
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: RELATED PARTY TRANSACTIONS

Primary Government**Supplemental Retirement Income Plan of North Carolina**

The Plan has a third party administration contract with Prudential Retirement Services, which is a subsidiary of Prudential. The Plan also has an investment management agreement and synthetic GIC contract (Guaranteed Investment Contract) with Prudential. Prudential also provides the Prudential Stable Value Fund as an investment option for participants. The Plan recognized approximately \$7 million in expenses related to Prudential for the year ended December 31, 2008. The expenses relate to loan initiation fees and investment management fees. Certain other administrative expenses of the Plan are paid by Prudential Retirement Services. In addition, the Plan has a securities lending contract with State Street Bank and Trust Company (State Street), a custodian of Plan assets, and receives securities lending income related to this arrangement. The pooled fund held as collateral under securities lending transactions is a State Street fund.

North Carolina Public Employee Deferred Compensation Plan

Under the terms of an agreement effective January 1, 2004, the Plan's Board of Trustees appointed Great-West Life & Annuity Insurance Company (Great-West), as the Plan's third-party administrator for a term of four years. The term was extended by the Board of Trustees through December 17, 2008. As compensation for services performed as the third party administrator, Great-West receives an administration fee (ranging from 0.30% to 0.31% for 2008) based on total assets of the Plan excluding annuity payout contracts. The Plan recognized \$1.86 million in expenses related to Great-West for the year ended December 31, 2008.

Great-West manages an investment fund exclusively for the benefit of the North Carolina Public Employee Deferred Compensation Plan. The fund includes a repurchase agreement, bonds, the Prudential Trust Company Collective Trust, and the Great West Daily Guaranteed Interest Fund.

The portion of annuity payout contract assets attributable to contracts with Great-West at December 31, 2008 was \$17.6 million.

Effective December 18, 2008, the Plan's Board of Trustees appointed Prudential Insurance Company of America ("Prudential") as the Plan's third party administrator for a term of five years. As compensation for services performed as the third party administrator, Prudential receives an administration fee (0.105% for 2008) based on total assets of the Plan excluding annuity payout

contracts. The Plan recognized \$2.7 thousand in expenses related to Prudential for the year ended December 31, 2008.

Component Units**University of North Carolina System and Community College Foundations**

The University of North Carolina (UNC) System and community colleges have separately incorporated not-for-profit foundations that are associated with constituent institutions of the UNC System or individual colleges. These organizations serve as a fundraising arm of the respective institutions through which individuals, corporations, and other organizations support institution programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the institution's overall academic environment. These affiliated organizations are not included as component units since the economic resources received or held by an individual organization are not significant to the primary government. Therefore, the financial statements of the UNC System and community colleges do not include the assets, liabilities, net assets, or operational transactions of these foundations, except for support from each organization to constituent institutions or colleges. For the fiscal year ended June 30, 2009, this support approximated \$56.02 million for the UNC System and \$629 thousand for community colleges.