



DRAFT MINUTES

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

The regularly quarter meeting of the Board of Trustees was called to order 9:01 a.m., April 25, 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.

Members Present in Person or via Telephone

Treasurer Dale R. Folwell, Blake Thomas (designee for Barbara Gibson), Janet Blount (designee for Catherine Truitt) (via telephone), Jeffrey Winstead, John Ebbighausen, Lentz Brewer (via telephone), Margaret Reader (via telephone), Oliver Holley (via telephone), Pat Hurley, and Vernon Gammon.

Members Absent

Joshua Smith.

Guests in Attendance in Person or via Telephone

Mary Scruggs with the North Carolina Department of Justice and David Vanderweide with staff of the North Carolina General Assembly (via telephone).

Department of State Treasurer Staff Present in Person or Via Telephone

Cindy Aiken (via telephone), Tonya Bass, Ted Brinn, Thomas Causey, Christy Farrelly (via telephone), Deb Forry (via telephone), Ben Garner, Elizabeth Hawley, Patrick Kinlaw, Richard Lopez, Taylor Matyi, Timothy Melton, Lisa Norris, Laura Rowe (via telephone), Linda Teal (via telephone) and Dan Way (via telephone).

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.

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

Vernon Gammon moved the Board to approve the minutes of the January 25, 2024 Board meeting, Pat Hurley seconded the motion, and the minutes were approved by a unanimous vote of 10-0.

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 payroll processing and noted that RSD paid over 365,000 people a total of more than \$620

million in retirement benefits in April 2024. Mr. Lopez moved on to discuss processing of retirement applications. He noted that RSD had nearly 2,300 retirements in January 2024 and were expecting slightly over 3,600 retirements to occur in July 2024. Mr. Lopez discussed the Survivors Benefits section noting that RSD received over 1,300 death notifications in January 2024, nearly 1,100 in February 2024, and around 1,000 in March 2024. Mr. Lopez discussed staff vacancies and cross training of staff to assist in other areas as needed. Mr. Lopez pointed out that RSD received 1,400 refund requests in January 2024, 1,300 in February 2024, and 1,200 in March 2024. Mr. Lopez also discussed the procurement of an AX Workflow Product. He explained that it drives all the work staff completes noting a projected implementation in the latter part of 2025 with a hope to have it implemented sooner.

The Chair recognized Tonya Bass, Director of Member Services, for an update on member services. Ms. Bass began by noting that staff conducted 169 counseling sessions and assisted 758 visitors at the front desk from January to March 2024. Additionally, staff conducted 82 webinars with over 8,000 attendees from fiscal year to date. Ms. Bass further noted that staff received over 23,000 emails during the first quarter of 2024 and discussed increased utilization of the online chat feature. Ms. Bass moved on to discuss the call center metrics noting a 65% decrease last quarter in average speed of answer from 23 minutes to 8 minutes and a 59% decrease in average speed of answer from March 2023 to March 2024. Ms. Bass also noted high call volumes for the first quarter of 2024 and a 65% decrease in abandonment rate, from 26% to 9%, from March 2023 to March 2024.

The Chair recognized Director of Policy, Planning and Compliance, Patrick Kinlaw. Mr. Kinlaw began by discussing Contribution-Based Benefit Cap (CBBC) liabilities, referring to meeting documents on the amounts of liabilities invoiced and collected. Mr. Kinlaw then discussed overpayments that RSD has identified over the years, adding up to \$36.4 million cumulatively overpaid with \$28.3 million of that amount likely recoverable. Mr. Kinlaw described methods for individuals to repay overpayments, including the alternative repayment plan established by Session Law 2023-105 if the overpayment is determined to be entirely due to administrative error on the part of the Division. Mr. Kinlaw reported that the administrative rulemaking process pertaining to Session Law 2023-105 is still occurring, but meanwhile the Division is administering according to the proposed rule. He reported that the Division has approved one request for an alternative repayment plan, and denied one request because it was not related to administrative error on the part of the Division. Mr. Kinlaw then discussed the four appendices to the agenda. These were a published list of employer contribution rates for the Local System for the upcoming fiscal year, a report by an actuarial firm engaged by the Office of the State Auditor to review the actuarial work performed for the Retirement Systems, a sample format of a future report regarding investment performance that was discussed and requested at the January meeting of the Boards, and the State Contribution Rate Stabilization Policy for the North Carolina National Guard Pension Fund as amended by the State Board in its January meeting. Mr. Kinlaw closed by noting that the consulting actuaries, Buck, have updated their projection models for the State system to incorporate the effect of future employees of UNC Health Care not being eligible for the State system. The update, which appears to increase the anticipated contributions required from other TSERS employers by a total of about \$250 million over a 15-year period, will be incorporated in future projections that the consulting actuary provides to the Board.

