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 February 20, 2025, by the Chair, State Treasurer Brad Briner. The meeting was held virtually. 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 virtually: Treasurer Brad Briner, Steve Beam, Robert Hillman, Lorraine Johnson, Lanier McRee, Charlie Perusse, James Richardson, and Bob Shea.

Members Absent: Rajinder (Raj) Singh.

Guests attending virtually: Mike McCann and Jodie Musselwhite from Empower, Matt Coburn and Madison McNally from BNY, Paul Langanki from Galliard, Weston Lewis and Elizabeth Hood from Callan.

Department of State Treasurer Staff Present
Staff members attending virtually: Loretta Boniti, Shanta Bowley, Kris Byrd, Reid Chisholm, Christy Farrelly, Derek Gee, Patti Hall, Jeff Hancock, Elizabeth Hawley, Kristin Merrick, Chris Morris, Eric Naisbitt, Paul Palermo, Kevin SigRist, Sam Watts, and Dan Way.

The Chair called the meeting to order and reminded members that since this meeting is being held virtually, 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 Kevin SigRist, Chief Investment Officer, back to the Investment Management Division. Mr. SigRist previously held this position (2013 – 2017).

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: delegation to make Eric Naisbitt as Designee for the Chair, Evaluations of Statement of Economic interest for Treasurer Briner and Mr. Naisbitt, (included in Board's material), ratification of Robert Hillman's appointment to the Audit Subcommittee and approval of the minutes for the December 6, 2024, Board meeting.

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

Administrative Matters: Review of Administrative Fee
The Chair recognized Mr. Jeff Hancock, SRP Director, to present a recommendation for a fee holiday for the NC 401(k) and NC 457 Plans' (the Plans) administrative fee (included in the Board's materials).

Mr. Hancock reminded the Board that they approved a fee holiday last February 2024. He said that the annual fee, which is 0.01% (one basis point) of participants' account balances, funds the Plans' operational expenses. Mr. Hancock recommended a fee holiday, given the amount of reserves in the Plans' expense account, which is attributable in part to the increase in float earnings from the third and fourth quarters 2024.

The Chair entertained a motion to approve staff's recommendation of the 2025 fee holiday for another 12-month period. Mr. Shea so moved, and Ms. Johnson seconded. The motion passed by roll call vote of 6-0. Mr. Beam abstained. Mr. Hillman was not present for the vote.

Legal Matters
The Chair recognized Mr. Reid Chisholm, Assistant General Counsel, to present legal matters.

Secure 2.0 Act Amendments to the NC 401(k) and NC 457 Plans
Mr. Chisholm said that there are five attachments in the Board materials for domestic abuse distributions, self-certification of hardship/unforeseeable emergency withdrawals and a correction to a reference to Administrator in the Plan documents.

Mr. Chisholm added that the SECURE 2.0 Act created a distribution option in the Plans for victims of domestic abuse and allows for plan sponsors to accept self-certification by participants when they request hardship withdrawals from the NC 401(k) Plan and unforeseeable emergency withdrawals from the NC 457 Plan.

Mr. Shea asked if the distribution for the domestic abuse withdrawals must be used for a specific purpose. Mr. Chisholm said the purpose of the use of the withdrawal is not verified by the Plan.

The Chair entertained a motion to approve staff's recommendation to amend the Plans' documents. Ms. McRee so moved, and Ms. Johnson seconded. The motion passed by roll call vote of 7-0. Mr. Hillman was not present for the vote.

Correction of Loan Administration Error by Empower
Between February and November 2024, Mr. Chisholm shared that Empower allowed 151 participants to take a second loan from the Plans (or a third loan in the case of participants with a CARES Act loan). This error was caused when Empower migrated from the Prudential platform to the Empower platform and internal controls were not set to recognize when a loan was in default but not offset or to aggregate loans from more than one employer. A memo was included in the Board's materials.

The Chair entertained a motion to accept staff's recommendation to adopt the loan correction resolution. Mr. Beam so moved, and Mr. Perusse seconded. The motion passed by a roll call vote of 7-0. Mr. Hillman was not present for the vote.

Administrative Update: Fourth Quarter 2024 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 Fourth Quarter 2024 Administrative Report (included in the Board's materials).

