

STATE OF NORTH CAROLINA SUPPLEMENTAL PLANS

POLICY AND PROCEDURE REVIEW

Executive Summary of Methodology and Findings

Prudential Retirement, as Third Party Administrator of the Supplemental Retirement Income Plan of North Carolina and the North Carolina Public Employee Deferred Compensation Plan (collectively, “the Plans”), conducted a comprehensive review of the Plan Documents of each of the plans, its Standard Operating Procedures for all transactions within the Plans, and its system performance and controls in the context of plan administration.

On July 23, 2014, Prudential Retirement presented its findings to the Department of State Treasurer. Prudential Retirement observed the following items that needed correction:

- Of the 25,000 active Law Enforcement Officers, 92 of them did not receive all of their applicable Monthly Court Cost Contributions.
- Two members were allowed to exceed the maximum contribution limit during the Special Last Three Year Catch Up.
- A timing issue was observed with a transmission to Beacon (Best Shared Services) on 1 occasion.
- A very small amount of members were allowed to make contributions to Plan(s) during a Hardships/Unforeseeable Suspension.
- Contributions were received after a member had cashed out from the Plans and 20 were paid later than anticipated.

Concurrently, Prudential Retirement also reported on items that were clerical in nature and did not require repair as well as observations for possible improvements.

After having completed this review, Prudential Retirement asserts that more than 99.97% of all transactions have occurred in compliance with both regulatory statutes as well as the architecture of the Plan Documents.