North Carolina Retirement Systems
NC 401(k) & NC 457 Plans

DRAFT MINUTES
SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES

The regular quarterly meeting of the Supplemental Retirement Board of Trustees (Board) was called to order at approximately 9:00 a.m. on May 22, 2025, by the Chair, State Treasurer Brad Briner. The meeting was held in a hybrid format, with people attending virtually or in person in the Dogwood Conference Room of the Longleaf Building at 3200 Atlantic Avenue, Raleigh, NC 27604. The Chair indicated there would be a public comment period for organizations and individuals to address the Board later in the agenda.

Members Present
Board members attending in person: Treasurer Brad Briner and Rajinder (Raj) Singh.

Board members attending virtually: Steve Beam, Robert Hillman, Lorraine Johnson, Lanier McRee, and Bob Shea.

Members Absent: Charlie Perusse and James Richardson.

Guests attending in person: Mike McCann and Jodie Musselwhite from Empower, and Weston Lewis and Elizabeth Hood from Callan.

Guests attending virtually: None

Department of State Treasurer Staff Present
Staff members attending in person: Amy Auth, Shanta Bowley, Kris Byrd, Reid Chisholm, Patti Hall, Jeff Hancock, Taylor Matyi, Kristin Merrick, Chris Morris, Eric Naisbitt, Colin Russell, Kevin SigRist, and Sam Watts.

Staff members attending virtually: Christy Farrelly, Sam Fuller, Derek Gee, Elizabeth Hawley, Paul Palermo, April Parker, Michael Wagner, and Brandon Watson.

The Chair called the meeting to order and reminded members that since this meeting is being held in a hybrid format, members must announce their names when they arrive, when they depart, and when speaking. In addition, he explained that making a motion will be assumed to be a vote for the proposal, unless there is an objection, and all votes will be taken by roll call. He stated that today's meeting is being recorded as part of the Department of State Treasurer's (DST) initiative to increase government transparency.

Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest
Pursuant to the ethics rules, the Chair asked about Board members' potential, actual or appearance of a conflict of interest. No conflicts of interest were identified by the Board members.

Adoption of Consent Agenda
The Chair presented a consent agenda with the following items: approval of the minutes for the February 20, 2025, Board of Trustees meeting and the February 28, 2025, Audit Subcommittee Board meeting.

There was no request from the Board to move any of the consent agenda items to a discussion item and the consent agenda was adopted.

Legislative Updates
The Chair recognized Ms. Amy Auth, Deputy Treasurer for External Affairs, Taylor Matyi, Policy Development Analyst, and Colin Russell, Legislative Liaison, to give an update on state legislative issues regarding the North Carolina Retirement Systems (NCRS) and the Supplemental Retirement Plans (SRP).

The State Investment Modernization Act, which was recommended by the Treasurer, is pending in the North Carolina General Assembly (NCGA). The bill will shift the fiduciary responsibility for NCRS's investment decisions from the Treasurer to a board.

Another pending bill at the NCGA includes the option to invest up to 5% of NCRS's assets in digital assets. The bill also requires the Treasurer and the Board to evaluate the option of allowing SRP's participants to invest in digital assets.

Mr. Watts added that this is the first time that the General Assembly has considered digital assets for SRP and asked for a study to be done. Mr. Hancock asked about the expected time frame of the results of the study. Mr. Watts said there isn't a particular deadline set for the results of the study.

Ms. Johnson asked for the pros and cons of digital asset investments, clarification on participant options and who will conduct the study. The Chair said that the study will provide more clarity about digital asset investments and SRP staff will be involved in the study.

Ms. Johnson asked if the Board has the option to make the determination about investing in digital assets and if the General Assembly has the authority to direct the Board to consider a study. The Chair said that the Board has a fiduciary responsibility to evaluate all options for the participants.

Administrative Matters: Review of Administrative Fee
The Chair recognized Mr. Jeff Hancock, SRP Director, to present the SRP 2025-2026 Budget Proposal (included in the Board's materials).

Mr. Hancock reminded the Board that the fee holiday is still in effect for the rest of 2025 so there are no asset-based administrative fees. SRP's expense reserve is projected to fall from Approximately $9.1 million on July 1, 2025, to approximately $8.1 million on June 30, 2026.

The Chair said the reserve fund is invested in the Stable Value Fund and is currently earning 3.13% and recommended moving the money to an account with a higher return, such as a money market fund or DST's Short-Term Investment Fund. Mr. Shea, Mr. Beam and Mr. Singh agreed with the Chair.

The Chair entertained a motion to approve the SRP 2025-2026 budget proposal and to move the funds in the reserve account to a money market fund. Mr. Shea so moved, and Mr. Beam seconded. The motion passed by roll call vote of 7-0.

Legal Matters
The Chair recognized Mr. Reid Chisholm, Assistant General Counsel, to present staff's review of the Board's Governance Policies and staff's recommendation to renew the contract with CEM Benchmarking (included in the Board's materials).

He said that staff reviewed the Vendor Selection Policy and the Board Charter for the current meeting. There are no recommended changes to the Vendor Selection Policy and only a minor edit to the Board Charter. The Investment Transaction Disclosure Policy, the Proxy Voting Policy, and the Policy for Procedures for Investment Transactions and Investment Manager Selection will be reviewed later this year. The Investment Policy Statement is reviewed at the Board's fourth quarter meeting.

The Chair entertained a motion to approve staff's recommendation to revise the Board Charter. Ms. Johnson so moved, and Ms. McRee seconded. The motion passed by roll call vote of 7-0.

