



DRAFT MINUTES

BOARD OF TRUSTEES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

The regular quarterly meeting of the Board of Trustees was called to order at 9:00 a.m., October 24, 2024, by the Chair, State Treasurer Dale R. Folwell, CPA. The meeting was held in the Dogwood Conference Room of the Longleaf Building at 3200 Atlantic Avenue, Raleigh, NC 27604. The Chair thanked the members of the Board for their service. The Chair indicated there would be a public comment period for organizations and individuals to address the Board later in the agenda. The Chair recognized employees of the Retirement Systems' counseling center and imaging teams, commenting on their essential role in the success of the Retirement Systems during the Chair's tenure.

Members Present in Person or via Telephone

Treasurer Dale R. Folwell, Lentz Brewer (via telephone), John Ebbighausen, Teresa Everett (designee for Catherine Truitt, via telephone), Vernon Gammon, Barbara Gibson, Oliver Holley, Pat Hurley, Margaret Reader, Joshua Smith, and Jeffrey Winstead.

Members Absent

There were no Board members absent.

Guests in Attendance in Person or via Telephone

David Vanderweide with the North Carolina General Assembly; Tim O'Connell and Mary Ann Hinshaw with the North Carolina Retired Governmental Employees' Association; Mary Scruggs with the North Carolina Department of Justice; Michael Ribble and Elizabeth Wiley with Gallagher; Colleen Lanier with the North Carolina Retired School Personnel; and Flint Benson, Chris Hailey, and Martha Fowler with the State Employees Association of North Carolina.

Department of State Treasurer Staff Present in Person or Via Telephone

Tonya Bass, Ted Brinn, Thomas Causey, Christy Farrelly (via telephone), Ben Garner, Patti Hall, Elizabeth Hawley, Patrick Kinlaw, Richard Lopez, Taylor Matyi, and Timothy Melton.

Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest

The Chair asked, pursuant to the ethics rules, about conflicts of interest of board members. No conflicts of interest were identified by the board members.

Motion for Resolution of Appreciation for Service of Chair, State Treasurer Dale R. Folwell

John Ebbighausen made a motion to enter a resolution expressing the Board's deep appreciation and gratitude to the Chair for his leadership and public service in securing the advancement of the Retirement Systems.



Vernon Gammon seconded the motion, and the resolution was adopted by a unanimous vote of 10-0. Pat Hurley was not present for the vote.

Approval of the State Minutes from the July 25, 2024 Board Meeting

John Ebbighausen moved the Board to approve the minutes of the July 25, 2024 Board meeting, Margaret Reader seconded the motion, and the minutes were approved by a unanimous vote of 10-0. Pat Hurley was not present for the vote.

Operations, Member Services, and Compliance Update

The Chair recognized Rick Lopez, Director of Operations for an update on the Division's operations. Mr. Lopez began by discussing retirement applications stating that RSD is nearing the 2,000 mark for retirement applications received for January 2025, compared to 2,200 total retirements that were effective in January 2024, noting there are still two months left in the year so RSD will likely surpass last year's total. Mr. Lopez moved on to discuss the death benefits team noting that death notifications have come down a bit from previous months, but the team is averaging 900 notifications a month. Mr. Lopez discussed refund requests and disability applications noting an average of well over 1,000 refund requests a month and 200 disability requests a month. Mr. Lopez discussed October payroll noting RSD paid a little over 371,000 people in amounts totaling more than \$630 million. Mr. Lopez closed by discussing staff efforts to communicate and assist with those employers and members affected by Hurricane Helene.

The Chair recognized Tonya Bass for a presentation on the metrics for Member Services. Ms. Bass began by discussing the influx of correspondence and calls staff saw beginning in July, noting that some of the influx was in response to a new Orbit self-service roll out which required members to fill out a form if they could not remember their password. Ms. Bass noted that during this time the call center average speed of answer was around 6 minutes and 18 seconds, but that staff was able to get it back down to an average of 3 minutes and 29 seconds by the end of September. Ms. Bass stated staff have conducted 230 counseling sessions, assisted around 600 visitors at the front desk, and conducted 26 webinars during the quarter. Ms. Bass closed by discussing staff efforts in the call center regarding Hurricane Helene.

The Chair recognized Director of Policy, Planning and Compliance, Patrick Kinlaw. Mr. Kinlaw spoke about the care that RSD staff had shown for those affected by Hurricane Helene, and the constructive role that RSD played in discussing policies and administrative practices that might assist those affected. He then discussed the contribution-based benefit cap noting during the ten and a half years since the pension spiking law became in effect RSD has invoiced a total of \$90.9 million and recovered \$86.2 million of that. Mr. Kinlaw briefly discussed the pension spiking litigation efforts noting that there is no longer any pending CBBC litigation. Mr. Kinlaw reported on the alternative repayment requests noting that during the third quarter no alternative repayment requests were approved or denied by RSD. Mr. Kinlaw discussed Children's Village Academy's ceasing participation in the State System effective July 1, 2024, noting they owe a withdrawal liability of more than \$800,000. Mr. Kinlaw closed by providing a brief reminder of the nature of the information Gallagher would be



presenting later in the meeting, and how it fits into the Boards' annual decision processes.

The Chair recognized Ted Brinn, Chief of Staff, to recognize Mr. Lopez and the work he has accomplished throughout his career, noting that Mr. Lopez is set to retire towards the end of the year.

