

DRAFT

## **NORTH CAROLINA SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES**

### **MINUTES OF MEETING**

**June 12, 2014**

**Time and Location:** The North Carolina Supplemental Retirement Board of Trustees (the “Board”) met at 9 a.m. on Thursday, June 12, 2014 in the Caswell Building, 200 W. Jones Street, Raleigh, North Carolina.

**Members Present:** The following members were present: Melinda Baran, Karin Cochran, Walter Gray, Gene Hamilton, Mona Keech, and Ron Stell

**Members Absent:** Robert Orr

**Staff Present:** The following Department of State Treasurer staff were present: Melissa Waller, Steve Toole, Joan Fontes, Rekha Krishnan, Lisa Page, Jaclyn Goldsmith, Erica Hinton, Rosita Sabrosso-Rennick, Tim Viezer, Blake Thomas, and Mary Laurie Cece.

**Guests Present:** The following guests attended the meeting: Michael McCann, Jessica Quimby, Tom Conlon, and Kathleen Neville from Prudential Retirement; Bruce Corcoran and James Summerlin from TIAA-CREF; Kelly Henson, Tom Murphy, and Jay Love from Mercer Investment Consulting.

### **AGENDA ITEM- WELCOME AND INTRODUCTIONS**

The meeting was called to order at approximately 9:02 a.m. Melissa Waller, acting Chair, welcomed Board members and guests. Ms. Waller welcomed two new members to the Supplemental Retirement Plans team: Communications Officer Erica Hinton and Marketing Officer Rosita Sabrosso-Rennick.

### **AGENDA ITEM- ETHICS AWARENESS AND IDENTIFICATION OF CONFLICTS OR POTENTIAL CONFLICTS OF INTEREST**

Ms. Waller asked Board members to review the agenda for the meeting and identify any actual, implied, or potential conflicts of interest. There were no conflicts identified.

### **AGENDA ITEM- APPROVAL OF MINUTES**

Ms. Waller asked if there were any comments on the minutes of the March 19, 2014 Board meeting. There were no comments. Ms. Keech made a motion that the minutes be approved. Mr. Stell seconded, and the motion passed unanimously.

**AGENDA ITEM- UPDATE ON INVESTMENT FIDUCIARY GOVERNANCE COMMISSION**

Ms. Waller introduced Mr. Thomas, who gave an update on the progress of the Fiduciary Governance Commission. Mr. Thomas noted that Board member Melinda Baran had attended several of the Commission meetings. He stated the Commission, which completed its work at the end of April, had been established by the Treasurer in January, and was charged with determining the most appropriate governance structure for the North Carolina Retirement System. The Treasurer felt it was a good time to look at the structure while the pension is in such a strong position, currently the 3<sup>rd</sup> strongest in the country. Mr. Thomas stated the Commission was made up of very qualified individuals and great legislators.

The Commission's findings: There was consensus around increasing the level of autonomy for pension fund operations, such as compensation, procurement, and personnel. It was also felt the Treasurer's policies, such as gift bans, charitable donations, and placement agent policies should be codified. Mr. Thomas noted there is a bill currently pending before the legislature that would provide for an audit of the pension system, have an independent review of fund performance every four years, provide greater mandatory reporting for the retirement system's performance, and give the Treasurer and the pension system staff additional resource flexibly, mainly in order to increase staff.

The Commission did not have consensus as to whether the pension system should remain with a sole fiduciary or be governed by a board. Seven members thought that a board made up of investment professionals should govern, while four members thought the sole fiduciary should stay in place, with an investment advisory board that had more formal duties. Mr. Thomas suggested that Board members should read the Commission's report, as it gives a good description of best practices for fiduciaries. Ms. Baran agreed with Mr. Thomas's summary, and noted the proposed legislation introduced by Mr. Hise will help the Treasurer to better run the pension plan. Ms. Cochran asked how the audit would be paid for. Mr. Thomas said the Commission did not address that, but the legislation provided that it will be a direct expense of the pension plan. Ms. Waller asked if there were any additional questions. There were none and she thanked Mr. Thomas.

