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

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 December 6, 2024, by the Chair, State Treasurer Dale R. Folwell, CPA. 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 Dale R. Folwell, CPA., Steve Beam, Bob Shea, Charles Perusse, and James Richardson.

Board members attending virtually: Robert Hillman, Lanier McRee, Lorraine Johnson, and Rajendra (Raj) Singh

Members Absent: None

Guests Present
Guests attending in person: Brad Briner (Treasurer-Elect), Michael McCann and Jodie Musselwhite from Empower, and Paul Langanki and Mike Norman from Galliard.

Guests attending virtually: Weston Lewis from Callan.

Department of State Treasurer Staff Present
Staff members attending in person: Shanta Bowley, Kris Byrd, Thomas Causey, Reid Chisholm, Christy Farrelly, Patti Hall, Jeff Hancock, Kristin Merrick, Chris Morris, Paul Palermo, and Sam Watts.

Staff members attending virtually: Derek Gee and Jason Sass.

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.

The Chair welcomed newly-appointed Board member, Mr. James Richardson. Mr. Richardson and Mr. Perusse were sworn in as members of the Board.

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

Evaluation of Statement of Economic Interest for new Board member, Mr. James Richardson
The Chair informed the members that the Evaluation of Statement of Economic Interest (SEI) for Mr. Richardson is available in the appendix of the Board's material. The SEI evaluation is part of the meeting minutes.

Adoption of Resolution of Appreciation for the service of Mr. Greg Patterson as a member of the Supplemental Retirement Board of Trustees.
The Chair presented the Resolution of Appreciation for Mr. Greg Patterson, who resigned from the Board and entertained a motion to adopt the Resolution. Mr. Beam so moved; Mr. Shea seconded, and the motion was passed with a unanimous vote of 9-0.

Approval of Board Minutes
The Chair entertained a motion to approve the minutes of the Board's August 22, 2024, quarterly meeting. Mr. Beam so moved; Mr. Hillman seconded, and the minutes were approved by a unanimous vote of 9-0.

Legal Matters: Review of Policies for Participants and Employers
The Chair recognized Mr. Reid Chisholm, Assistant General Counsel, to give an update on the Policies for Participants and Employers (included in the Board's materials).

Mr. Chisholm said staff reviewed the policies for participants and employers and there are no recommended changes.

NC Supplemental Retirement Plans Annual Strategic Communication Plan
The Chair recognized Ms. Christy Farrelly, Communication Manager, to present the Supplemental Retirement Plans (SRP) Annual Strategic Communication Plan (included in the Board's materials).

Ms. Farrelly said the focus in 2024 was to increase participant engagement, educate employers, and prepare employers and participants for the Empower platform migration. These efforts resulted in approximately 63,882 total engagements, 19,211 one-on-one meetings, 3,469 employer meetings, a record high of 556 employer contributions, and a 30% increase in unique visitors to the NC 401(k) and NC 457 Plans (the Plans) section of myNCRetirement.com.

Ms. Farrelly said the annual goals for 2025 are to increase plan adoptions and employee participation, savings contributions, asset retention, and effectiveness and efficiency of communications. In addition, there will be a focus on enrollment of new hires and part-time employees.

Mr. Beam asked if the percentage of new hires who are participating in the Plans is higher or lower than the market trend. Ms. Farrelly and Mr. McCann confirmed it's consistent with the market trend. Treasurer Folwell added that the participation rates of LGERS employees is twice that of state employees, primarily due to the employer contribution.

Administrative Update: Third Quarter 2024 Administrative Report
The Chair recognized Mr. Michael McCann, Empower Client Relations and Business Development Vice President, and Ms. Jodie Musselwhite, Director, Participant Engagement, to discuss the Third Quarter 2024 Administrative Report (included in the Board's materials).

Mr. McCann thanked Treasurer Folwell for his partnership with Empower and his contributions to the Plans. He said average participants' balances, active participation rates, active average employee deferral, total unique participants with a balance, and the number of new loans issued increased year over year. He added that Goalmaker usage among new members, and total enrollments decreased, and distributions were higher than contributions for the same period.

Ms. Musselwhite said all 18 members on the NC Plans team were briefed on the response to the Hurricane Helene disaster. Ms. Musselwhite stated the adoption of the Qualified Disaster Recovery Distribution (QDRD) approved at the last Board's meeting was timely and Empower worked quickly to execute the QDRD process, which included temporary exceptions allowing for expedited approvals, delivery fee waivers and ACH processing. She stated the 358 employers who were impacted were contacted via email. Currently, 13 employers are late with payroll submission and there are 905 QDRDs.

Ms. Johnson said she was pleased with the response from the Department of State Treasurer's office and Empower.

