



MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Foreign Tax Services RFQ Evaluation Committee

DATE: February 24, 2022

SUBJECT: Recommendation regarding the RFQ for foreign tax services for the NC 401(k) and NC 457 Plans

On September 20, the Department issued a request for quotes (“RFQ”) for foreign tax services for the NC 401(k) and NC 457 Plans (together, the “Plans”). The RFQ included two types of services – tax compliance and tax reclaims. Tax compliance consists of serving as the Plans’ tax agent in India, Taiwan, and Pakistan, which includes calculating tax payments and handling annual tax returns in India and Pakistan. Tax reclaims are the recovery of (or upfront relief from) withholding taxes paid (or payable) by the Plans in non-U.S. markets, based on double taxation treaties or other tax relief available to the Plans. Responses were due by October 22.

Tax compliance in India and Taiwan, as well as ad hoc advice or work for other countries, is currently provided by Ernst & Young LLP pursuant to a contract that expires on March 31, 2022. The Department is in the process of opening an account in Pakistan.

Tax reclaim services are currently provided by the Plans’ custodian, BNY Mellon, as part of its custodial fees; however, BNY Mellon does not offer all of the tax reclaim services that potentially may benefit the Plans.

The RFQ and the Department’s responses to vendors’ questions were posted on the Board’s web page on www.myncretirement.com and are attached to this memo for reference.

Three firms responded by the deadline:

1. Ernst & Young LLP (“EY”)
2. Globe Tax Services, Inc.
3. WTax

The Foreign Tax Services RFQ Evaluation Committee (the “Committee”) was comprised of the following members of the Department:

1. Jeff Hancock, Director, Supplemental Retirement Plans;
2. Alan Jaquith, Compliance Officer, Supplemental Retirement Plans; and

3. Deana Moore-Solomon, Compliance Analyst, Investment Management Division.

The committee met several times from November through February to discuss and evaluate the proposals and to gather additional information. The committee evaluated the technical proposals based on the criteria in the RFQ and requested additional information, including a best and final offer (“BAFO”), from EY and Globe Tax.

Based on the best value to the Plans, the committee recommends the following:

1. Selecting Globe Tax to provide tax reclaim services that are not provided by BNY Mellon. Globe Tax has extensive experience in pursuing foreign tax reclaims and was ranked first (or tied for first) by the committee in all six technical categories for tax reclaim services. In addition, the Department has already retained Globe Tax to provide non-BNY Mellon tax reclaim services for the Investment Management Division (North Carolina Retirement Systems).
2. Continuing to use EY for tax compliance services. EY has provided foreign tax compliance services for the Plans since they were unbundled at the beginning of 2016, and EY has served the Plans well during this time. In addition, EY has provided similar tax compliance services for the Investment Management Division (North Carolina Retirement Systems) since 2014.

The cost proposals for Globe Tax and EY will be presented to the Board in closed session given their confidential nature and designation.

With the Board’s approval, the Department will attempt to negotiate contracts with (1) Globe Tax to provide tax reclaim services, possibly as part of Globe Tax’s existing contract for the Investment Management Division; and (2) EY for tax compliance services. The contracts are expected to have an initial term of up to five years beginning April 1, 2022, with an option for the Board and the Department to renew the contracts for two additional one-year terms. The Board and the Department will have the right to terminate the contracts early.