



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

The meeting of the Audit Subcommittee (Subcommittee) was called to order at approximately 3:00 p.m. EST on February 15, 2023, by the Chair, State Treasurer Dale R. Folwell, CPA. The meeting was held in a hybrid format, with most 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 Chevella Thomas.

Members Absent

No Subcommittee members were absent.

Guests Present

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

Guests attending virtually: None.

Department of State Treasurer Staff Present

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

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

The Chair called the meeting to order and welcomed Ms. Chevella Thomas as the newest member of the Subcommittee. He explained that Ms. Thomas offered to fill the open position on the Subcommittee that was created when Michael Lewis' Board term expired. The Chair stated that he appointed Ms. Thomas to the Subcommittee.

The Chair 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. He 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.

2022 Audit Entrance Presentation for the NC 401(k) and NC 457 Plans

The Chair recognized Mr. Thomas Rey, Jr., Partner, UHY, to present the audit plan for the NC 401(k) and NC 457 Plans (the Plans) (included in the Board's materials). Mr. Rey introduced himself to the Subcommittee. He reviewed UHY's background and industry experience, noting that the Governmental Retirement Plan Team is a specialized group, with over 20 years of experience providing audit and consulting services to governmental defined benefit and defined contribution retirement plans. The proposed UHY audit team for this engagement has worked on audits for over 30 state and local government retirement plans.

Mr. Rey reviewed the overall scope and methodology of UHY's engagement with the North Carolina Supplemental Retirement Plans, which will include an opinion on the fair presentation of the financial statements and reasonable assurance as to whether the financial statements are free of material misstatements. He noted that UHY will validate the financial statements prepared by the staff of the Department of State Treasurer.

Mr. Rey explained the audit includes employer testing, which covers reviewing employer remittance of payroll, timeliness of remittances, and accuracy. Employer testing each year includes the 10 largest employers in the state, plus another 15 employers chosen at random on a rotating basis. He reviewed the four phases of the audit, which encompass planning and strategy, systems evaluation, testing and analysis, and reporting and follow-up. He commented that UHY will review key risk areas for defined contribution plans, including investments, contributions, distributions, and administrative expenses.

He also discussed fiduciary duties and responsibilities for trustees of defined contribution plans and confirmed that employer testing is on a rotating basis. UHY will ensure that employers chosen during approximately the last five years will not be chosen in this year's audit.

In response to a question, Mr. Rey commented that he had worked for the Plans' previous auditing firm and the methodology would be very similar, though they are always looking to improve and refine the processes.

He said that many large plans in the US do not have a finance staff and the financial statement preparation falls on the recordkeeper with assistance from the auditor.



North Carolina
Total Retirement Plans



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

Audit Subcommittee Comments

No comments were offered.

Public Comments

No comments were offered.

The Chair thanked everyone for participating and announced the next quarterly SRP Board of Trustees meeting will be held on Thursday, February 23, 2023, at 9:00 a.m. EST.

Adjournment

There being no further business before the Subcommittee, Ms. Melinda Baran moved to adjourn the meeting and Mr. Steve Beam seconded. The motion passed by a unanimous roll call vote of 4-0. The meeting adjourned at 3:22 p.m. EST.

Chair

Secretary