary Report (included in the Board's materials).

Mr. Byrd said SRP staff continues to monitor daily for prohibited holdings and there was one prohibited holding that was subject to divestment. Unilever was identified as being on the Companies Boycotting Israel Prohibited Investment list, and the investment manager divested within the required 180-day window.

Public Comments

No public comments were offered.


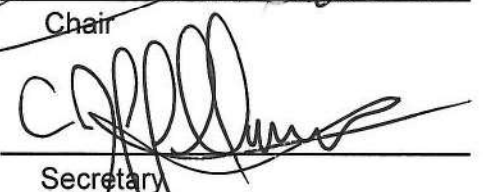
Board of Trustees Comments

The Chair thanked everyone for participating and stated the next Board meeting will be December 6, 2024, at 9:00 a.m.

Adjournment

The Chair moved to adjourn the meeting. Mr. Patterson seconded, and the motion passed with a unanimous vote of 7-0.

The meeting adjourned at approximately 11:52 a.m.


Chair

Secretary



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

July 17, 2024

The Honorable Roy A. Cooper III
Governor of North Carolina
20301 Mail Service Center
Raleigh, North Carolina 27699-0301

**Re: Evaluation of Statement of Economic Interest Filed by Mr. Charles Perusse
Prospective Appointee to the Supplemental Retirement Board of Trustees**

Dear Governor Cooper:

Our office has received **Mr. Charles Perusse's** 2024 Statement of Economic Interest as a prospective appointee to the **Supplemental Retirement Board of Trustees (the "Board")**. We have reviewed it for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statutes ("N.C.G.S."), also known as the State Government Ethics Act (the "Act").

Compliance with the Act and avoidance of conflicts of interest in the performance of public duties are the responsibilities of every covered person, regardless of this letter's contents. This letter, meanwhile, is not meant to impugn the integrity of the covered person in any way. This letter is required by N.C.G.S. § 138A-28(a) and is designed to educate the covered person as to potential issues that could merit particular attention. Advice on compliance with the Act is available to certain public servants and legislative employees under N.C.G.S. § 138A-13.

We did not find an actual conflict of interest but found the potential for a conflict of interest. The potential conflict identified does not prohibit service on this entity.

The Supplemental Retirement Board of Trustees was established through the Department of State Treasurer to coordinate and administer various supplemental retirement programs, including 457 plans, 401(k) plans and other similar investment vehicles. The Board has the authority to review contracts, agreements or arrangements pertaining to the administrative services and investment of deferred funds under the plans with service providers. Further, the Board may recommend continuation of or changes to such contracts.

The Act establishes ethical standards for certain public servants and prohibits public servants from: (1) using their positions for their financial benefit or for the benefit of their extended family or business, N.C.G.S. § 138A-31; and (2) participating in official actions from which they or certain associated persons might receive a reasonably foreseeable financial benefit, N.C.G.S. § 138A-36(a). The Act also requires public servants to take appropriate steps to remove themselves from proceedings in which their impartiality might reasonably be questioned due to a familial, personal, or financial relationship with a participant in those proceedings. N.C.G.S. § 138A-36(c).

Mr. Perusse would fill the role of a member on the board who has experience in finance and investments and is a retired state or local government employee. He is a self-employed business and finance consultant and is retired from the State of North Carolina. His spouse is a policy analyst with the State of North Carolina. As such, Mr. Perusse has the potential for a conflict of interest and should exercise appropriate caution in the performance of his public duties should issues involving supplemental retirement programs that would unusually benefit himself or his spouse come before the Board for official action.

In addition to the conflicts standards noted above, the Act prohibits public servants from accepting gifts from (1) a lobbyist or lobbyist principal, (2) a person or entity that is seeking to do business with the public servant's agency, is regulated or controlled by that agency, or has financial interests that might be affected by their official actions, or (3) anyone in return for being influenced in the discharge of their official responsibilities. N.C.G.S. § 138A-32. Exceptions to the gifts restrictions are set out in N.C.G.S. § 138A-32(e).