Mr. Hamilton joined the meeting at 9:10. He stated he had no conflicts with the agenda.

**AGENDA ITEM- LEGISLATIVE UPDATE**

Mr. Waller asked Mr. Toole to report on legislation proposed by the Retirement Division.

Mr. Toole reported that the following items are currently before the North Carolina Legislature:

1. Under the Retirement Technical Corrections Act, there is a request that the transfer benefit for state plan be available for the local plans as well.
2. Retirement Administrative Changes Act. The legislature is being asked to provide the same sort of immunity from civil liability that the Supplemental Board has for the TSERS and LGERS Boards.
3. Requesting to provide additional transparency around the governance of retirement supplemental insurance benefits by requiring an annual report to the Retirement Systems Boards of Trustees.
4. Requesting additional personnel for the RSD compliance team to help identify where there are overpayments.
5. Pension Spiking Bill. Mr. Toole pointed out that pension spiking is not a large systemic problem, but when it does happen, it makes the news. The bill would affect anyone whose average final compensation is more than \$100,000. If they get significant raises in the final years, they may be subject to the provision of this new bill.
6. Request a loan from the QEBA account into the Supplemental Plans' account. Mr. Toole explained that when 403(b) legislation passed, there was no funding for start-up costs. The 403(b) program will pay the loan back with interest when there is \$250,000 in the administrative expense reimbursement account.

Mr. Toole noted a long-term legislative initiative might include a State sponsored 401(k) for small businesses. There are also discussions within the General Assembly regarding the possibility of developing a defined contribution choice plan in lieu of the current defined benefit plans offered to new employees. The Retirement Systems closely monitors these activities. Mr. Toole asked if there were any questions. Ms. Keech asked whether there was any consideration of offering long-term care insurance. Mr. Toole noted it is currently available in our Supplemental Retiree Insurance Products, specifically within the life insurance products, and RSD is looking at this as a stand-alone product in the future. Ms. Cochran asked for clarification about Board terms and when that might be considered for policy review and potential change. Mr. Toole indicated the Board term discussion is a 2015 legislative long-session agenda item. Ms. Waller stated the Treasurer is looking at the Board terms across all the boards in the Department of State Treasurer. Ms. Baran asked whether the small business 401(k) would be for employers or employees. Mr. Toole responded that nothing is being developed at this time; however, most states are creating a small business group plan available for employers that would be available for their employees to invest on a tax-deferred basis. There were no more questions at this time.

#### **AGENDA ITEM- PLACEMENT AGENT POLICY**

Ms. Waller recognized Mr. Thomas to give a presentation on the Placement Agent Policy for the Supplemental Plans. Mr. Thomas noted this is very similar to the Placement Agent Policy for the pension system. The disclosures are the same, but the Supplemental Plans policy has fewer requirements. Mr. Thomas explained the main part of the Placement Agent Policy is the disclosure letter that a manager will have to complete. This needs to be completed whether there is a placement agent or not, as there are certain disclosures regarding relationships between DST employees and Board members, and the investment managers. Essentially, the policy is trying to determine whether there are any conflicts with the manager, and Board or staff. If there are conflicts, then the compliance counsel, Mary Laurie Cece, will review to determine appropriate response. Most likely, it will be a recusal of the conflicted party. In addition, if conflicts are identified, General Counsel will be notified, as well as the Board. Ms. Cochran asked what sections were removed from the pension system's policy. Mr. Thomas said some of the long descriptions were removed, as well as some of the remedies. Ms. Baran asked if having Mercer vet the managers helped the Supplemental Plans when it comes to conflicts with investment managers. Mr. Love said he did not see a placement agent problem because of the way the investment consulting relationship works in the defined contribution industry in general. Mr. Hamilton asked if the disclosure is different for placement agents than it is for investment managers. Mr. Thomas said the disclosures are trying to uncover conflicts. Ms. Cochran asked if we will require investment managers to update the disclosure, or is this just a one-time form. Mr. Thomas said we will ask for updates when we have substantive amendments to the management agreements. Ms. Cochran stated this could give a false picture if key members of the management team were to change. She stated perhaps there needed to be an amendment to the policy to incorporate a "duty to inform" on the part of a manager if there is a new member of the project team. Mr. Gray stated that what was needed was that any material change to the form needed to be disclosed. Mr. Hamilton made a motion to modify the form to require investment managers to update the disclosure forms in the Placement Agent Policy if there was any material change to the information on the form. Ms. Baran seconded the motion, and the motion passed unanimously.

