



Request for Quotes for Foreign Tax Services for the NC 401(k) and NC 457 Plans

Questions from vendors and responses from the Department of State Treasurer

October 1, 2021

1. Section 5.3, Part 2: The question is worded that relief at source will be filed with non-U.S. tax authorities; however, the process for third-party vendors is to submit completed paperwork to the paying agent through the custody chain. Please confirm that your expectation is for the vendor to complete the documentation to then be passed through the custody chain.

NC: Relief-at-source documents could be submitted through the plans' custodian unless otherwise required or prohibited by law.

2. Attachment C (Required Contractual Provisions): Are the terms and conditions contained in Attachment C negotiable, and can these be amended?

NC: Certain provisions are required in the form included in the RFQ, while revisions or additions to certain provisions may be considered. If you have specific requests for revisions or additions, please include them in your response.

3. Section 18: Given the nature of the services, i.e., Reclaim Services, none of which will be performed in North Carolina, will a Certificate of Authority to Transact Business in North Carolina be required?

NC: In lieu of a Certificate of Authority to Transact Business in North Carolina, a vendor may certify in its response that it has obtained any licenses and registrations required by NC law to provide the services to the plans.

4. Attachment E, Section 11: Should the contract end, and we are directed to destroy data, who will be responsible for outstanding claims and/or government reclaim audits?

NC: Any request to destroy data would be consistent with the retention periods required by law or Departmental policy and, to the extent required by NC, with the continued provision of services for outstanding claims by the current or replacement vendor.

5. Section 2.4: The intended term is to commence on April 1, 2022. Is there an opportunity to provide an evaluation to determine if there are reclaims which will pass statute at the end of 2021 which may require action?

NC: If the selected vendor is approved by the Supplemental Retirement Board of Trustees at its December 2 meeting, then the vendor may have an opportunity to conduct an evaluation if time permits.

6. Section 3.6 and Attachment D (Location of Workers Utilized by Vendor): Does this extend to workers providing ancillary support services not in direct support of the contract services?



NC: Please complete Attachment D only for people who would work directly on the services for the plans.

7. Section 6.8 (Dispute Resolution): Will the state be willing to follow the Rules for Non-Administered Arbitration of the CPR International Institute for Conflict Prevention and Resolution?

NC: If a dispute arose between the parties, the Department would work in good faith to resolve the dispute. However, any dispute resolution process beyond Section 1 of Attachment C (Required Contractual Provisions) would be voluntary and would require the mutual agreement of the parties at the time of the dispute.

8. Attachment C (Required Contractual Provisions), Section 4 (Remedies): Would the state be willing to agree to mutual indemnities?

NC: No

9. Attachment C (Required Contractual Provisions), Section 4.d (Remedies): Would the state be willing to include an aggregate liability cap to the fees paid for the services under which any liability is principally alleged to arise as well as a prohibition on recovery from Vendor for consequential, incidental, indirect, punitive, or special damages, or attorney's fees?

NC: Any damages provision would need to ensure that the plans are made whole for any loss resulting from the vendor's failure to perform the services as required (e.g., breach of contract, negligence), regardless of the type of loss (e.g., penalty or interest from an incorrect tax filing, a lost reclaim). Within these parameters, NC is willing to discuss limiting consequential and similar damages. Attorneys' fees would be included in making the plans whole.

10. Attachment C (Required Contractual Provisions), Section 5 (Termination): Is the state willing to allow for mutual termination of the contract, if the contractor determines they can no longer provide the services in accordance with applicable law or professional obligations?

NC: The Department is willing to discuss a provision to this effect.

11. Attachment C (Required Contractual Provisions), Section 10 (Access to Persons and Records): As a commercial entity, we cannot agree to an independent auditor who may be a competitor without a confidentiality or Non-disclosure agreement. Would the state be willing to revise the language to ensure examination of records will only be performed by a State Auditor?

NC: Access by the State Auditor and an internal auditor from the Department is required. The Department is willing to discuss a provision that makes an independent auditor subject to a confidentiality agreement signed by the independent auditor.



