



## MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Reid Chisholm, Assistant General Counsel

DATE: May 25, 2023

SUBJECT: Renewal of BNY Mellon contract

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The Supplemental Retirement Plans' ("SRP") custodian contract with The Bank of New York Mellon ("BNY Mellon") had an initial five-year term from January 1, 2016 through December 31, 2020, with three, one-year renewal options for the Board and the Department. In 2020 and 2021, the Board approved exercising each of the three renewal options, extending the term of through December 31, 2023.

At its 2022 Q3 meeting, the Board approved staff's recommendation to align the remaining term of BNY Mellon's SRP contract with the remaining term of BNY Mellon's custodian contract for the Investment Management Division ("IMD"), which covers the North Carolina Retirement Systems and non-pension funds managed by the Department. Therefore, the current term of the SRP contract ends on June 30, 2023, but the Board and the Department have the option to renew the contract for another two years, though June 30, 2025.

The Department and Board have worked to improve the services and lower the fees in the contract through a series of nine amendments since 2017. Benefits to SRP have included the following:

- Enhancing and clarifying BNY Mellon's performance standards (e.g., daily NAV, performance reporting) and providing additional performance guarantees (i.e., reimbursable amounts for failure to meet certain performance standards);
- Enhancing and clarifying services for foreign tax relief/reclaims and country registrations;
- Enhancing information security provisions;
- Documenting the quarterly rebalancing process and implementing BNY Mellon's rebalancing tool, Smart Allocator, at no additional charge; and
- Reducing the cost of BNY Mellon's services through a new fee schedule effective January 1, 2021 and a quarterly fee credit from BNY Mellon effective 2021 Q3.

In the Board's quarterly meeting materials, staff includes a table of BNY Mellon's performance against its standards. BNY Mellon also presents to the Board annually.

The Department will exercise the final two-year renewal in the IMD contract (July 1, 2023-June 30, 2025).

**Recommendation**

Staff recommends the Board exercise the final renewal option in the BNY Mellon custodian contract, covering the period of July 1, 2023 through June 30, 2025.