#### **AGENDA ITEM- APPOINTMENT OF MEMBER TO AUDIT SUBCOMMITTEE**

Ms. Waller stated a motion was needed to appoint Clay Thorp to the 2014 Audit Subcommittee. Ms. Cochran asked for names of the members currently on the Subcommittee. Ms. Cece stated it is Mr. Gray, Ms. Baran, and Mr. Hamilton. Ms. Keech made a motion that Mr. Thorp be added to the Audit Subcommittee. Mr. Gray seconded, and the motion passed unanimously.

#### **AGENDA ITEM- INVESTMENT CONSULTANT CONTRACT**

Ms. Waller then asked Mr. Toole to report on the Investment Consultant Contract. Mr. Toole stated that in the last meeting the Board approved renewing the investment consultant contract

with Mercer. He noted that a contract with Mercer has now been successfully negotiated, and he asked Ms. Cece to go through some of the highlights of the contract.

Ms. Cece stated there had been very good negotiations with Mercer. Mercer agreed to act as a fiduciary for all the investment consulting services they provide to the Plans. Mercer will not begin providing consulting service on the state 403(b) Program until the beginning of 2015 since assets won't begin coming into the 403(b) Program until the fall. The contract term is April 1, 2014 through March 31, 2019, but there is a portion of the contract through December, 2015, for which Mercer will provide ERISA 3(21)-style services. In 2015, staff will come back to the Board with a recommendation or discussion as to what type of investment consultant services should be provided under the contract, whether ERISA 3(21)-style or 3(38)-style, effective January, 2016. Ms. Cece stated that Mercer has already begun work on the RFP's for the unbundling project. She noted another service that Mercer is also providing is a high-level overview of the Stable Value Fund and its ERISA 3(38)-style manager, Galliard.

At this point, Ms. Baran made a motion the contract be approved. Mr. Gray seconded, and the motion was unanimously approved.

Mr. Murphy from Mercer thanked the Board, and stated there was a lot of work to do, and in that light, Mercer is broadening the team working with the Supplemental Plans. Mr. Murphy publically thanked Jay Love for all the work he has done on behalf of Mercer and the Board, resulting in the Plans' great investment performance. He said, at this point, Jay was going to be redirecting his efforts, and soon Mercer would have a new team member to introduce to the Board.

#### **AGENDA ITEM- APPROVAL OF AUDIT SUBCOMMITTEE MEETING MINUTES**

Ms. Waller asked Mr. Gray to give the report from the Audit Subcommittee. Mr. Gray stated the Audit Subcommittee met on March 19, 2014, and was introduced to Mr. Tom Rey of Clifton Larson Allen (CLA), the new auditors for the Supplemental Plans. Mr. Rey discussed the audit procedures and stated that initially there were no problems. He stated the audit would be completed by August. Ms. Cochran asked if it was a normal practice for a previous auditor not to give over their work papers to a new auditor. Mr. Gray stated the work papers are, in fact, the property of the previous auditor, PriceWaterhouseCoopers (PWC). Mr. Rey said he did not think there was any problem for the audit with PWC not sharing the work papers. He stated CLA was still able to acquire the information they needed to perform the audit successfully.