Mr. Shea asked why 13 employers were not able to submit their payroll. Mr. McCann said the employers did not have access to technology due to the hurricane.

Mr. Hancock thanked staff and Empower for their hard work and ability to expedite the processes to accommodate QDRDs and for putting information on the website, as soon as possible.

Ms. Musselwhite added the call center statistics for the third quarter are consistent with other quarters.

Investment Update
Third Quarter 2024 Stable Value Portfolio Review
The Chair recognized Mr. Paul Langanki, Client Relationship Manager at Galliard Capital Management and Mike Norman, President of Galliard Capital Management, to present the NC 401(k) and NC 457 Plans Third Quarter 2024 Stable Value Portfolio Review (included in the Board's materials).

Mr. Norman thanked Treasurer Folwell for his partnership with Galliard Capital Management.

Mr. Langanki said assets are approximately $2.56 billion, blended yield (after fees) dropped three basis points to 3.05% and yield to maturity dropped 88 basis points to 4.38%, as of September 30, 2024.

Treasurer-elect Mr. Briner commented on the stability of the historical duration curve, given market changes.

Mr. Norman said the historical duration curve had little or no change due to the accounting method used to determine the value. He added that principal preservation and consistency of returns are two of the main factors of the stable value fund and using wrap contracts allow for the stability.

Mr. Beam added that the Plans can't have a money market option without implementing an equity wash requirement for participants.

Mr. Langanki added the Investment Management fees paid to non-affiliated investment advisors was reduced from 5.7 basis points to 5.4 basis points and overall fees were reduced to 0.259% from 0.263%.

Mr. Langanki said that the transition from Jennison to IR+M was successful, and all securities were transferred in kind in November 2024.

Third Quarter 2024 Investment Performance Report
Mr. Weston Lewis, CFA, CAIA, Senior Vice President, at Callan, to present the Third Quarter Investment Performance Report (included in the Board's materials).

Mr. Lewis began by providing an update on the performance of the equity and fixed income markets for the third quarter. He said the US equity market ended the third quarter on a record high and all sectors posted positive returns, except for the energy sector. Global equities outperformed US equities due to the performance of China. The US fixed income market performance increased due to the interest rate cut by the Federal Reserve.

Mr. Lewis added the NC Plans' portfolio increased approximately $1 billion since the second quarter. The passive and active funds (outside of Goalmaker (net of fees)) performed well in the peer group rankings. Brown Advisory small/mid cap growth's status was changed from "within expectations" last quarter to "cautionary" in the third quarter due to the market's performance.

Mr. Singh asked to confirm the investment gain of approximately $1 billion in the third quarter. Mr. Lewis said the Plans' portfolio increased approximately $1 billion quarter over quarter and he thanked Treasurer Folwell for his contributions to the NC Plans.

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Annual Review of the Investment Policy Statement
The Chair recognized Mr. Kris Byrd to present the annual review of the Investment Policy Statement (included in the Board's materials).

Mr. Byrd reminded the Board that glide path was updated earlier this year with the transition to Empower's platform and changes to the Investment Policy Statement reflect the updates. He added the new categories of the Investment Policy Statement document align with the target date funds to reflect the timeline to retirement, with five additional ranges added to the table. Mr. Morris added the change reflects a shift in how the table is categorized and not a change in the asset allocation of the groups.

The Chair entertained a motion to approve the recommended changes to the Investment Policy Statement and the changes were approved by a unanimous vote of 9-0.

Investment Compliance Report
The Chair recognized Mr. Chris Morris, DST's Co-Chief Investment Officer and Chief Risk and Operations Officer, and Kristopher Byrd, SRP Portfolio Manager, to present the Third Quarter 2024 Investment Compliance Summary Report (included in the Board's materials) and a recommendation for the Manager Watch List (included in the Board's materials).

Mr. Byrd said staff continues to monitor daily for prohibited holdings and there were no prohibited holdings subject to divestment for the third quarter.

Investment Manager Watch List Recommendation
Mr. Byrd recommended adding Sands Capital to the watch list based on their underperformance in 2021-2022 and YTD 2024. He said Sands has underperformed the benchmark and its peers, and assets outflow from the strategy exceeded an expected amount of annual attrition.

The Chair entertained a motion to approve staff's recommendation to add Sands Capital to the Manager Watch list. Mr. Shea so moved; Mr. Beam seconded, and the recommendation was approved by a unanimous vote of 9-0.

Public Comments
Mr. Drew Long, participant in the Plans, said he opened an NC457 Plan account in March 2024, and turned off all contributions to his NC 401(k) Plan account. However, in March and April contributions were sent to both accounts. This presented a financial hardship. In October 2024, Mr. Long received a letter from Empower with an ineligible contribution check.

