



MINUTES

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

The regularly quarterly meeting of the Board of Trustees was called to order at 9:00 a.m., January 30, 2025, by the Chair, State Treasurer Brad Briner. 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 Brad Briner, Lentz Brewer, John Ebbighausen, Mo Green, Oliver Holley, Pat Hurley, Margaret Reader, Joshua Smith, Jeffrey Winstead and Staci Meyer (via telephone).

Members Absent

Vernon Gammon.

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 (RGEA); Mary Scruggs and Natalia Isenberg 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, Courtney Carter, Ron Chisolm, Christy Farrelly (via telephone), Ben Garner, Patti Hall (via telephone), Patrick Kinlaw, Taylor Matyi, Timothy Melton, Eric Naisbitt, Lisa Norris, Anne Roof, and Sam Watts.

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.

Introduction of Appointments of Members of the Board of Trustees of the Teachers' and State Employees' Retirement System

The Chair recognized the appointments of and introduced Mo Green and Staci Meyer to the Teachers' and State Employees' Retirement System Board of Trustees.



Consent Agenda

1. Adoption of Resolution of Appreciation for the Services of Catherine Truitt
2. Adoption of Resolution of Appreciation for the Services of Barbara Gibson
3. Approval of the State Minutes from the October 24, 2024 Board Meeting
4. Acknowledgment of Receipt of the Financial Report for Aspire Trade High School

With no objections from the Board, the consent agenda was adopted.

Presentation of the Public Pension Coordinating Council Awards

The Chair recognized Sam Watts, Executive Director of the Retirement Systems Division, to present the Public Pension Coordinating Council Awards (PPCC Standards for Administration and Funding Awards) that were awarded to each of the eligible North Carolina Retirement Systems.

Policy & Compliance Update

The Chair recognized Director of Policy, Planning & Compliance, Patrick Kinlaw. Mr. Kinlaw provided a brief overview of the Appendix items, which included the PPCC Standards Awards, a legislative memo, a re-employment earnings limitation memo, the 2024 NC Annual Comprehensive Financial Report, Aspire Trade High School financial statements, and KIPP Gaston's satisfaction of lien. Mr. Kinlaw discussed rulemaking and noted that 20 NCAC 02B .0216 and .0401 as well as 20 NCAC 02C .0213, .0403, and .0505, which had been previously reviewed and approved by the Board, were approved by the Rules Review Commission on December 19, 2024 and became effective as of January 1, 2025. Mr. Kinlaw provided an introduction into the TSERS and LGERS investment reports as well as the GRS Pension and OPEB Report noting they would be discussed later in the agenda. He explained that the estimated return for calendar year 2024 was 7.4% and that, according to Gallagher, there were no actuarial investment gains as of December 31, 2023 that could support a recommendation by the Board of a permanent increase in retirement allowances or a one-time supplement for retirees. Mr. Kinlaw noted that the next Experience Study will be conducted in 2025.

Mr. Kinlaw provided an update on the Contribution-Based Benefit Cap (CBBC) liabilities. Mr. Kinlaw noted that due to the CBBC provisions being in place for more than 10 years and that the litigation, which caused payments to go unpaid, has been resolved, and staff believes there is no longer a need to provide the report quarterly. Mr. Kinlaw closed by updating the Board on alternative repayments of overpayments pursuant to G.S. 128-31(c1), G.S. 135-9(c1), 20 NCAC 02B .0215, and 20 NCAC 02C .0212 noting that no alternative repayment requests were approved or denied by RSD in the quarter ending December 31, 2024.



Member Services, Payroll Services and Operations Updates

The Chair recognized Tonya Bass, Director of Member Services, for a presentation on the metrics for Member Services. Ms. Bass began by providing a brief background on Member Services for the new Board members. Ms. Bass noted from October 2024 through December 2024 staff conducted over 135 counseling sessions, staff served 695 visitors at the front desk, and staff conducted over 24 webinars. Ms. Bass stated that there was a 14% decrease in volume of correspondence with 7,400 total, email volume decreased by 13%, the call volume decreased by 33%, and the abandonment rate went from 6.5% to 4.7%.

