

The North Carolina Supplemental Retirement Plans – Audit Sub-Committee Meeting



Year End Financial Statement Audit Results Presentation

July 13, 2023



Agenda

- Financial Highlights
- 2022 Audit Results (December 31, 2022)
- Required Communications



401(k) Fiduciary Net Position aka Balance Sheet

Condensed Statements of Fiduciary Net Position (401(k) Plan), as of December 31:

(In thousands of dollars)

	<u>2022</u>	<u>2021</u>
Investments		
Pooled account, at fair value	\$ 10,115,063	\$ 12,401,909
Stable value fund	2,083,430	1,998,970
Receivables		
Notes receivable from participants	248,840	258,241
Other	9,478	6,647
Liabilities	(899)	(1,754)
Fiduciary net position	<u>\$ 12,455,912</u>	<u>\$ 14,664,013</u>

In general, the financial markets declined across the majority of asset classes in 2022. The Pooled Account decreased by approximately \$2.3 billion or approximately 18.4% largely due to the losses in the financial markets.

401(k) Changes in Net Position

Condensed Statements of Changes in Fiduciary Net Position (401(k) Plan), for the year ended December 31:

(In thousands of dollars)

	<u>2022</u>	<u>2021</u>
Additions		
Contributions	\$ 740,344	\$ 689,455
Net investment income (loss)	(2,160,463)	1,638,676
Interest on notes receivable from participants	12,173	14,010
Miscellaneous income	2,357	3,413
Total additions	<u>(1,405,589)</u>	<u>2,345,554</u>
Deductions		
Distributions to participants and beneficiaries	793,316	766,987
Administrative expenses	9,196	10,132
Total deductions	<u>802,512</u>	<u>777,119</u>
Net increase (decrease) in fiduciary net position	<u>\$ (2,208,101)</u>	<u>\$ 1,568,435</u>

457(b) Fiduciary Net Position

Condensed Statements of Fiduciary Net Position (457(b) Plan), as of December 31:

(In thousands of dollars)

	<u>2022</u>	<u>2021</u>
Investments		
Pooled account, at fair value	\$ 1,276,643	\$ 1,580,512
Stable value fund	393,895	386,364
Receivables		
Notes receivable from participants	19,818	20,710
Other	813	661
Liabilities	(170)	(292)
Fiduciary net position	<u>\$ 1,690,999</u>	<u>\$ 1,987,955</u>

Fiduciary net position decreased approximately 14.9% in 2022. This decrease is due in large part to a net investment loss reflecting weaker returns in the financial markets. The Pooled Account decreased by 19.2% while the assets within the NC Stable Value Fund increased by approximately 1.9%. The majority of the increase in Stable Value assets was due to participants moving assets into the Stable Value Fund.

457(b) Changes in Fiduciary Net Position

Condensed Statements of Changes in Fiduciary Net Position (457(b) Plan), for the year ended December 31:

(In thousands of dollars)

	<u>2022</u>	<u>2021</u>
Additions		
Contributions	\$ 97,036	\$ 93,369
Net investment income (loss)	(275,216)	221,217
Interest on notes receivable from participants	965	1,109
Miscellaneous income	320	509
Total additions	<u>(176,895)</u>	<u>316,204</u>
Deductions		
Distributions to participants and beneficiaries	118,308	122,310
Administrative expenses	1,753	1,966
Total deductions	<u>120,061</u>	<u>124,276</u>
Net increase (decrease) in fiduciary net position	<u>\$ (296,956)</u>	<u>\$ 191,928</u>



2022 Audit Results

- Independent Auditors' Report - Unmodified “clean” opinion that the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
- Limited procedures were performed, and no opinion rendered, on management's discussion and analysis (required supplemental information)
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
 - No material weaknesses were identified.
 - No significant deficiencies were identified.
- Letter to the Board providing required communications with those charged with governance.



Required Governing Body Communications

- Auditor's responsibility under U.S. Generally Accepted Auditing Standards
- Significant accounting policies
 - No new accounting standards in fiscal year 2022
- Management judgments and accounting estimates
 - Stable Value crediting rate



Required Governing Body Communications

- Management was very cooperative and professional during the audit process
- No disagreements with management
- Management did not consult with other accountants on the application of GAAP or GAAS
- No major issues were discussed with management prior to retention
- Management Representations



Thank you!

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