Legislative Update

The Chair recognized Taylor Matyi, Policy Development Analyst, to provide a legislative update to the Board. Mr. Matyi began by stating the legislative memo for 2024 has been completed and is included in the appendix of the Board materials. He noted that the memo does not include any enactments after October 4, 2024, and therefore excludes any Hurricane Helene relief legislation. Mr. Matyi discussed a few provisions in the Hurricane Helene relief bills that would or will affect the Retirement Systems.

Update on the Investment Advisory Committee (IAC) Meetings

The Chair recognized Lentz Brewer to provide an update on the IAC meetings. Mr. Brewer stated that the IAC last met on August 28, 2024. Mr. Brewer stated it was reported that at the end of the second quarter the retirement systems assets totaled \$123 billion. Mr. Brewer noted the annualized return for second quarter came in at 1.2% compared to an implementation benchmark of just over 1%. Mr. Brewer noted that in terms of asset allocations, the growth portfolio remains underweight to policy at 53%, rates and liquidity are overweight at 35%, inflation-sensitive assets are under weight at about 10%, and the multi-strategy portfolio is slightly overweight at just over 2%. Mr. Brewer closed by stating the calendar year to date returns for the system stood at 8.9% as of September 30, 2024.

Actuarial Overview

The Chair recognized Michael Ribble and Elizabeth Wiley of Gallagher for an actuarial overview.

Presentation by the Consulting Actuary on the Principal Results of the Actuarial Valuation for the Teachers' and State Employees' Retirement System

The Chair recognized Michael Ribble and Elizabeth Wiley of Gallagher to provide the principal results of the actuarial valuation for the Teachers' and State Employees' Retirement System as of December 31, 2023.

Presentation by the Consulting Actuary on the Principal Results of the Actuarial Valuation for the Consolidated Judicial Retirement System

The Chair recognized Michael Ribble and Elizabeth Wiley of Gallagher to provide the principal results of the actuarial valuation for the Consolidated Judicial Retirement System as of December 31, 2023.

Presentation by the Consulting Actuary on the Principal Results of the Actuarial Valuation for the Legislative Retirement System



The Chair recognized Michael Ribble and Elizabeth Wiley of Gallagher to provide the principal results of the actuarial valuation for the Legislative Retirement System as of December 31, 2023.

Presentation by the Consulting Actuary on the Principal Results of the Actuarial Valuation for the Disability Income Plan of North Carolina

The Chair recognized Michael Ribble and Elizabeth Wiley of Gallagher to provide the principal results of the actuarial valuation for the Disability Income Plan of North Carolina as of December 31, 2023.

Presentation by the Consulting Actuary on the Principal Results of the Actuarial Valuation for the North Carolina National Guard Pension Fund

The Chair recognized Michael Ribble and Elizabeth Wiley of Gallagher to provide the principal results of the actuarial valuation for the North Carolina National Guard Pension Fund as of December 31, 2023.

Vote to Accept the Actuarial Valuation Principal Result Reports

Joshua Smith moved the Board to accept the actuarial valuation reports presented by Gallagher. Oliver Holley seconded the motion, and the reports were accepted by a unanimous vote of 11-0.

Presentation by the Consulting Actuary on the Principal Results of the Actuarial Valuation for the Death Benefit Plans

The Chair recognized Michael Ribble and Elizabeth Wiley of Gallagher to provide the principal results of the actuarial valuation for the Death Benefit Plans as of December 31, 2023.

Vote to Accept the Actuarial Valuation Principal Result Reports for the Death Benefit Plans

Vernon Gammon moved the Board to accept the actuarial valuation reports presented by Gallagher. Oliver Holley seconded the motion, and the reports were accepted by a unanimous vote of 11-0.

Presentation of Final Text of Administrative Rules for Adoption

The Chair recognized Timothy Melton for a presentation on the final text for administrative rules for adoption. Mr. Melton noted the Board previously reviewed and approved the proposed rule text at the April 25, 2024 Board meeting. Mr. Melton further noted that if the Board approves and adopts the final rule text today, Department of State Treasurer staff will then submit the final rule text to the Rules Review Commission for review at their December 19, 2024 meeting. Mr. Melton stated that staff recommends the Board adopt the final rule text and authorize staff to take additional necessary steps to complete the rule process.

John Ebbighausen made a motion to approve the final rule text. Margaret Reader seconded the motion, and the motion passed by a unanimous vote of 11-0.

Contribution-Based Benefit Cap Average Final Compensation Threshold Determination

The Chair recognized Patrick Kinlaw for a presentation on the average final compensation threshold for the Contribution-Based Benefit Cap. Mr. Kinlaw stated that the increase in the relevant measure of inflation from



June 2023 to June 2024 was 3.0%, and therefore the threshold will increase by 3.0% to \$134,687.67 to be applicable for retirements effective in 2025.

Public Comments

The Chair recognized Chris Hailey with the State Employees Association of North Carolina. Mr. Hailey thanked the Chair, on behalf of SEANC, for his hard work during his tenure as the State Treasurer.

The Chair recognized Martha Fowler with the State Employees Association of North Carolina, who echoed the comments of Mr. Hailey.

The Chair recognized Tim O'Connell with the North Carolina Retired Governmental Employees' Association, who expressed his gratitude and thanked the Chair for the work he has done.

The Chair recognized Colleen Lanier with the North Carolina Retired School Personnel, who thanked the Chair for the care he has shown toward educators.

Board of Trustees Comments

Pat Hurley, Oliver Holley, Margaret Reader, and Vernon Gammon all expressed their gratitude and appreciation for the Chair's service as State Treasurer.

Adjournment

There being no further business before the Board, Margaret Reader moved to adjourn the meeting. Oliver Holley seconded the motion and the motion passed by unanimous vote of 11-0. The meeting was adjourned at 12:18 p.m.