Mr. McCann said average participant balances, active participation rates, active average employee deferral and total unique participants' balance increased, while GoalMaker usage among new participants decreased in the fourth quarter 2024. The Plans assets as of December 31, 2024, was over $17 billion, with 319,239 unique participants. There are 22,960 participants in the NC 401(k) Plan and 4,826 participants in the NC 457 Plan who participate in a single investment strategy and do not participate in Goalmaker.

Mr. McCann said that all the employers who were affected by Hurricane Helene are now current with their payroll submission.

Ms. Musselwhite said there were 2,089 group meetings and webinars with 59,288 attendees, 24,361 individual meetings and 4,264 employer meetings during the fourth quarter. She added that employer match and employer contributions in 2024 contributed to the increase in the participation rate.

Ms. McRee left the meeting at 9:31 am.

Treasurer Briner said the data shows participants who are not using GoalMaker preferred the Stable Value Fund and index funds.

Administrative Update: NC 401(k) and 457 Plans Custodian Update
The Chair recognized Mr. Matt Coburn, Director and Relationship Manager, and Madison McNally from BNY to present the NC 401(k) and NC 457 Plans Custodian Update (included in the Board's materials).

Mr. Coburn said BNY has increased assets under custody and services and has a client relationship with 94% of the top 100 banks worldwide. BNY is now using Rapid Assistance Solution which gives clients quicker access to their funds.

Treasurer Briner asked if the technology used is blockchain based. Mr. Coburn said it is blockchain-based.

Ms. McNally provided a summary of the securities finance services at BNY. She said there are five programs in the security finance services division: agency securities lending, principal lending, sponsored member program, secured loans, and agency investment product.

Mr. Beam asked what type of lending does the state use in the SRP plans. Mr. Colburn said that BNY currently does securities lending for the defined benefit plan. Mr. Morris added that the define benefit plan participates in conservative securities lending with BNY, which adds incremental income over time. SRP no longer participates in lending, based on a Board decision about 10 years ago. Mr. Colburn added that the income from lending could be used to offset custody costs.

Mr. Shea asked about the risk of lending. Ms. McNally said the risk is tailored to the client's guidelines and BNY indemnifies the client for non-cash collateral. The risk on the cash collateral is not indemnified by BNY.

Mr. SigRist added that he would be willing to present the pros and cons of lending for SRP. Mr. SigRist said that due to daily withdrawals in SRP, it may not be conducive to securities lending. Mr. Beam said he would like to see the presentation.

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

Mr. Langanki provided a brief overview of the Stable Value Fund as of December 2024. He said the Stable Value Fund continues to perform in line with market expectations. The balance of the Stable Value Fund as of December 31, 2024, was approximately $2.22 billion. From September 30 to December 31, 2024, the blended yield (net of fees) increased from 3.05% to 3.13%, yield to maturity increased from 4.38% to 4.94% and market/book value ratio decreased from 96.78% to 94.77%.

He added that Galliard made the decision to reduce the portfolio's wrap exposure to Transamerica and Prudential Insurance and increased the exposure to Metropolitan Tower Life Insurance Co. The fees for the fourth quarter were lower because Jennison was replaced with Income Research and Management (IR+M) in November, with a reduction in the fees from 5.4 basis points to 4.8 basis points, and Nationwide Life Insurance fees were reduced from 15 basis points to 14 basis points. The expense ratio from the third quarter to the fourth quarter was reduced from 25.9 basis points to 25.2 basis points.

Ms. McRee returned at 10:00 am

Fourth Quarter 2024 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 Fourth Quarter Investment Performance Report (included in the Board's materials).

Ms. Hood said that Callan assists the Board and staff with strategic direction regarding options offered to participants, ongoing due diligence of investment managers, and monitoring of investment and management fees.

Ms. Hood added that the Plans had positive returns across all asset classes for 2024 and in the fourth quarter large cap outperformed small cap, the growth sector outperformed the value sector, and the international market and emerging markets had negative returns. The balance in the Plans decreased in the fourth quarter to $17.66 billion due to outflows and investment losses. The Large Cap Index Fund, the Stable Value Fund and the Large Cap Core Fund had positive gains for the fourth quarter.