#### **AGENDA ITEM- APPROVAL OF INVESTMENT SUBCOMMITTEE MEETING MINUTES**

Ms. Waller asked Ms. Baran to give a report from the Investment Subcommittee. Ms. Baran stated the Investment Subcommittee met on May 8, 2014, and had a long, but productive

meeting. They discussed PIMCO and its recent management change. She noted at this time PIMCO is not on a watch list, but there will be enhanced oversight by Mercer and the Subcommittee. In addition, the Subcommittee had a large cap manager review of Neuberger Berman, who has been on the watch list for 18 months. The Subcommittee decided it was time to search for a new manager, and requested Mercer begin the process. Ms. Baran stated there had also been a good presentation at their meeting from BlackRock. Ms. Baran asked for approval of the minutes at this time. Ms. Waller asked if there were any questions. There were none. Ms. Keech moved for approval of the minutes, seconded by Ms. Cochran, and the motion passed.

#### **AGENDA ITEM- PROPOSAL REGARDING LARGE CAP GROWTH MANAGER**

The second item of business from the Investment Subcommittee was the proposal for a possible manager change in the Large Cap Growth Fund. Ms. Baran noted the memorandum in the Board materials from Mercer dated May 19, 2014. After reviewing the Memorandum, which identified five possible managers for replacing Neuberger Berman, and the rationale, Mercer recommended Loomis Sayles to replace Neuberger Berman. The Subcommittee voted unanimously to accept Mercer's recommendation. On June 6, 2014, Mary Buonfiglio and Tim Viezer conducted the onsite due diligence visit of Loomis Sayles. Mr. Toole stated that Ms. Buonfiglio felt very good about the trip, and had confidence in Loomis Sayle's capabilities. Mr. Viezer stated that he saw no reason not to move forward with Loomis Sayles, as their investment style fits the strategy of the Large Cap Growth Fund. At this time, Ms. Baran stated the Investment Subcommittee was seeking a favorable vote on the recommendation that Loomis Sayles replace Neuberger Berman as investment manager in the Large Cap Growth Fund. Ms. Baran made such a motion, which was seconded by Ms. Keech, and the motion was unanimously approved. Ms. Keech asked for the top ten holdings of Loomis Sayles. Mr. Love stated that information would be part of his presentation. Ms. Baran noted this was a big decision to hire a new manager and transfer \$250,000,000 to manage, and said the Board should feel free to ask any questions.

At this point there was a 15 minute break from 10:15- 10:30.

#### **AGENDA ITEM- 1ST QUARTER INVESTMENT PERFORMANCE REPORT**

Ms. Waller introduced Jay Love and Kelly Henson from Mercer Investment Consulting to provide a report to the Board on first quarter investment performance. Mr. Love stated there had been a fair amount of volatility in the past quarter, attributable to the harsh winter and problems in the Ukraine. However, the markets did finish positively for the quarter. He noted this environment is difficult for active managers, and that none of the Plans' active managers have outperformed their benchmarks this quarter. He also noted that interest rates declined over the quarter from 3.0% to 2.6%, which was the opposite of what was predicted.

Next, Ms. Henson reviewed the investment managers' quarterly performance. She began with a few manager updates. She noted that Wedge, one of the Fund's small cap managers, dismissed one of the partners in the firm for personal reasons. This event took the firm from a Mercer "A" rating to a Mercer "B+" rating. She noted they are watching this firm closely. She stated that Arrowstreet also has a partner leaving the firm. Also, Wellington Management is closing their global opportunities strategies to new clients. Mercer thinks this is prudent management. She stated Mercer will be monitoring PIMCO closely as their co-CIO left the firm, and they now have six people taking over this role. Mercer believes PIMCO is a strong organization, and has not downgraded their rating.

Ms. Henson then reviewed the Manager Performance Scorecard that looks at performance based on a rolling 3-year period. Specifically, she pointed out the firms that stand out on the scorecard. First is Wellington, which Mercer is not concerned about at this time, as they are on the upswing, comparing well versus their peers, and they expect this to continue. The other standout is Neuberger Berman.

Ms. Henson noted some underperformance to the benchmark in fixed income. She said PIMCO's underperformance is just a bad coincidence. PIMCO has taken some longterm macro bets that have gone against them. She pointed out the watch list on page 16 of their report. Wellington is still on the watch list. Ms. Cochran asked if we are at the point with Wellington where we need to be proactive and start looking at other investment manager options. Also, she asked should the same be done for Wedge. Ms. Henson said the process is that Mercer begins to look for other managers when a manager has been on the watch list for four quarters. Ms. Baran pointed out when a manager is at the fourth quarter of being on the watch list, Mercer is to present the Investment Subcommittee with a retention memorandum.

