



Compliance Activities “at-a-glance” January-March, 2017

Vendor contract management and performance standards monitoring:

- Recordkeeper did not meet the standard for Retirement Readiness 2016 ABS
- Custodian met all performance standards
- Investment Consultant met all performance standards; this contract is under review

Investment guidelines daily monitoring:

- Guidelines for new fixed income manager, TCW, fully constructed and operational
- All managers compliant with their respective guidelines

Web content monitoring:

- Q1 fund fact sheets for both Plans uploaded to nctreasurer.com
- Governing documents revisions are in progress

Board member onboarding and training:

- No new members onboarded in the first quarter
 - Reminder to members to complete the 2016 Fiduciary training via GoTo Webinar

Revision of existing policies and drafting of new policies and desktop guidelines:

- SRP Main policy and Felony Forfeiture policy have undergone annual reviews and the updated versions have been approved. Both policies are in effect.
- Staff drafting two additional policies: Member Complaint Resolution and Lost Members and Beneficiaries. These are expected to become effective in Q2, 2017
- Staff has completed 11 desktop guidelines which depict operational procedures for accounting, legal, compliance and communications areas.

Proxy voting annual update regarding 2016/2017 season covering June 1, 2016-June 1, 2017:

- Season concluded successfully; the Plans voted most ballots in United States and Canada
- Lobbying Reports and Political Contributions dominated “case-by-case” votes
- The Department issued an Invitation to Bid for a proxy vendor; staff is in the process of proposal review and reference checks

Multi-employer plan management:

- “Eligible compensation” definition was sent to four employers who permitted unused sick leave to be contributed to the Plans. Recordkeeper and staff are assisting the employers with the necessary corrections
- RSD determined that certain county commissioners were not eligible to contribute to pension system but were permitted to do so. SRP staff investigated and determined that there was no impact to the NC 401(k) Plan
- 7 beneficiaries were erroneously permitted to roll-in outside funds into the Plans. Staff and recordkeeper notified the beneficiaries that funds will need to be removed



Vendor Performance Guarantees Report

Vendor	Monitoring frequency	Fees at Risk (\$)	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Comments
BNY Mellon								
Unit Value Timeliness	Daily	1033/mo	✓	✓				
Unit Value Accuracy	Daily	1033/mo	✓	✓				
NAV Report Timeliness	Monthly	525/mo	✓	✓				
NAV Report Accuracy	Monthly	525/mo	✓	✓				
Performance Measurement Report Timeliness	Monthly	525/mo	✓	✓				
Performance Measurement Report Accuracy	Monthly	525/mo	✓	✓				
Prudential NC 401(k)/457(b)/403(b)								
Call Speed Center to Answer	Quarterly	20000/yr	✓	X				Goal: 20 secs; actual speed: 39 secs
Call Abandonment	Quarterly	10000/yr	✓	✓				
Statement Mailing Timeliness	Quarterly	10000/qr	✓	✓				
Website Availability	Annually	10000/yr	✓	N/A				
Participant Satisfaction Survey	Annually	10000/yr	✓	N/A				
Contribution Processing Timeliness	Annually	10000/yr	✓	N/A				
Distribution Processing Timeliness	Annually	20000/yr	✓	N/A				
Asset Allocation Usage	Monthly	10000/yr	✓	✓				
Contribution Level	Annually	10000/yr	✓	N/A				
Participation Level	Annually	10000/yr	✓	N/A				
Communications Strategy	Quarterly	10000/qr	✓	✓				
Retirement Readiness	Annually	25000/yr	X	N/A				2016 goal: 66% 2016 score: 58.04% (NC 403(b) not incl.)



**Monitoring
frequency**

**Fees at
Risk (\$)**

**Q4
2016**

**Q1
2017**

**Q2
2017**

**Q3
2017**

**Q4
2017**

Comments

Mercer

Investment Policy Statement Development and Monitoring	Annually	Any material deficiencies will reduce the fee by \$5,000.00 for the next calendar quarter, up to the maximum reduction of \$20,000.00 in any rolling 12-month period	√	√				
Plan Design Review and Recommendations	Annually		√	√				
Investment Manager Searches and Ongoing Monitoring	Quarterly		√	√				
Performance and Risk Reporting	Quarterly		√	√				
Industry Research	Quarterly		√	√				
Glidepath Review	Annually		√	√				
Stable Value Fund Review	Annually		√	√				
Board Meeting Presentations	Quarterly		√	√				