12. Attachment C (Required Contractual Provisions), Section 22 (Time is of the Essence): Time is of the essence clauses are not normally included in professional advisor service agreements, due to the nature of the services being provided. Would the state be willing to remove this requirement?

NC: Yes, subject to the requirement to file returns, reclaims, etc. in a timely manner (including within the deadlines required by law).

13. Sections 1.0 and 5.3: Who is identified as the foreign securities custody / brokerage accounts holder(s)? Is the Group Trust identified as the custody / brokerage accounts holder, or is it the NC 401(k) Plan and the NC 457 Plan?

NC: The Group Trust is the registered entity in foreign markets. The plans' assets are commingled in the Group Trust for investment purposes; the plans do not invest separately from the Group Trust. However, the managers in the NC International Fund have individual accounts within the Group Trust at The Bank of New York Mellon and its subcustodians.

14. Sections 1.0 and 5.3: Please confirm whether the Group Trust directly invests in the foreign markets or whether foreign securities are held by the Group Trust indirectly through the 11 white label funds referred to on page 4.

NC: The Group Trust is the registered investor (and invests directly) in all markets. The assets in the 11 white label funds are held in the Group Trust.

15. Sections 1.0 and 5.3: If the 11 white label funds referred to on page 4 of the RFQ are the direct holders of the foreign securities:
- Please provide some details on the legal, tax, and regulatory nature of the 11 white label funds; and
 - Please indicate whether any other North Carolina plans or funds invest in these 11 white label funds, other than the Group Trust

NC: The Group Trust is the registered investor (and invests directly) in all markets. The assets in the 11 white label funds are held in the Group Trust. The 11 white label funds are solely for participants in the NC 401(k) and NC 457 Plans.

16. Sections 1.0 and 5.3: Please confirm if the Group Trust has been viewed as the beneficial owner of the international equity securities for any reclaims filed to date?

NC: Reclaims are filed for the registered foreign entity, which is the Group Trust. The Department provides information on the two participants in the Group Trust, the NC 401(k) and NC 457 Plans, as requested by foreign tax authorities or as otherwise necessary.

17. Section 5.3: Please provide the list of foreign markets into which the Group Trust invests.



NC: Please see Attachment 1 for a list of foreign markets as of September 2021. The countries covered by the vendor's services are not limited by Attachment 1 and are subject to change.

18. Section 5.3: Please identify the custodians and, if any, prime brokers used by NC in respect of the foreign securities included in the scope of the RFQ?

NC: The master custodian for the NC 401(k) and NC 457 Plans is The Bank of New York Mellon. Please see Attachment 2 for a list of subcustodians as of September 2021. The countries and subcustodians covered by the vendor's services are not limited by Attachment 2 and are subject to change.

19. Section 5.3: Are treaty benefits currently being obtained either at source or through the filing of reclaims? If yes, who currently files the reclaim?

NC: Reclaims and relief-at-source documents are currently filed by the custodian, The Bank of New York Mellon.

20. Section 5.3: Are Forms 6166 issued for the 11 white label funds, and if yes what do they reflect?

NC: Form 6166s are issued for the Group Trust, the NC 401(k) Plan, and the NC 457 Plan but not for the white label funds.



Attachment 1 – Foreign Markets in Which the Group Trust Invests (September 2021)

Australia
Bermuda
Brazil
British Virgin Islands
Canada
Cayman Islands
China
Curacao
Denmark
Finland
France
Germany
Hong Kong
India
Indonesia
Ireland
Israel
Italy
Japan
Jersey Channel Islands
Luxembourg
Mauritius
Mexico
Netherlands
Norway
Panama
Portugal
Russia
Singapore
South Africa
South Korea
Spain
Sweden
Switzerland
Taiwan
Turkey
United Kingdom

Note: The Group Trust is registered in Qatar and Saudi Arabia but currently does not have any investments in these markets. Chile and Pakistan are pending addition to the list.



