

NORTH CAROLINA SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES

MINUTES OF SPECIAL MEETING

March 7, 2014

Time and Location: The North Carolina Supplemental Retirement Board of Trustees (the "Board") met at 9:00 a.m. on Friday, March 7, 2014 in the Dawson Conference Room of the Albemarle Building, 325 North Salisbury Street, Raleigh, North Carolina.

Members Present: The following members were present: Mona Keech, Walter Gray, Melinda Baran and Ron Still. State Treasurer Janet Cowell (Chair), Karin Cochran, Gene Hamilton, and Clay Thorp participated by phone.

Staff Present: The following Department of State Treasurer staff were present: Steve Toole, Mary Buonfiglio, Rekha Krishnan, Lisa Page, Jaclyn Goldsmith, and Mary Laurie Cece. Blake Thomas participated by phone.

Guests Present: The following guests participated by phone: Michael McCann, Jessica Quimby and Kathleen Neville from Prudential Retirement; Bruce Corcoran and James Summerlin from TIAA-CREF.

AGENDA ITEM- WELCOME AND INTRODUCTIONS

The meeting was called to order at approximately 9:05 a.m. by Mr. Toole.

AGENDA ITEM- ETHICS AWARENESS AND IDENTIFICATION OF CONFLICTS OR POTENTIAL CONFLICTS OF INTEREST

Mr. Toole asked Board members to review the agenda for the meeting and identify any actual, implied, or potential conflicts of interest. Ms. Cochran stated that her husband works as an investment advisor with Verity and he has several universities as clients. Ms. Buonfiglio and Ms. Cece discussed this previously with Ms. Cochran and since these institutions are not eligible to participate in the North Carolina 403(b) program, there does not appear to be a conflict. No other conflicts were identified.

AGENDA ITEM- 403(b) PROGRAM CONTRACT WITH TIAA

Mr. Toole gave some background on the North Carolina 403(b) program (the "Program"). He noted that the legislation authorizing the Program was passed in 2011 and in 2012 there was an extensive RFP process through which TIAA-CREF was selected as record keeper and vendor for the Program. He also noted that once this contract was approved there is to be a signing ceremony at the Raleigh convention center next Friday at 8:00 a.m. that Board members are welcome to attend. He then introduced Mary Laurie Cece who highlighted some of the terms

and conditions of the contract.

Ms. Cece thanked the Board members for participating in this special meeting recognizing that on March 19th there is a regularly scheduled meeting of the Board. However, she explained the need to get approval of these contracts prior to March 19 so the Treasurer can introduce the program at the conference and signing next week. Ms. Cece said that she had been able to speak with the Board members in advance of this meeting and explain the various contractual documents and at this point she wanted to describe some of the main features.

Firstly, the Recordkeeping Agreement is the main document that governs the relationship between North Carolina and TIAA. It contains the Fee schedule. It states that TIAA will be responsible for maintaining all the participant records. TIAA will be responsible for compliance in school districts where TIAA is the sole record keeper and vendor for a plan. Ms. Cece described the registered investment advisor program in which a participant, if he or she so chooses, would be able to access a prescreened investment advisor to work with directly. Finally, the contract obligates TIAA to work with a school district's compliance third party administrator if that TPA is appropriately qualified to share information and access TIAA's systems. Ms. Cece stated that TIAA has been a good partner to work with on this project.

One other contract that the Board will enter into is the Custody Agreement with JP Morgan. JP Morgan will custody the Program's mutual fund assets. There is also a separate annuity contract entered into with TIAA who will hold the real estate fund and the stable value fund. Ms. Cece noted that copies of these documents are available on the table by the door.

In addition, Ms. Cece stated that Program specimen plan documents have been created. School districts may use these plan documents if their plan documents are out of date or if they do not have a current 403(b) plan. Finally, there is a Program Evaluation Guide that has been drafted. This is the document used by TIAA to on-board school districts to join the Program. She asked if anyone had any questions. Ms. Keech asked how many staff TIAA had in place to sign up the participants in the various school districts. Mr. Toole stated that TIAA has already been out in the field educating school districts. Ms. Buonfiglio noted that the State is divided into two areas and there is a supervisor for each with several people working under them. Mr. Summerlin stated that initially there will be two to four people in every district and more will join as the Program grows. Mr. Toole noted that one of the concerns is that since participants are eligible for the 401(k), 457 and 403(b) that they get good advice and a good the overall descriptions of the plans. He noted that TIAA and Prudential have been working very well together to have one marketing voice so that participants can choose the options that are best for them. There were no more questions at this time.

Mr. Toole asked for a motion to enter into the formal agreements with TIAA-CREF. Ms. Baran made such a motion, which was seconded by Ms. Keech. The motion was unanimously approved.

Ms. Cowell thanked all those involved in the contract process for their hard work, expertise and dedication. Mr. Corcoran thanked those involved for their efforts in the project and now TIAA is glad to go out and change lives of North Carolina educators for the better.

AGENDA ITEM- REQUEST FOR PURCHASING & CONTRACTS OFFICER

Mr. Toole then discussed the request for establishing a new purchasing and contracts officer for the Supplemental Plans. He noted that a new procurement office had been established within the Department of State Treasurer under Treasurer Cowell's leadership. The Supplemental Plans expects to be entering into numerous new contracts of the next 18-24 months and feels a dedicated procurement person is needed to manage these processes. Ms. Buonfiglio stated the position would have an annual salary not to exceed \$82,000 per year and a benefits package of approximately \$24,000. Ms. Keech asked what the timeframe for hiring this individual would be. Mr. Toole said realistically probably about six months. Ms. Baran pointed out that this person could help the Board meet its fiduciary responsibility by ensuring compliance. Ms. Keech made a motion to approve the new position, Mr. Thorp seconded the motion and it was unanimously approved.

AGENDA ITEM – BOARD QUESTIONS/COMMENTS

There were no additional comments or questions from the Board.

AGENDA ITEM – PUBLIC COMMENT

There were no public comments.

A motion to adjourn was made by Ms. Keech and seconded by Mr. Gray. The motion passed unanimously, and the meeting adjourned at approximately 9:20 a.m.



CHAIR