Ms. Henson turned to fund performance. She noted it had been a quarter with very mixed results for managers and the funds. Within the SMID, category both managers underperformed, but Mercer thinks this is just a performance cycle and that longer term they will both be fine. She noted for the longest time periods, the funds do have very strong performance against their peers and indices.

On page 18, she noted the performance of the GoalMaker funds. For the 3-month period, there is some underperformance in GoalMaker, but longer term, the funds are outperforming the benchmark and doing well versus their peers. She noted that with the peer ranking, so much of this is driven by asset allocation, and the Plans' conservative funds are going to underperform because they have a fundamentally different strategy.

With regard to fees, Ms. Henson noted this is an area where Mercer continues to focus and see improvement. BlackRock's fees were recently renegotiated, resulting in significant savings for Plan participants. She noted the funds' fees are lower than their peer group, which results in

more value and growth for participants. Mr. Love pointed out one additional item regarding PIMCO. Sallie Mae split into two organizations, and the bonds held by PIMCO were in the spun-off part of the business and were downgraded. He said PIMCO had requested to hold on to the bonds, but they were instructed to sell in order to meet the Plans' Investment Guidelines. Mr. Love stated the Loomis Sayles' top ten holdings are: Google, Cisco, Visa, Amazon, Oracle, QUALCOMM, Dannon, Lowe's, P&G, and Facebook.

#### **AGENDA ITEM- INVESTMENT CONSULTANT ROLES AND RESPONSIBILITIES UPDATE**

Mr. Toole gave an update on the investment consultant roles and responsibilities effort. He explained the Prudential unbundling project. He said the process of working on the unbundling project has given DST staff an opportunity to take a hard look at the operating model. The staff is planning to hire an independent third party consultant to analyze the many decision points going forward around the investment consultant model. Currently, staff has a proposal from RV Kuhns. During this process, they will look to receive proposals from Buck Consultants and Slocum.

Mr. Toole stated the staff and Board need to understand the costs and fiduciary liability of the different investment consultant models. The consultant hired will help look at staffing and tasks under the current operating model, which will inform the desired future operating model. The Chief of Staff and Treasurer will be involved in this discussion, and the recommendation will be brought to the Board for approval. There will be role clarity around Mercer, IMD, and staff going forward. Hopefully, the proposal will come to the Board by the end of the year.

Mr. Toole then gave a first quarter update: He noted that the SRP and RSD retirement readiness goals had been exceeded. RSD is now at a rate of 67.56% of participants being retirement ready, exceeding an 80% replacement income level. Ms. Waller thanked the team for their efforts. Mr. Toole thanked the team and Prudential, noting that in 3 short years the retirement readiness stats had gone up 12%.

#### **AGENDA ITEM- 4TH QUARTER ADMINISTRATIVE REPORT**

Mr. Waller recognized Michael McCann of Prudential for an administrative report on the NC 401(k) and NC 457 plans. Mr. McCann stated he had four items to talk about: a brief overview of quarterly performance activity, financial literacy update, field activity update, and a marketing update. He introduced the team members with him: Kathleen Neville, Jessica Quimby, and Tom Conlon. He noted that Mr. Conlon is Travis Smartwood's replacement, and will now be heading up the Client Services team.

Mr. McCann pointed the Board to page 5 in his presentation that contained the GoalMaker utilization rates. He noted some of these numbers are slightly up and some slightly down, but



none of them cause particular concern at this point. Prudential is leveraging target marketing to increase the participation rate. Next, he pointed out slide 8 that shows contributions, distributions, and earnings on the NC 401(k) Plan. All of these have gone up year over year. Mr. McCann noted the NC 457 Plan has been a big area where Prudential is pushing for growth. The plan now has more than \$1 billion in assets. Prudential is working on employer outreach. Mr. McCann pointed out Slide 18 and 19 that show a comparison of asset allocation by age group of those participates in GoalMaker versus those not in GoalMaker. He said this slide illustrates how important GoalMaker is in helping get participants on the right path. Mr. McCann noted that next week Prudential is having a meeting with the Supplemental Plans communication and marketing team, and TIAA-CREF, to plan for ways to increase the numbers. He referenced slide 24 that shows net cash flows. As the baby boomers are starting to retire, Prudential is starting to see some spikes with some folks moving money out of the Plans. Prudential is going to partner with DST to talk about products and education to help mitigate these outflows.

