

Compliance activities "at-a-glance"

April - June 2018



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

Vendor contract management and performance standards monitoring



- Recordkeeper met all performance standards
- Custodian met all performance standards with the exception of timely daily NAV transmission; credit of \$1,033 will be received in the 3rd quarter of the year
- Investment consultant met all performance standards
- Proxy advisor met all performance standards

Investment guidelines daily monitoring



- All investment managers were compliant with their respective guidelines
- The NC TIPS Fund guidelines were implemented; investment guidelines for the eliminated NC Global Equity Fund were removed from the monitoring system
- No prohibited holdings identified in applicable departmental divestment policies were held in the Supplemental Retirement Plans Group Trust portfolio during the quarter

Corporate governance update



- The departmental proxy voting policy was finalized and published on NCTreasurer.com
- IMD and SRP staff successfully concluded the voting process under the uniform guidelines during the 2018 proxy season

Policy update



- The NC General Assembly clarified that the fee-setting authority granted to the SRP Board extends to both Plans and the Program under the purview of the Board; proposed administrative rule will be presented to the Board in the 3rd quarter of the year
- SRP staff begun conducting annual reviews of relevant policies and desktop guides; the reviews are expected to conclude by November 30, 2018

Member complaints report



- The Plans' recordkeeper received a total of four complaints, which were attributed to service center performance; one complaint was invalid
- One of the four complaints was filed with the NC Department of Justice and related to a payment to a member's estate; satisfactory explanation of Plan rules has been provided to DOJ and the complainant. An escalated member complaint from the first quarter resulted in member's appeal filing with the Office of Administrative Hearings; the appeal is still under review.
- Two additional complaints were received by the staff directly and satisfactory explanations were provided to members

Multi-employer plan management



- The staff prepared a draft summary of findings for plan process review in the fiscal year 2018-2019; the summary aims to review and improve several processes impacting plan documents, subplans and member-facing processes; tentative review and implementation is scheduled to begin in 3rd quarter of the year

Vendor Performance Guarantees Report

Vendor	Measured	Fees at Risk	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Contractual Goal	2018 Results
BNY Mellon									
Unit Value Timeliness (daily unit value file provided to Administrator by 7:30 p.m. ET)	Daily	\$1033/mo	√	√	X \$1033 credit to be reflected in June 2018 invoice			No more than 1 late delivery per month	Standard not met; two files were provided late
Unit Value Accuracy (accurate unit value file provided to Administrator each day)	Daily	\$1033/mo	√	√	√			No more than 1 incorrect file per month	Standard met
NAV Report Timeliness	Monthly	\$525/mo	√	√	√			No later than 2nd business day after month end	Standard met
NAV Report Accuracy	Monthly	\$525/mo	√	√	√			No reports restated (due to custodial error) per month	Standard met
Performance Measurement Report Timeliness	Monthly	\$525/mo	√	√	√			No less than 98% timely delivery per month	Standard met
Performance Measurement Report Accuracy	Monthly	\$525/mo	√	√	√			No less than 98% accurate measurement per month	Standard met
Best and Final Offer Review	Custodian delivered all the services described in the final offer, as agreed upon by the Plans' management								
Prudential NC 401(k)/457(b)/403(b)									
Call Speed Center to Answer	Quarterly	\$20,000/yr	√	√	√			80% of calls answered within 20 sec	10 sec
Call Abandonment	Quarterly	\$10,000/yr	√	√	√			Less than 3%	0.30%
Statement Mailing Timeliness	Quarterly	\$10,000/qr	√	√	√			99% mailed within 10 business days after quarter end	Standard met
Website Availability	Annually	\$10,000/yr	√	N/A	N/A			Available at least 97.5% of the time on 24/7 schedule	2018 result to be reported in Q1 2019
Participant Satisfaction Survey	Annually	\$10,000/yr	√	N/A	N/A			94% of members respond "YES" to survey question	2018 result to be reported in Q1 2019
Contribution Processing Timeliness	Annually	\$10,000/yr	√	N/A	N/A			99% processed within 1 business day of receipt	2018 result to be reported in Q1 2019
Distribution Processing Timeliness	Annually	\$20,000/yr	√	N/A	N/A			99% processed within 2 business days	2018 result to be reported in Q1 2019

Asset Allocation Usage	Monthly	\$10,000/yr	√	√	√			80% usage by new members	94.61%
Contribution Level	Annually	\$10000/yr	√	N/A	N/A			2% increase per each contract year	2018 result to be reported in Q1 2019
Participation Level	Annually	\$10000/yr	√	N/A	N/A			1% increase per each contract year	2018 result to be reported in Q1 2019
Communications Strategy	Quarterly	\$10000/qr	√	√	√			Annual communication plan development and quarterly updates	Standard met
Revenue Report	Quarterly	\$5000/qr	√	√	√			Provided within 15 days of the end of each calendar quarter and year	Standard met
myNCRetirement Statement Project Management	Annually	\$20,000	√	X \$20,000 was received in May, 2018	N/A			Produce the statement with 100% accuracy and by the deadline	2018 result to be reported in Q1 2019
Retirement Readiness	Annually	\$25000/yr	√	2012 Goal 58% ; Actual 59.92% 2013 Goal 60% ; Actual 67.56% 2014 Goal 70% ; Actual 64.01% 2015 Goal 65% ; Actual 60.48% 2016 Goal 66% ; Actual 58.04% 2017 Goal 67% ; Actual 57.26% 2018 Goal 68% ; Actual N/A 2019 Goal 70% ; Actual N/A			Score reported annually at June Board meeting; \$25,000 will be received in January 2019		
Best and Final Offer Review	~The recordkeeper increased the Retiree Advocate position to two staff members ~Social Security Calculator available to members via NCplans.prudential.com ~GoalMaker enhancements to be completed by second quarter of 2018; <u>timeline includes a financial performance guarantee of \$250,000.00</u>								



Vendor Performance Guarantees Report

Vendor	Measured	Fees at Risk (\$)	2018					2018 Results
			Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	
Mercer								
Investment Policy Statement Development and Monitoring	Annually	Any material deficiencies will reduce the fee by \$5,000 for the next calendar quarter, up to the maximum reduction of \$20,000 in any rolling 12-month period	√	√	√			Standard met
Plan Design Review and Recommendations	Annually		√	√	√			Standard met
Investment Manager Searches and Ongoing Monitoring	Quarterly		√	√	√			Standard met
Performance and Risk Reporting	Quarterly		√	√	√			Standard met
Industry Research	Quarterly		√	√	√			Standard met
Glidepath Review	Annually		√	√				Standard met
Stable Value Fund Review	Annually		√	√	√			Standard met
Board Meeting Presentations	Quarterly		√	√	√			Standard met
Recordkeeper Benchmarking Study	Annually		√	√	√			Standard met
Glass Lewis								
Voting System Availability	Daily	Failure to meet one or more of the performance standards during a quarter shall reduce the fees by \$1,000.00, up to a maximum of \$5,000.00 in any 12-month period	√	√	√			Standard met
Client Service Representative Responsiveness	Daily		√	√	√			Standard met
Voting Accuracy	Per ballot		√	√	√			Standard met
Reconciliation Reports	Monthly and Annually		√	√	√			Standard met
Account audit	Quarterly		√	√	√			Standard met
Status Meeting	Quarterly		√	√	√			Standard met
Proxy Policy Review	Annually		√	√	√			Standard met