Treasurer Folwell thanked Mr. Long for his service and said the matter was resolved and measures were put in place to prevent this from happening again.

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Board of Trustees Comments
The Chair thanked everyone for participating and stated the next Board meeting will be February 20, 2025, at 9:00 a.m.

Mr. Beam, Ms. McRee, Mr. Shea, Mr. Singh, Mr. Hillman, Mr. Perusse, Mr. Richardson, and Ms. Johnson thanked Treasurer Folwell for his service to the people of North Carolina and to the SRP Board.

Adjournment
The Chair entertained a motion to adjourn the meeting. Mr. Shea so moved; Mr. Beam seconded, and the motion passed with a unanimous vote of 9-0.

The meeting adjourned at approximately 11:06 a.m.

Chair

Secretary

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STATE ETHICS COMMISSION

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Via Email

December 2, 2024

The Honorable Phil Berger
President Pro Tempore of the Senate
16 West Jones Street, Room 2008
Raleigh, North Carolina 27601

Re: Evaluation of Statement of Economic Interest Filed by Mr. James M. Richardson
Supplemental Retirement Board of Trustees

Dear Senator Berger:

Our office is in receipt of **Mr. James M. Richardson's** 2024 Statement of Economic Interest as an appointee to the **Supplemental Retirement Board of Trustees ("the Board")**. We have reviewed it for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statutes ("N.C.G.S."), also known as the State Government Ethics Act ("the Act").

Compliance with the Act and avoidance of conflicts of interest in the performance of public duties are the responsibilities of every covered person, regardless of this letter's contents. This letter is required by N.C.G.S. § 138A-28(a) and is designed to educate the covered person as to potential issues that could merit particular attention. The letter is not meant to impugn the integrity of the covered person in any way. Advice on compliance with the Act is available to certain public servants and legislative employees under N.C.G.S. § 138A-13.

We did not find an actual conflict of interest but found the potential for a conflict of interest. The potential conflict identified does not prohibit service on this entity.

The Supplemental Retirement Board of Trustees was established through the Department of State Treasurer to coordinate and administer various supplemental retirement programs, including 457 plans, 401(k) plans and other similar investment vehicles. The Board has the authority to review contracts, agreements or arrangements pertaining to the administrative services and investment of deferred funds under the plans with service providers. Further, the Board may recommend continuation of or changes to such contracts.

The Act establishes ethical standards for certain public servants and prohibits public servants from: (1) using their positions for their financial benefit or for the benefit of their extended family or business, N.C.G.S. § 138A-31; and (2) participating in official actions from which they or certain associated persons might receive a reasonably foreseeable financial benefit, N.C.G.S. § 138A-36(a). The Act also requires public servants to take appropriate steps to remove themselves from proceedings in which their

impartiality might reasonably be questioned due to a familial, personal, or financial relationship with a participant in those proceedings. N.C.G.S. § 138A-36(c).

Mr. Richardson is the proprietor and a private wealth advisor for Richardson Private Wealth Advisors. He owns stock in several publicly traded companies, including Ameriprise Financial, a company in the financial sector. Therefore Mr. Richardson has the potential for a conflict of interest and should exercise appropriate caution in the performance of his public duties should issues involving Richardson Private Wealth Advisors, or any entity that he holds a financial interest in come before the Board for official action.

In addition to the conflicts standards noted above, the Act prohibits public servants from accepting gifts, directly or indirectly (1) from anyone in return for being influenced in the discharge of their official responsibilities, (2) from a lobbyist or lobbyist principal, or (3) from a person or entity which is doing or seeking to do business with the public servant's agency, is regulated or controlled by the public servant's agency, or has particular financial interests that may be affected by the public servant's official actions. Exceptions to the gifts restrictions are set out in N.C.G.S. §138A-32(e).

When this letter cites an actual or potential conflict of interest under N.C.G.S. 138A-24(e), the conflict shall be recorded in the minutes of the applicable board and duly brought to the attention of the membership by the board's chair as often as necessary to remind all members of the conflict and to help ensure compliance with the Act. (N.C.G.S. §138A-15 (c).

Finally, the Act mandates that all public servants attend an ethics and lobbying education presentation (N.C.G.S. § 138A-14). Please review the attached document for additional information concerning this requirement.

Please contact our office if you have any questions concerning our evaluation or the ethical standards governing public servants under the Act.

Sincerely,

Jane Steffens, SEI Unit
State Ethics Commission

cc: James M. Richardson
Elizabeth Hawley, Ethics Liaison

Attachment: Ethics Education Guide