When this letter cites an actual or potential conflict of interest under N.C.G.S. § 138A-24(e), the conflict must be recorded in the minutes of the applicable board and brought to the membership's attention by the board's chair as often as necessary to remind all members of the conflict and to help ensure compliance with the Act. N.C.G.S. § 138A-15(c).

Finally, the Act mandates that all public servants attend an ethics and lobbying education presentation. N.C.G.S. § 138A-14. Please review the attached document for additional information concerning this requirement.

Please contact our office if you have any questions concerning our evaluation or the ethical standards governing public servants under the Act.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jane Steffens", with a long horizontal flourish extending to the right.

Jane Steffens, SEI Unit
State Ethics Commission

cc: Charles Perusse
Attachment: Ethics Education Guide



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

July 29, 2024

The Honorable Roy A. Cooper III
Governor of North Carolina
20301 Mail Service Center
Raleigh, North Carolina 27699-0301

**Re: Evaluation of Statement of Economic Interest by Ms. Lanier McRee
Prospective Appointee to the Supplemental Retirement Board of Trustees**

Dear Governor Cooper:

Our office has received **Ms. Lanier McRee's** 2024 Statement of Economic Interest as a prospective appointee to the **Supplemental Retirement Board of Trustees (the "Board")**. We have reviewed them for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statutes ("N.C.G.S."), also known as the State Government Ethics Act (the "Act").

Compliance with the Act and avoidance of conflicts of interest in the performance of public duties are the responsibilities of every covered person, regardless of this letter's contents. This letter, meanwhile, is not meant to impugn the integrity of the covered person in any way. This letter is required by N.C.G.S. § 138A-28(a) and is designed to educate the covered person as to potential issues that could merit particular attention. Advice on compliance with the Act is available to certain public servants and legislative employees under N.C.G.S. § 138A-13.

We did not find an actual conflict of interest but found the potential for a conflict of interest. The potential conflict identified does not prohibit service on this entity.

The Supplemental Retirement Board of Trustees was established through the Department of State Treasurer to coordinate and administer various supplemental retirement programs, including 457 plans, 401(k) plans and other similar investment vehicles. The Board has the authority to review contracts, agreements or arrangements pertaining to the administrative services and investment of deferred funds under the plans with service providers. Further, the Board may recommend continuation of or changes to such contracts.

The Act establishes ethical standards for certain public servants and prohibits public servants from: (1) using their positions for their financial benefit or for the benefit of their extended family or business, N.C.G.S. § 138A-31; and (2) participating in official actions from which they or certain associated persons might receive a reasonably foreseeable financial benefit, N.C.G.S. § 138A-36(a). The Act also requires public servants to take appropriate steps to remove themselves from proceedings in which their impartiality might reasonably be questioned due to a familial, personal, or financial relationship with a participant in those proceedings. N.C.G.S. § 138A-36(c).

Ms. McRee would fill the role of a State employee with experience in finance and investments. She owns financial interests in publicly owned companies including but not limited to NASB Financial Inc. and Trustmark Corporation. In addition, she owns financial interests in non-publicly owned companies including Investek. As such, she has the potential for a conflict of interest and should exercise appropriate caution in the performance of her public duties should issues involving any entity in which she owns a financial interest come before the Board for official action.

In addition to the conflicts standards noted above, the Act prohibits public servants from accepting gifts from (1) a lobbyist or lobbyist principal, (2) a person or entity that is seeking to do business with the public servant's agency, is regulated or controlled by that agency, or has financial interests that might be affected by their official actions, or (3) anyone in return for being influenced in the discharge of their official responsibilities. N.C.G.S. § 138A-32. Exceptions to the gifts restrictions are set out in N.C.G.S. § 138A-32(e).

When this letter cites an actual or potential conflict of interest under N.C.G.S. § 138A-24(e), the conflict must be recorded in the minutes of the applicable board and brought to the membership's attention by the board's chair as often as necessary to remind all members of the conflict and to help ensure compliance with the Act. N.C.G.S. § 138A-15(c).

Finally, the Act mandates that all public servants attend an ethics and lobbying education presentation. N.C.G.S. § 138A-14. Please review the attached document for additional information concerning this requirement.

