



**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 13, 2023, 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: Steven Beam, Capt. Bob Shea, and Chevella Thomas.

**Members Absent**

No Subcommittee members were absent.

**Guests Present**

Guests attending in person: Thomas R. Rey, Jr. from UHY.

Guests attending virtually: None.

**Department of State Treasurer Staff Present**

Staff members attending in person: Ted Brinn, Reid Chisholm, Patti Hall, Jeff Hancock, Alan Jaquith, Kristin Merrick, and Paul Palermo.

Staff members attending virtually: Zora Falkowski, Joan Fontes, and Derek Gee.

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 extended a warm welcome to Capt. Bob Shea as the newest member of the Audit Subcommittee. Capt. Shea offered to fill the open position on the Subcommittee created when Melinda Baran's term expired. The Chair appointed Capt. Shea to the Audit Subcommittee and the Board ratified the appointment in May.

**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.

Subcommittee member Mr. Steve Beam announced that he had arrived at approximately 11:04 a.m.

### **Auditor's Report and Approval of 2022 Financial Statements for the NC 401(k) and NC 457 Plans**

The Chair recognized Mr. Thomas Rey with UHY to present the results of the audit of the NC 401(k) and NC 457 Plans' (Plans) financial statements for calendar year 2022 (included in the Subcommittee's materials). UHY also conducted remittance testing at the employer level. Employer testing each year includes the 10 largest employers in the state, plus another 15 employers chosen on a rotational basis. There were a few very minor, low risk, immaterial findings with some employers. He commended the Board for commissioning the employer testing. Staff will work with the employers to ensure the issues that were uncovered are rectified.

Mr. Rey noted that every governmental financial statement requires a management discussion and analysis (MD&A) section, which is a snapshot of the net position and balance sheet. Investment losses from the decline in the financial markets drove the overall decrease in assets for both the NC 401(k) and the NC 457 Plans.

Mr. Rey reviewed the results of the audit and stated that it is an "unmodified", or a clean, opinion, which is the highest level opinion possible. The financial statements are presented fairly in all material respects, following U.S. GAAP (generally accepted accounting principles). 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. Rey reviewed the required communications and shared that UHY had no difficulties completing the audit; management was very cooperative and professional throughout. He said the audit is a draft until it is ratified by the Subcommittee today.

Mr. Jeff Hancock, Director, Supplemental Retirement Plans (SRP), pointed out that staff is working with Empower and employers to rectify any deficiencies identified by UHY in the employer testing that would have impacted a plan participant. In response to a question, Mr. Hancock said that six employers had an error with contribution calculations. Mr. Rey added that these deficiencies are immaterial to the financial statements. He complimented the Board for requiring this testing as part of the audit and mentioned that most governmental plans do not require employer testing as part of their financial audits. From a fiduciary standpoint, the employer testing is a best practice.

The Chair entertained a motion to approve the audited 2022 financial statements for the NC 401(k) and NC 457 Plans. Ms. Chevella Thomas made a motion to approve and Capt. Shea seconded. The motion passed by a unanimous roll call vote of 4-0.

### **Public Comments**

No comments were offered.

### **Audit Subcommittee Comments**

The Chair thanked everyone for participating and announced the next quarterly SRP Board of Trustees meeting will be held on Thursday, August 24, 2023, at 9:00 a.m. EDT.

**Adjournment**

There being no further business before the Audit Subcommittee, Mr. Beam moved to adjourn the meeting and Ms. Thomas seconded. The motion passed by a unanimous roll call vote of 4-0. The meeting adjourned at 11:17 a.m. EDT.

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Chair

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Secretary