Mr. Chisholm said that CEM Benchmarking (CEM) has conducted reports for SRP and the North Carolina Retirement Systems and pension administration analyses for the Retirement Systems Division since 2014. The new CEM contract will be for a six-year term, with SRP receiving services in 2025, 2027 and 2029 and the option to terminate at any time. The proposed fee for 2025 is $35,000, with incremental increase of $2,000.00 for each of the following years.

Mr. Singh asked if any other vendors were considered for benchmarking services. Mr. Chisholm said that SRP has been very satisfied with CEM and Mr. SigRist added that CEM has a very extensive range of services and collects data from a broad range of plan sponsors. He said that he will provide a memo to the Board regarding CEM and possible alternatives.

Mr. Shea added that based on staff's recommendation he would recommend that the Board move forward with the contract.

Mr. Watts added that the research could take time but may be completed by the next contract renewal period.

Mr. Hancock recommended that the Board should approve the contract for 2025 and research other services in time for the 2027 contract.

The Chair entertained a motion to approve the contract for Benchmarking Services. Mr. Beam so moved, and Mr. Shea seconded. The motion passed by roll call vote of 7-0.

Administrative Update: First Quarter Administrative Report
The Chair recognized Mr. Michael McCann, Empower Client Relations and Business Development Vice President, and Ms. Jodie Musselwhite, Director of Participant Engagement, to discuss the First Quarter 2025 Administrative Report (included in the Board's materials).

Mr. McCann provided an update for the first quarter 2025. He said that distributions were higher than contributions, average participants' balances increased, active average employee deferral increased, total enrollments increased, three employers adopted the NC 457 Plan, seven employers added, changed or enhanced their employer contribution, and rollovers out of SRP increased to $184.3 million.

The Chair asked if there are specific reasons why participants are rolling money out of SRP.

Mr. McCann said that participants are looking for advisors to actively managed their money and Empower doesn't have discussions with participants when rollover forms are received. He added that being proactive and offering investment advice to participants will be in the best interest of the participants so that they can make well informed decisions regarding their investments.

Mr. Hancock added that offering investment advice is something that should be considered. He also added and there will be campaigns that target specific age groups to inform them of options as they separate from employers.

Mr. Shea asked about the increase in the average speed to answer calls in the first quarter of 2022.

Mr. McCann said the increase in the first quarter of 2022 was due to the COVID pandemic and hiring issues. Mr. Hancock added the increase in first quarter 2024 was due to the migration to the Empower platform.

Ms. Musselwhite provided an overview of participant and employer engagement in the first quarter. She said that there were 1,027 employer meetings, with 20,239 attendees. In addition, there were 6,810 enrollments and the average contribution rate increased by 11%. Ms. Musselwhite credited some of this success to the territory optimization plan, effective January 2025.

The Chair asked if there were still hardship withdrawals due to Hurricane Helene. Ms. Musselwhite said the Qualified Disaster Recovery Distribution window closed in March 2025.

Mr. Beam asked about the call center speed to answer results in the Vendor Performance Guarantees Report and noted that the goal was not met for five consecutive quarters.

Mr. McCann said there was attrition of staff and during the third and fourth quarters of 2024, there were approximately forty new hires and there is ongoing training to fully prepare the new hires.

Investment Update
First Quarter 2025 Investment Performance Report
The Chair recognized Ms. Elizabeth Hood, CFA, Senior Vice President and Manager, and Mr. Weston Lewis, CFA, CAIA, Senior Vice President, at Callan, to present the First Quarter 2025 Investment Performance Report and the Annual Administrative and Investment Fee Review (included in the Board's materials).

Mr. Lewis recapped the U.S. and Global equities markets and the U.S. fixed income market. He also noted that in several states, retirement plans are divesting from China.

Ms. Hood said SRP ended the first quarter with a balance of $17.4 billion, which is a reduction of approximately of $200 million from last quarter, and 35% is invested in passive funds while 65% is in active funds.

Ms. Hood reviewed the performance of the SRP's investment options and investment managers. Macquarie and Sands Capital remain on the Manager Watchlist.

Mr. Singh mentioned that Macquarie has been on the watchlist for approximately one year and asked about the next steps regarding their status. Ms. Hood said that Callan has been working with staff in a new manager search. Mr. SigRist added that the search is in the advanced stages with a recommendation coming soon.

Ms. Johnson left at 10:45 am.

Mr. Lewis presented Callan's annual administrative and investment management fee review. He said that SRP's administrative fees and investment management fees are competitive and lower than the median of comparable fees for similar plans.

Treasurer Briner asked about the cost to process domestic relations orders. SRP's participants are not charged a separate fee to process domestic relations orders.

Investment Compliance Report
The Chair recognized Mr. Chris Morris, DST's Chief Risk and Operating Officer, and Kristopher Byrd, SRP Portfolio Manager, to present the First Quarter 2025 Investment Compliance Summary Report (included in the Board's materials).

There were no material issues during the quarter.

Public Comments
None

Board of Trustees Comments
Mr. Hancock said that it was noted by Mr. Singh that there was a discrepancy with the asset values on two of the reports provided by the vendors.

Mr. Shea thanked staff for the timeliness of posting the materials on the website.

The Chair thanked everyone for participating and stated the next Board meeting will be August 21, 2025, at 9:00 a.m.

Adjournment
The Chair entertained a motion to adjourn the meeting. Mr. Beam so moved; Mr. Singh seconded, and the motion passed by a roll call vote of 6-0.

The meeting adjourned at approximately 10:56 a.m.

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Chair

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Secretary