Next, Mr. McCann discussed the financial literacy survey. Prudential hired an outside firm to look at North Carolina residents compared to other states. In addition, the survey compared private sector workers to public sector workers with regard to how they feel about their retirement readiness. This study indicates Prudential and North Carolina DST are on the right track, and the information gleaned from the study will help determine how to best drive the message around retirement in the future. Slide 7 shows the top financial priority for North Carolina citizens is not to run out of money in retirement. For younger citizens, saving for retirement, and protecting existing investments and savings, are top priorities. Prudential is looking at this population and trying to figure out how best to market to them. Slide 8 presents an overview of confidence. Only 33% of North Carolinians think they will meet the goal of not running out of money in retirement. Public sector workers have a great deal more confidence than private sector employees. Mr. McCann thinks this is, most likely, because of the public sector pension. Slide 9 grades the financial knowledge of North Carolinians. He stated this data is helpful during group or one-on-one sessions with participants. The lack of knowledge around investing and retirement savings is an issue that pops out in the survey, and Mr. McCann indicated that GoalMaker helps in this area. He stated that it is important to educate around how helpful GoalMaker is and the purpose of it. Slide 13 of the presentation gave an overview of retirement readiness in North Carolina.

Finally, Mr. McCann pointed out Slide 21 that gives an overview of what can be learned from retirees. This helps with marketing and using human based behaviors to drive participation. Over half of retirees wished they had saved more or wished they had started saving earlier. Ms. Baran asked Mr. McCann if Prudential plans to share this report with the North Carolina press. Mr. McCann answered that Prudential had shared with this DST staff and are actively trying to get this into the press. Ms. Cochran stated that she sits on a board that deals with these issues and

would like to share it with her peers. Ms. Waller stated that the Treasurer is in the process of hiring an employee to do work on financial education, including retirement readiness.

Mr. McCann then turned his presentation over to Ms. Neville to report on the work in the field. The field team uses this video to drive home the themes of saving for today so that you can enjoy tomorrow and be retirement ready on day one of retirement. Ms. Neville said the retirement counselors conducted 1,158 meetings in the first quarter of 2014, reaching more than 15,000 employees. She said the first quarter was a bit of a challenge because of uncooperative weather. The team was successful in getting five new employers in the NC 457 Plan. She then discussed the retirement income calculator, noting that 9,000 members used this online tool to determine their income gap analysis. She pointed out the importance of maintaining relationships with the employers, and about how the entire team at Prudential was working in a collaborative way by having a well thought-out plan, targeted communication. and an engaged field force. She turned the presentation over to Jessica Quimby.

Ms. Quimby noted her goal is to develop strategies to drive participant outcomes. She demonstrated a couple of videos that are part of the human behaviors campaign at Prudential. The purpose of the videos is to educate members on their next best steps. One is focusing on employers because they can drive participation, especially by providing an employer matching contribution. The second area of focus is on employees. She pointed out that both campaigns are working. She noted the campaign around getting employees to take advantage of employer match had a 5% take rate and, of those, 70% increased their contribution in order to take full advantage of the employer match. Mr. Toole noted that he attended the Prudential client advisory board meeting, and that Prudential is doing a lot of good work around human behavior. Ms. Waller thanked Ms. Quimby for her presentation.