Attachment 2 – Subcustodians for the Group Trust by Country (September 2021)

| <u>Country/Market</u> | <u>Subcustodian</u> |
|------------------------------|--|
| Australia | Citigroup Pty Limited |
| Australia | The Hongkong and Shanghai Banking Corporation Limited |
| Brazil | Citibank N.A., Brazil |
| Brazil | Itaú Unibanco S.A. |
| Canada | CIBC Mellon Trust Company (CIBC Mellon) |
| Cayman Islands | The Bank of New York Mellon |
| Chile | Banco de Chile |
| Chile | Itaú Corpbanca S.A. |
| China | HSBC Bank (China) Company Limited |
| Denmark | Skandinaviska Enskilda Banken AB (Publ) |
| Euromarket | Clearstream Banking S.A. |
| Euromarket | Euroclear Bank SA/NV |
| Finland | Skandinaviska Enskilda Banken AB (Publ) |
| France | BNP Paribas Securities Services S.C.A. |
| France | The Bank of New York Mellon SA/NV |
| Germany | The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main |
| Hong Kong | Citibank N.A. Hong Kong |
| Hong Kong | Deutsche Bank AG |
| Hong Kong | The Hongkong and Shanghai Banking Corporation Limited |
| India | Deutsche Bank AG |



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|------------------|---|
| India | The Hongkong and Shanghai Banking Corporation Limited |
| Indonesia | Deutsche Bank AG |

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|-------------------|-----------------------------------|
| Ireland | The Bank of New York Mellon |
| Israel | Bank Hapoalim B.M. |
| Italy | The Bank of New York Mellon SA/NV |
| Japan | Mizuho Bank, Ltd. |
| Japan | MUFG Bank, Ltd. |
| Luxembourg | Euroclear Bank SA/NV |

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|--------------------|--|
| Mauritius | The Hongkong and Shanghai Banking Corporation Limited |
| Mexico | Banco Nacional de México S.A., Integrante del Grupo Financiero Banamex |
| Mexico | Banco S3 CACIES México S.A., Institución de Banca Múltiple |
| Netherlands | The Bank of New York Mellon SA/NV |
| Norway | Skandinaviska Enskilda Banken AB (Publ) |
| Pakistan | Deutsche Bank AG |

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|-----------------|---|
| Panama | Citibank N.A., Panama Branch |
| Portugal | Citibank Europe Plc |
| Qatar | Qatar National Bank |
| Qatar | The Hongkong and Shanghai Banking Corporation Limited |



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|---------------------|---|
| Russia | AO Citibank |
| Russia | PJSC ROSBANK |
| Saudi Arabia | HSBC Saudi Arabia |
| Serbia | UniCredit Bank Serbia JSC |
| Singapore | DBS Bank Ltd |
| Singapore | Standard Chartered Bank (Singapore) Limited |
| South Africa | Standard Chartered Bank |
| South Africa | The Standard Bank of South Africa Limited |

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|--------------------|--|
| South Korea | Deutsche Bank AG |
| South Korea | The Hongkong and Shanghai Banking Corporation Limited |
| Spain | Banco Bilbao Vizcaya Argentaria, S.A. |
| Spain | Caceis Bank Spain, S.A.U. |
| Sweden | Skandinaviska Enskilda Banken AB (Publ) |
| Switzerland | Credit Suisse (Switzerland) Ltd. |
| Switzerland | UBS Switzerland AG |
| Taiwan | HSBC Bank (Taiwan) Limited |
| Turkey | Deutsche Bank A.S. |
| U.K. | Depository and Clearing Centre (DCC) Deutsche Bank AG, London Branch |
| U.K. | The Bank of New York Mellon |



North Carolina
Total Retirement Plans



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

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|-----------------|--------------------------------|
| Uganda | Stanbic Bank Uganda Limited |
| Ukraine | JSC "Citibank" |
| Uruguay | Banco Itaú Uruguay S.A. |
| Vietnam | HSBC Bank (Vietnam) Ltd |
| WAEMU | Société Générale Côte d'Ivoire |
| Zambia | Stanbic Bank Zambia Limited |
| Zimbabwe | Stanbic Bank Zimbabwe Limited |