MEMORANDUM

TO: NC SUPPLEMENTAL RETIREMENT PLANS BOARD OF TRUSTEES
FROM: MARY BUONFIGLIO, DEPUTY DIRECTOR
SUBJECT: PRUDENTIAL DUE DILIGENCE SITE VISIT
DATE: SEPTEMBER 11, 2014

Steve Toole, Director, North Carolina Retirement Systems; Mary Laurie Cece, Assistant General Counsel; and I met with the Prudential team in their Scranton, Pennsylvania offices on July 30, 2014. The purpose of the trip was to meet the Operations and Call Center teams, tour their facilities, and gain a deeper understanding of their organization's capabilities and resources. While in Scranton, we reviewed their back office design, legal and plan-compliance process, operations processing, plan administration, and call center.

Back Office Design

Sue Unvarsky, Vice President – TRS Operations, provided an in-depth presentation on Prudential's back office design. Efficient design provides the ability to meet participant needs effectively and in a timely manner. Along with scale, it produces the ability to drive down costs for Prudential, which in turn can be passed on to participants.
Prudential is pursuing a growth strategy, which is supported by:

- Consulting proactively with Plan sponsors and participants
- Cross training employees to increase scale
- Eliminating key-person dependencies

Productivity is a primary goal, and is achieved through:

- Forecasting volumes and actively driving them in the right direction
- Treating data as a corporate asset
- Addressing "bad" volume
- Deploying better staffing models to improve timing and quality, and to decrease expenses

Finally, having the right people in place is core to the company's philosophy, and is accomplished through:

- Effective recruiting and retention efforts
- Valuing diversity through specific programs to targeted candidate pools
- Creating and maintaining high performing teams

Procedural Overview

Tom Conlon, Manager, NC Service Team, led a procedural overview of the Plans. In this overview, Tom reviewed a number of Plan features that require a tailored approach to the administration of our plans. Items such as the Transfer Benefit, Payment of Court Costs to Law Enforcement Officers, and Bailey Vesting were reviewed and discussed. The procedural overview document created by Prudential serves as a blueprint, and is a valuable resource defining how the NC 401(k) and NC 457 are administered from an operational perspective.

Operations and Call Center Tour

The team toured the various areas of Operations including Enrollment, Disbursements, Hardship Requests and the Plan Administration Team area. Through this tour we had the opportunity to see first-hand how work is processed, the systems that are utilized and meet the team of people interacting with participants and employers on a day-to-day basis. We learned that Prudential has established a second operations center in Dubuque, Iowa. This center serves as a contingent resource in the event of an emergency, and serves to meet the day-to-day work volume of the Scranton operations center.

In addition, we had the opportunity to tour the call center, learn how volume is managed, and better understand Prudential's contingency and call center training plans. We were given the opportunity to listen to how a call was handled in the call center.

Summary

We learned Prudential's vision for their business, the strategies in place to attain that vision, the depth of firm resources, and their strategy for growing their client base. The team obtained a deeper understanding of Prudential's administration of the NC 401(k) and NC 457 Plans, and how they are structured to fully utilize resources to effectively meet the needs of our Plan participants and employers.