

NORTH CAROLINA SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES

MINUTES OF SPECIAL MEETING

February 6, 2014

Time and Location: The North Carolina Supplemental Retirement Board of Trustees (the "Board") met at 1:30 p.m. Thursday, February 6, 2014 in the Dawson Conference Room of the Albemarle Building, 325 North Salisbury Street, Raleigh, North Carolina.

Members Present: The following members were present: State Treasurer Janet Cowell (Chair), Melinda Baran, Karin Cochran, Walter Gray, and Mona Keech. Clay Thorp participated by phone.

Staff Present: The following Department of State Treasurer staff were present: Steve Toole, Mary Buonfiglio, Joan Fontes, Rekha Krishnan, Mary Laurie Cece, Debra Bryan, Becky Sandling and Blake Thomas.

Guests Present: The following guests attended the meeting: Michael McCann from Prudential Retirement and member of the public Stu Reland.

AGENDA ITEM- WELCOME AND INTRODUCTIONS

The meeting was called to order at approximately 1:30. Treasurer Janet Cowell, Chair of the Board, welcomed Board members and guests.

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

The Chair 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- APPOINTMENT OF AUDITOR

The Chair asked Mr. Gray, head of the Audit Subcommittee of the Board, if he would present the recommendation of the Auditor Evaluation Committee.

Mr. Gray said that on November 12, 2013 a request for proposal to perform audit services for the Supplemental Retirement Plans (the "Plans") was issued by the Department. On November 22, written responses to bidder's questions were posted on the Plans' website. Eight bids were received on December 12, 2013. Mr. Gray listed the firms that submitted bids. They were:

1. CliftonLarsonAllen, LLP

2. Elliott Davis, PLLC
3. BDO USA, LLP
4. Grant Thornton, LLP
5. Greer Walker, LLP
6. McGladrey, LLP
7. Cherry Bekaert, LLP
8. PricewaterhouseCoopers, LLP

Mr. Gray then explained that all respondents were evaluated according to their technical and cost response to the RFP. The preliminary evaluation committee (the "Committee") was comprised of Steve Toole, Director, NC Retirement Systems; Mary Buonfiglio, Deputy Director, Supplemental Retirement Plans; and Joan Fontes, Deputy Director, Financial Operations Division. Mr. Gray noted that the NC Retirement Systems' legal and procurement teams advised and supported the Committee throughout the process.

The evaluations were based on a qualitative and quantitative matrix, and three firms were chosen as finalists through this preliminary evaluation process.

The finalists were:

1. Grant Thornton LLP
2. CliftonLarsonAllen LLP
3. PricewaterhouseCoopers LLP

On January 17, 2014, the three finalists gave oral presentations. Mr. Gray noted that he attended the oral presentations and participated in the secondary evaluation process as a voting member of the Auditor Evaluation Committee. That committee evaluated each presentation and assigned scores.

Mr. Gray said that after a comprehensive evaluation of each technical and cost proposal, clarifications on certain issues from bidders and the oral presentations, the committee recommended CliftonLarsonAllen be awarded the contract to perform audit services for the Plans for the year ending December 31, 2013. This recommendation was based on the firm's qualifications, audit methodology, significant number of similar governmental clients, defined contribution retirement plan experience and competitive cost proposal. Mr. Gray noted that while each bidder had significant professional strengths and capabilities, the evaluation committee felt CliftonLarsonAllen was the best fit for the Plans and its participants. He pointed out that the scoring grid for the three finalists was included in the Board materials.

Mr. Keech asked for some biographical background on CliftonLarsonAllen. Ms. Buonfiglio explained that it used to be two separate accounting firms that merged two years ago. She said

the firm had developed a niche market in the governmental plans arena and audited many other similar plans. Ms. Cochran noted that CLA has an office in North Carolina, and she asked whether this factored into the Committee's decision. Ms. Fontes, who was a member of the Auditor Evaluation Committee, responded that the committee was comfortable with there only being one NC office. Ms. Keech asked where that office is located and Ms. Buonfiglio said it was in Charlotte.

Ms. Cochran asked if the committee saw any other weaknesses in the firm. Mr. Gray stated that he was struck by how experienced the firm is in the particular field of DC governmental plans. Ms. Cochran asked whether there is value in having broader experience. Mr. Toole pointed out that the committee considered this, but found that it weighted more heavily in CLA's favor that it had experience with so many similar type plans. Ms. Buonfiglio added that, while this is a specialized practice that we would be working with, CliftonLarsonAllen is a very large firm.

Ms. Baran made a motion that the Board approve CliftonLarsenAllen as the auditor for the Plans. Ms. Keech seconded and the motion passed unanimously.

Mr. Toole noted that Mr. Gray was very helpful on the Auditor Evaluation Committee and thanked him for his service.

AGENDA ITEM – BOARD QUESTIONS/COMMENTS

There were no additional comments or questions from the Board.

AGENDA ITEM – PUBLIC COMMENT

There were no public comments.

A motion to adjourn was made by Ms. Keech and seconded by Ms. Baran. The motion passed unanimously, and the meeting adjourned at approximately 1:45 p.m.



CHAIR