Mr. Lewis reminded the board that Macquarie, Sands Capital and TCW are on the investment managers watch list for personnel changes and in some cases for underperformance. He said that TCW is going to continue to focus on security selection rather than managing duration and

the yield curve. Macquarie had a key personnel change, a change in strategy from a new team, and underperformance. Sands performance has been volatile, and their performance increased in 2023 and decreased in 2024.

Brown's underperformance was due to their selection of securities. They focus on sound governance and durable growth, and this affected their performance.

Treasurer Briner asked if Sands underperformance is due only to their security selections or are there other factors in play. Mr. Lewis said that Sands has more mid-cap securities in their portfolio, and this contributed to their underperformance.

NC 401(k) and NC 457 Plans Investment Updates
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 Fourth Quarter 2024 Investment Compliance Summary Report (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. BNY continues to test for prohibited holdings, identified as Communist Chinese Military-Industrial Companies (CCMC) and no SRP investment managers were invested in any CCMCs during the quarter.

Public Comments
None

Board of Trustees Comments
The Chair thanked everyone for participating and stated the next Board meeting will be May 22, 2025, at 9:00 a.m.

Adjournment
The Chair entertained a motion to adjourn the meeting. Mr. Beam so moved; Mr. Shea seconded, and the motion passed by a roll call vote of 7-0. Mr. Peruse abstained.

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

Chair

Secretary

Supplemental Retirement Board of Trustees

February 20, 2025 Meeting

MISCELLANEOUS NON-ACTION AGENDA ITEM

Statement of Economic Interest evaluations of members pursuant to the Ethics Act § 138A-15(c).

The following packet contains a Statement of Economic Interest (SEI) evaluation issued by the State Ethics Commission. This is being provided for Commission members' review and for recording in the meeting minutes pursuant to the requirements of the State Government Ethics Act. Members are encouraged to review the updated evaluations to inform and remind them of the identified actual or potential conflicts of interest.

The SEI Evaluation for the following is being provided for review:

- Bradford "Brad" B. Briner (State Treasurer)
- Eric Naisbitt (designee for Brad Briner)

STATE ETHICS COMMISSION

POST OFFICE BOX 27685
RALEIGH, NC 27611
PHONE: 919-814-3600

Via Email

January 7, 2025

The Honorable Bradford B. Briner
North Carolina Department of State Treasurer
3200 Atlantic Avenue
Raleigh, North Carolina 27604

Re: Evaluation of Statement of Economic Interest
Supplemental Retirement Board of Trustees

Dear Treasurer Briner:

Our office is in receipt of your 2025 Statement of Economic Interest for 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).

You no longer serve as the investment chief for Willett Advisors. However, you disclosed that you and your spouse have financial interests in several companies including but not limited to Boston Omaha, Berkshire Hathaway, Eaton Vance, Blackstone Mortgage Trust, Ventas and City Office REIT. In addition, you have disclosed financial interests in several private equity, index, real estate and hedge funds. Furthermore, you disclosed that you are the manager of North Street Properties and Brisun Partners. As such, you have the potential for a conflict of interest and should exercise appropriate caution in the performance of your public duties should issues involving any entity in which you or an immediate family member own a financial interest 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: Elizabeth Hawley, Ethics Liaison

Attachment: Ethics Education Guide

STATE ETHICS COMMISSION

POST OFFICE BOX 27685
RALEIGH, NC 27611
PHONE: 919-814-3600

Via Email

January 7, 2025

The Honorable Bradford B. Briner
North Carolina Department of State Treasurer
3200 Atlantic Avenue
Raleigh, North Carolina 27604

Re: Evaluation of Statement of Economic Interest Filed by Mr. Eric Naisbitt
Supplemental Retirement Board of Trustees

Dear Treasurer Briner:

Our office is in receipt of **Mr. Eric Naisbitt's** 2025 Statement of Economic Interest as a designee for the State Treasurer 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 or the likelihood of a conflict of interest.

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).

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).

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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: Eric Naisbitt
Elizabeth Hawley, Ethics Liaison

Attachment: Ethics Education Guide