



**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 9:00 a.m. EDT on February 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 Subcommittee later in the agenda.

**Members Present**

Audit Subcommittee members attending in person: None.

Audit Subcommittee members attending virtually: Treasurer Dale R. Folwell, Steven Beam and Chevella Thomas.

**Members Absent**

Capt. Bob Shea.

**Guests Present**

Guests attending in person: Thomas R. Rey, Jr. from UHY; Matt Coburn, Anders Reinertsen and Will Harbaugh from BNY Mellon, Mike McMann and Matt Herrmann from Empower.

Guests attending virtually: Mary Conti, Brigitte Duffy and Aaron Koval from Empower.

**Department of State Treasurer Staff Present**

Staff members attending in person: Shanta Bowley, Ted Brinn, Kris Byrd, Tom Causey, Reid Chisholm, Patti Hall, Jeff Hancock, Kristin Merrick, Chris Morris and Anne Roof.

Staff members attending virtually: Robin Deaver, Zora Falkowski, Christy Farrelly, Derek Gee, Elizabeth Hawley, Paul Palermo, Laura Rowe and Jason Sass.

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.

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

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

**Initial Presentation for the 2023 Audit of the NC 401(k) and NC 457 Plans**

The Chair recognized Mr. Thomas Rey, Partner, UHY, to discuss the scope of the upcoming annual audit of the NC 401(k) and NC 457 Plans (included in the Board's materials). The financial audit of the NC Supplemental Retirement Plans, NC401(k) and NC457 Plan includes using a sample of employers to test employers' payroll process for timeliness, accuracy, and compliance with IRS guidelines.

Mr. Rey indicated the first two phases of the audit are to get an in-depth understanding of key processes for effectiveness around contributions, distributions and participants' data and to review Empower's SOC 1 report. The results determine the risk level for the audit. The next two phases focus on the financial statements regarding investments (Empower, BNY Mellon and investment managers), contributions, distributions and administrative expenses.

Mr. Rey indicated the focus of the investment audit is on valuation testing, analytical procedures over investment and interest income, and investment expenses. The focus on contributions is a reconciliation of the contribution details to the trial balance. The focus on distributions is a reconciliation of the distributions to the trial balance and for the administrative expenses, the focus is on the analytical procedures.

Mr. Rey reminded the committee members of their fiduciary duties which include the duty of loyalty, care and prudence.

Mr. Rey gave the members the opportunity to ask questions or express concerns about fraud and risks.

Ms. Chevella Thomas asked to confirm the fiscal year for the audit. Mr. Rey responded that it is for 2023 and not 2022.

Mr. Steve Beam asked whether cyber security issues should be a focus. Mr. Rey indicated UHY has a cyber security team and there are currently no concerns with NCSRP.

**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 following this meeting.

**Adjournment**

There was no further business before the Audit Subcommittee. Mr. Steve Beam moved to adjourn the meeting and Ms. Chevella Thomas seconded. The motion passed by a unanimous roll call vote of 3-0. The meeting adjourned at 9:16 a.m.

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Chair

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Secretary