Please contact our office if you have any questions concerning our evaluation or the ethical standards governing public servants under the Act.

Sincerely,

A handwritten signature in cursive script that reads "Mary Roerden".

Mary Roerden, SEI Unit
State Ethics Commission

cc: Lanier McRee
Attachment: Ethics Education Guide



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

August 2, 2024

The Honorable Roy A. Cooper III
Governor of North Carolina
20301 Mail Service Center
Raleigh, North Carolina 27699-0301

**Re: Evaluation of Statement of Economic Interest Filed by Mr. Rajinder Singh
Prospective Appointee to the Supplemental Retirement Board of Trustees**

Dear Governor Cooper:

Our office has received **Mr. Rajinder Singh's** 2024 Statement of Economic Interest as a prospective appointee to the **Supplemental Retirement Board of Trustees (the "Board")**. We have reviewed it for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statutes ("N.C.G.S."), also known as the State Government Ethics Act (the "Act").

Compliance with the Act and avoidance of conflicts of interest in the performance of public duties are the responsibilities of every covered person, regardless of this letter's contents. This letter, meanwhile, is not meant to impugn the integrity of the covered person in any way. This letter is required by N.C.G.S. § 138A-28(a) and is designed to educate the covered person as to potential issues that could merit particular attention. Advice on compliance with the Act is available to certain public servants and legislative employees under N.C.G.S. § 138A-13.

We did not find an actual conflict of interest but found the potential for a conflict of interest. The potential conflict identified does not prohibit service on this entity.

The Supplemental Retirement Board of Trustees was established through the Department of State Treasurer to coordinate and administer various supplemental retirement programs, including 457 plans, 401(k) plans and other similar investment vehicles. The Board has the authority to review contracts, agreements or arrangements pertaining to the administrative services and investment of deferred funds under the plans with service providers. Further, the Board may recommend continuation of or changes to such contracts.

The Act establishes ethical standards for certain public servants and prohibits public servants from: (1) using their positions for their financial benefit or for the benefit of their extended family or business, N.C.G.S. § 138A-31; and (2) participating in official actions from which they or certain associated persons might receive a reasonably foreseeable financial benefit, N.C.G.S. § 138A-36(a). The Act also requires public servants to take appropriate steps to remove themselves from proceedings in which their impartiality might reasonably be questioned due to a familial, personal, or financial relationship with a participant in those proceedings. N.C.G.S. § 138A-36(c).

Mr. Singh would fill the role of a member experienced in finance and investments on the board. He is the Chief Risk Officer for Pagaya Technologies, a company that provides financial services technology. He and his spouse own stock in multiple companies including US Bancorp, Capital One and Wells Fargo. As such, Mr. Singh has the potential for a conflict of interest and should exercise appropriate caution in the performance of his public duties should Pagaya Technologies or any entity that he or his spouse own a financial interest in come before the Board for official action.

In addition to the conflicts standards noted above, the Act prohibits public servants from accepting gifts from (1) a lobbyist or lobbyist principal, (2) a person or entity that is seeking to do business with the public servant's agency, is regulated or controlled by that agency, or has financial interests that might be affected by their official actions, or (3) anyone in return for being influenced in the discharge of their official responsibilities. N.C.G.S. § 138A-32. Exceptions to the gifts restrictions are set out in N.C.G.S. § 138A-32(e).

When this letter cites an actual or potential conflict of interest under N.C.G.S. § 138A-24(e), the conflict must be recorded in the minutes of the applicable board and brought to the membership's attention by the board's chair as often as necessary to remind all members of the conflict and to help ensure compliance with the Act. N.C.G.S. § 138A-15(c).

Finally, the Act mandates that all public servants attend an ethics and lobbying education presentation. N.C.G.S. § 138A-14. Please review the attached document for additional information concerning this requirement.

Please contact our office if you have any questions concerning our evaluation or the ethical standards governing public servants under the Act.

Sincerely,



Jane Steffens, SEI Unit
State Ethics Commission

cc: Rajinder Singh
Attachment: Ethics Education Guide