#### **AGENDA ITEM- PROXY VOTING UPDATE**

Ms. Waller then turned the meeting over to Ms. Krishnan to report on the Proxy voting policy. Ms. Krishnan noted the North Carolina Department of State Treasurer had entered into an agreement with Glass Lewis for proxy voting services. The Supplemental Retirement Plans adopted the domestic and international proxy voting policies that are behind Tab 9. These policies address a broad range of issues, including executive compensation and shareholder rights. On all the issues in the policy, the focus is on maximizing shareholder value. She noted the Supplemental Plans do consult with the pension system on proxy issues, but cast their votes separately. Ms. Krishnan described the ballots that were cast.

#### **AGENDA ITEM- BUDGET PROPOSAL**

Ms. Waller then asked Mr. Toole to present the budget proposal for the Plans. Mr. Toole explained that DST receives 2.5 basis points from Plan assets as an administrative fee to offset expenses. This fee is placed in the Stable Value Fund and earns that current rate of interest. Those funds are then used to pay the expenses the Board has approved. As of March 31, 2014, the Administrative expense fund had about \$3.5 million. He noted the administrative fee for the 403(b) is 5 basis points, and feels it should stay at this level for the foreseeable future as we ramp up revenue to offset our startup costs. As for positions previously authorized by the Board, we continue to recruit for the compliance officer position. The marketing position has been filled with Ms. Sabrosso-Rennick. He said there is a new position of procurement specialist for the Supplemental Plan approved by FOD. He noted there is an increase in the investment consulting fees and a decrease in auditor fees in the budget. He asked if there were any questions, if not he asked that the Board approve the budget as currently stated. Ms. Baran made a motion that the budget be approved. Mr. Gray made a second, and the motion was unanimously approved.

Mr. Toole then discussed the unbundling project for the Plans. Mr. Toole stated the project previously approved by the Board had begun. He said the project is in good hands with Andrew Ness and Mercer. He indicated during the September Board meeting there would be much more to update. He gave the timeframe for the project and noted that by March 2015, there would be a recommendation to the Board as to the result of the RFP searches. He asked the Board to let him know if any of them wanted to be involved in this RFP process. Ms. Baran requested that if staff comes across any problems with the schedule of the unbundling project to please let the Board know in a memorandum. Mr. Toole agreed to do so.

**AGENDA ITEM- 403(b) PROGRAM**Ms. Waller then introduced Jamie Summerlin and Bruce Corcoran to give an update on the 403(b) Program. Mr. Corcoran said that interest in the 403(b) Program is heating up. He noted that the 5-year contract between the Supplemental Board, DST, and TIAA-CREF was finalized on March 12, 2014. The Program Establishment Guide (PEG) was finalized this past Friday, and TIAA-CREF is looking to finalize the rest of the marketing collateral. He said that six districts are already signed up for the Program. The six districts are from all across the state, spanning in size from very large to very small. Sole recordkeeping employers will take about 6-8 weeks to implement. Multi-vendor clients will typically take 3-4 weeks. Ms. Baran asked about the primary motivator for the counties that have switched from previous providers to TIAA-CREF as sole recordkeeper. Mr. Corcoran said cost is the big driver, as well as objective advice with a fiduciary rather than a non-fiduciary model. Ms. Baran asked for a copy of the PEG. Mr. Corcoran said there is a lot of competitive activity occurring in the 403(b) market at the moment with a lot of misinformation. Mr. Gray asked if there was a way to get this in the press. Ms. Waller noted the Treasurer has done some work with the press and will continue to do so.

**AGENDA ITEM- DIRECTOR'S REPORT**

Mr. Toole presented the Director's Report, providing updates for the Board on a few matters. He encouraged Board members to attend the upcoming NAGDCA conference in San Antonio, Texas. He noted both he and Mary Buonfiglio were going to be speakers during the conference. Finally, he made a point that what the Supplemental Retirement Board is doing is making a real difference in people's lives, and everyone is working very hard to drive participation.

**AGENDA ITEM – BOARD QUESTIONS/COMMENTS**

Mr. Waller asked the Board if they had any comments. There were none.

**AGENDA ITEM – PUBLIC COMMENT**

There were no public comments.

A motion to adjourn was made by Ms. Baran and seconded by Ms. Keech. The motion passed unanimously, and the meeting adjourned at approximately 12:15 p.m.

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Secretary