Update on the Investment Advisory Committee (IAC) Meetings

The Chair recognized Lentz Brewer to provide an IAC meeting update. Mr. Brewer stated that the IAC last met on February 28, 2024, and discussed investment performance through the 4th Quarter of 2023. Mr. Brewer stated the total assets under management at year end was \$181 billion with Retirement System assets valued at \$118.7 billion. Mr. Brewer noted the asset allocation through the quarter remained largely unchanged. Mr. Brewer

pointed out that the annualized returns came in at 6.76% for the 4th quarter 2023 and the final return for 2023 was 10.18%. Mr. Brewer referred to a study discussed at the IAC meeting estimating the Retirement Systems to be 87%, one of the top eight states in terms of funded percentage. Mr. Brewer closed by noting a strong return of approximately 2.6% for 1st Quarter 2024 with the total market assets of \$121 billion at the quarter's end.

Annual Report on Supplemental Retiree Insurance

The Chair recognized Thomas Causey to review the Annual Report on Supplemental Insurance. Mr. Causey discussed that the current benefits offered for retirees to enroll in are dental and vision through UnitedHealthcare and identity theft through LifeLock. Mr. Causey noted that RSD partners with Pierce Insurance Agency who serves as the exclusive broker and administrator for the program.

John Ebbighausen made a motion to accept the report, Jeffrey Winstead seconded the motion and the motion passed with a unanimous vote of 10-0.

Annual Report on Inactive Employers

The Chair recognized Patrick Kinlaw to review the Annual Report on Inactive TSERS Employers pursuant to G.S. 135-5.5(b). Mr. Kinlaw stated there are no employers in TSERS that were determined to have become inactive during calendar year 2023.

John Ebbighausen made a motion to accept the report, Jeffrey Winstead seconded the motion and the motion passed with a unanimous vote of 10-0.

Presentation of Final Text of Administrative Rules regarding Session Law 2023-105 (House Bill 201) for Adoption

The Chair recognized Timothy Melton, Assistant General Counsel, for a presentation on the final text for administrative rules regarding Session Law 2023-105 (House Bill 201). Mr. Melton reminded the Board that the General Assembly enacted Session Law 2023-105 in July of 2023 and it became effective January 1, 2024. Mr. Melton noted the Board previously reviewed and approved the proposed rule text regarding Session Law 2023-105 at the October 2023 Board meeting. Mr. Melton further noted that the next step of the permanent rulemaking process calls for the Board approve the final rule text now that the public comment period and public hearing request periods have expired. Mr. Melton also pointed out that, if the Board votes to approve and adopt the final rule text, DST staff will be able to submit the final rule text to the Rules Review Commission for review at their June 26, 2024 meeting. Mr. Melton concluded that staff recommends the Board adopt the final rule text and authorize DST staff to take additional necessary steps to complete the rule process.

Blake Thomas made a motion to approve the final rule text. Oliver Holley seconded the motion, and the motion passed by a unanimous vote of 10-0.

Presentation of the Proposed Administrative Rules for Approval

The Chair recognized Timothy Melton for a presentation on the proposed administrative rules regarding disability retirement reexamination flexibility, employer refunds through credits, and the inactive status extension request requirements. Mr. Melton briefly explained the permanent rulemaking process before recognizing Taylor Matyi, Policy Development Analyst, to provide a brief overview of the proposed rules for recommendation by the Board.

Vernon Gammon made a motion to approve the proposed administrative rules. Blake Thomas seconded the motion, and the motion passed by a unanimous vote of 9-0. Lentz Brewer was not present for the vote.

Public Comments

There were no public comments.

Board of Trustees Comments

Oliver Holley thanked all the educators across the state, as well as the administrators and bus drivers as they close out the school year.

Pat Hurley commented that, considering the potential \$1.4 billion surplus coming up, she would like the legislature to use it for a COLA.

The Chair commented that he has recommended that the legislature enact a matching contribution of up to \$25 per month for State employees in the NC 401(k) Plan and NC 457 Plan.

Adjournment

There being no further business before the Board, John Ebbighausen moved to move into closed session and adjourn the meeting pending the conclusion of the closed session. Margaret Reader seconded the motion and the motion passed by unanimous vote of 10-0. The meeting was adjourned pending the conclusion of the closed session in honor of Captain Ronnie Metcalf of the Lexington Fire Department at 11:26 a.m.