

DRAFT

NORTH CAROLINA SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES

MINUTES OF SPECIAL MEETING

November 29, 2016

Time and Location: The North Carolina Supplemental Retirement Board of Trustees (the Board) met at 9:00 a.m. on Tuesday, November 29, 2016, in the Dogwood Conference Room of the Longleaf Building, 3200 Atlantic Avenue, Raleigh, North Carolina.

Members Present: The following members were present: Janet Cowell, Melinda Baran, Karin Cochran, Walter Gray, and Heyward McKinney. Gene Hamilton and Ronald Copley attended via phone. Treasurer-Elect Dale Folwell attended via phone.

Staff and Guests Present: The following staff and guests attended the meeting. From the Department of State Treasurer: Steve Toole, Mary Buonfiglio, Reid Chisholm, Rekha Krishnan, Maja Moseley, Kevin SigRist, Loren de Mey, Catherine Jarboe, Patti Hall, Sherry McLamb, Fran Lawrence, Laura Rowe. Kelly Henson and William Dillard from Mercer attended via phone. Michael McCann, Ann Cashman and Jessica Quimby from Prudential attended via the phone.

AGENDA ITEM – WELCOME AND INTRODUCTIONS

The meeting was called to order at 9:00 a.m. Treasurer Janet Cowell, Chair of the Board, welcomed Board members and guests. The Treasurer also asked that the public comments be held until the end of the meeting.

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

The Treasurer asked Board members to review the agenda for the meeting and identify any actual, implied or potential conflicts of interest. There were no conflicts identified.

AGENDA ITEM – APPROVAL OF MINUTES

The Chair recognized Ms. Baran to present the November 10, 2016, Investment Subcommittee meeting minutes for approval. Mr. Gray made a motion to approve the minutes, and Ms. Cochran seconded. The motion passed unanimously.

Ms. Baran also summarized the three recommendations made by the Investment Subcommittee and presented for the Board's approval during this meeting.

AGENDA ITEM – FIXED INCOME SEARCH

The chair recognized Ms. de Mey who presented the recommendation of replacement manager for the J.P. Morgan Core Bond strategy, the Trust Company of the West (TCW). This manager was chosen based on their proven track record, deep and experienced investment team, disciplined investment process, and strong organizational culture.

Following a discussion regarding TCW's fees and performance, Ms. Baran made a motion to replace the J.P. Morgan Core Bond strategy with the TCW Core Plus strategy within the North Carolina Fixed Income Fund for the NC 401(k) and NC 457(b) Plans. Mr. Gray seconded, and the motion passed unanimously.

AGENDA ITEM – NC 403(b) PROGRAM FUND LINEUP CHANGE

The Chair recognized Ms. Buonfiglio to provide an update on the Program transition from TIAA to Prudential. This consolidation of recordkeeping services for all three NC Total Retirement Plans options will drive the economies of scale for the Program. Legal documentation, investment line up finalization and communication campaign development are under way in support of the transition.

Next, Ms. de Mey outlined Program fund lineup changes involving TIAA Stable Value Fund and J.P. Morgan Core Bond Fund. As there are no Stable Value Fund options available on Prudential's platform and several Stable Value Fund providers were not able to offer a comparable product, the staff recommends the Vanguard Short-Term Bond Fixed Income Fund Admiral Shares to replace the TIAA Stable Value Fund. The Metropolitan West Total Return Bond Fund, managed by TCW, was recommended to replace J.P. Morgan Core Bond Fund.

The Chair asked for a motion to replace J.P. Morgan Core Bond Fund with the Metropolitan West Total Return Bond Fund in the NC 403(b) Program and Ms. Cochran so moved. Mr. Copley seconded and the motion passed unanimously.

Next, Ms. Baran made a motion to replace the TIAA Stable Value Fund with the Vanguard Short-Term Bond Fixed Income Fund Admiral Shares. Mr. Gray seconded and the motion passed unanimously.

AGENDA ITEM – NC 403(b) PROGRAM RECORDKEEPER TRANSITION

The Chair recognized Mr. SigRist, who provided background regarding the GoalMaker service and its glidepath and clarified the difference between Target Date Funds and GoalMaker. He noted that the staff's recommendation involves no changes to the model allocation approved by the Board in December 2015 and only products are being replaced.¹

The Chair asked for a motion to replace the Wells Fargo Target Date Funds with Prudential's GoalMaker service. Ms. Baran so moved and Mr. Gray seconded. The motion passed unanimously.

The Chair also asked for a motion for the GoalMaker service to use the model allocations in Appendix 3 of the October 26, 2016, memorandum to the Board from Kevin SigRist and Loren de Mey. Ms. Cochran so moved and Mr. Gray seconded. The motion passed unanimously.

Mr. Toole and Ms. Cochran thanked Mr. SigRist and Ms. de Mey for their effort.

AGENDA ITEM - SUBCOMMITTEE MEMBERS QUESTIONS/COMMENTS

Ms. Buonfiglio highlighted some of the agenda items for the upcoming Board meeting in December, and mentioned several projects planned for the year 2017: the hiring of the glidepath manager, as well as robust communication and education efforts. She thanked Ms. Jarboe for her communication efforts. Mr. Toole added that auto-enrollment will be introduced again in the legislative session. Mr. SigRist confirmed that an analysis of plan design and the Investment Policy Statement will be conducted and may also include industry data regarding brokerage window usage in retirement plans.

AGENDA ITEM – PUBLIC COMMENT

No public comments were offered.

Motion to adjourn was made by acclamation. The board adjourned at 9:45 a.m.

Secretary

¹ The implementation of the glidepath recommendation approved by the Board in December 2015 was later deferred once it became known that record keeping services for the NC 403(b) Program would be transitioned to a new provider.