



North Carolina
Total Retirement Plans
401k | 457



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

MINUTES DRAFT
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 11, 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: Treasurer Dale R. Folwell.

Audit Subcommittee members attending virtually: Steve Beam, Bob Shea, and Chevella Thomas.

Members Absent

None

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: Shanta Bowley, Kris Byrd, Tom Causey, Reid Chisholm, Patti Hall, Jeff Hancock, Kristin Merrick, Chris Morris, and Paul Palermo.

Staff members attending virtually: Derek Gee and Christy Farrelly.

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.

The Chair, Treasurer Folwell left at 11:02 and Mr. Thomas Causey took over as Acting Chair.

Auditor's Report and 2023 Financial Statements for NC 401(k) and NC 457 Plans

The Acting Chair recognized Mr. Thomas Rey, Partner, UHY, to present the auditor's report and the 2023 financial statements for the NC 401(k) and the NC 457 Plans (included in the Subcommittee's materials).

Mr. Rey reviewed the results of the financial statements audit and said the results are unmodified which means the statements are represented fairly, in all material aspects and conform with the U.S. Generally Accepted Accounting Principles (GAAP) and no opinion was rendered on management's discussion of the financial statements and the footnotes. He added there were no material weaknesses or significant deficiencies in the report on internal control over financial reporting, compliance, and other matters.

Mr. Rey said the fiduciary net position increased approximately \$2 billion in the NC 401(k) Plan and approximately \$227 million in the NC 457 Plan from 2022 to 2023 and the Stable Value Fund crediting rate changes by actuarial methods and is supported by the underlying assets.

Mr. Rey said management was very cooperative and professional during the audit process and there were no concerns. He added management didn't consult with other accountants on the application of GAAP.

Mr. Rey thanked staff for their hard work in getting the documents for the audit and said a representation letter will be signed by management to ratify the audit.

Mr. Rey said a sample of employees were used from 25 employers in the annual employer testing, which includes approximately 10 of the largest employers. The nature of the testing involves recalculating employee and employer contributions, verifying that these contributions were included in the contributions remitted to the recordkeeper, comparing total employee and employer contributions to the employer's general ledger, and comparing total remittance of employee and employer contributions for the pay period under review to the bank statement. He concluded there were no significant findings.

Mr. Beam asked about the nature of the findings.

Mr. Hancock said there was a total of eight findings, none of which was significant. He added that the nature of the findings pertains to employers incorrectly calculating either the employer or employee contributions or didn't update a contribution election change. Staff will be following up with each employer to ensure that all the findings are corrected.

Mr. Beam asked about the comparison of loans in 2023 to prior years, particularly during COVID.

Mr. Hancock stated loans increased about \$7 million from 2022.

Mr. Palermo said that due to the CARES Act more allowances were made for loans in 2020 and 2021.

The Acting Chair entertained a motion to approve the 2023 financial statements for the NC 401(k) and the NC 457 Plans. Ms. Thomas so moved, and Mr. Beam seconded. The motion passed by a unanimous roll call vote of 4-0.

Public Comments

No comments were offered.

Audit Subcommittee Comments

The Acting Chair thanked everyone for participating and announced the next quarterly Supplemental Retirement Plan Board of Trustees meeting will be held on Thursday, August 22, 2024, at 9:00 a.m. ET.

Adjournment

There was no further business before the Audit Subcommittee. Mr. Shea moved to adjourn the meeting and Ms. Thomas seconded. The motion passed by a unanimous roll call vote of 4-0. The meeting was adjourned at 11:19 a.m.

Chair

Secretary