

North Carolina Supplemental Retirement Plans Board of Trustees
Report from the Audit Subcommittee
September 5, 2012

The Audit Subcommittee of the Supplemental Retirement Plans Board of Trustees (the "Subcommittee") met on August 2, 2012 for the purpose of receiving reports and recommendations from PricewaterhouseCoopers ("PWC" or "the auditor") on the Plans' annual audit and financial statements. Board members Robert Powell and Kathy Crooke were in attendance. Peter Coode, Jeanette Kuchenreuther and Darren Hendrix from PWC presented information to the Subcommittee. The Subcommittee received a report from PWC on the annual audit and December 31, 2011 financial statements of the Plans. PWC offered an unqualified opinion and found the financial statements to be in good order.

PWC led a discussion of the auditor's communications with specific reference to the engagement letter and several other key points including:

- No audit adjustments were made to the financial statements.
- The auditor is unaware of any material uncertainties that cast doubt on the Plans' ability to continue as going concerns.
- No difficulties were encountered while performing the audit procedures.
- No irregularities, fraud, or illegal acts involving senior management, or that would cause a material misstatement of the financial statements, came to the auditor's attention as a result of the audit procedures.

PWC then presented to the Subcommittee and reviewed the following items:

- The Management Representation Letter, which noted that management's view, is that the financial statements are a fair representation of the fiduciary net assets and changes in fiduciary net assets of the Plan in accordance with accounting principles generally accepted in the United States of America.
- Key points of the December 31, 2011 financial statements.
- The testing methodology for employer sites, investment holdings and benefit payments.

PWC noted that the audit process this year ran very smoothly and on time.

The Subcommittee unanimously accepted the auditors' report, and the Subcommittee approved release of the 2011 financial statements of the Supplemental Retirement Income Plan (NC 401(k)) and Deferred Compensation Plan (NC 457).

Staff was then excused for a closed executive session between the Subcommittee and PWC. Upon the end of the executive session, the Subcommittee stated that no issues were noted. The Subcommittee then voted to adjourn the meeting.