The Chair recognized Courtney Carter, Director of Payroll Services, for a presentation on the metrics of Payroll Services. Ms. Carter began by providing a brief background on Payroll Services for the new Board members. Ms. Carter noted that 370,000 retirees were paid during monthly payroll in December 2024 and that taxes were prepared and posted online by January 3, 2025, with mailed forms being sent out by January 21, 2025.

The Chair recognized Ron Chisolm, Director of Benefits, for an update on the Division's operations. Mr. Chisolm began by providing a brief background on the Benefits Section for the new Board members. Mr. Chisolm discussed retirement application processing, death notifications, refunds, disability benefits, and staff vacancies.

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 November 20, 2024, and discussed the performance through the 3rd quarter of 2024. Mr. Brewer provided that as of September 30, 2024, the total assets of the Retirement System were \$128.6 billion, up roughly \$5.5 billion from 2nd quarter of 2024. Mr. Brewer stated that the retirement system return for the 3rd quarter of 2024 was 4.8%, which was driven by a strong performance in public markets. He further noted staff presented a cost effectiveness review and asset class reviews.

Investment Update

The Chair recognized DST's Chief Investment Officer, Kevin SigRist, to provide an update on year-end performance and upcoming changes to the Investment Management Division. Mr. SigRist began by stating the return for 2024 was favorable in the sense that earnings exceeded the actuarial assumed rate of return as well as the long-term average. However, he noted that the average return for the



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past 3 years was only 2%. Mr. SigRist moved on to discuss upcoming changes to the Investment Management Division noting the rebalancing of asset allocations, the new members to the IAC, and the asset liability study being conducted. The Chair closed the update by providing a brief background on the four new IAC members.

Public Comments

The Chair recognized Tim O'Connell with RGEA. Mr. O'Connell welcomed Treasurer Briner to his position and noted RGEA believes the Treasurer has put together an amazing team. Mr. O'Connell further noted RGA's belief that the retirement system is not a top investment performer and the asset performance should be reviewed.

Actuarially Determined Employer Contribution (ADEC) Projections

The Chair recognized Michael Ribble and Elizabeth Wiley from Gallagher for a presentation on the ADEC projections. Ms. Wiley presented charts demonstrating the effect of the actual investment return during the calendar year 2024, which was estimated to be 7.4%. Ms. Wiley stated that, if all assumptions are met in 2025 and beyond, the actuarially determined employer contribution rates would increase through fiscal year ending 2029 before stabilizing or declining and the funded ratio would reach 100% by the end of 2036.

Presentations on the 2024 Alternatives for the General Assembly

The Chair recognized Patrick Kinlaw to present the staff recommendations for the General Assembly regarding the contribution rates or contribution amounts needed to fund the Retirement Systems effective July 1, 2025. Mr. Kinlaw noted for the Teachers' and State Employees' Retirement System that staff recommends the legislature set a contribution rate of 17.14% of compensation to cover the "required employer contribution" pursuant to G.S. 135-8(d)(3a) for the fiscal year ending in 2026 and the recurring appropriation from the General Fund increase by \$44.3 million from the amount appropriated for the fiscal year ending in 2025.

For the Consolidated Judicial Retirement System, Mr. Kinlaw stated that staff recommends the legislature set a contribution rate of 37.73% of compensation the fiscal year ending in 2026 and the recurring appropriation from the General Fund increase by \$1.8 million from the amount appropriated for the fiscal year ending in 2025.

For the Legislative Retirement System, Mr. Kinlaw noted that staff recommends the legislature set a contribution rate of 18.26% of compensation the fiscal year



ending in 2026 and the recurring appropriation from the General Fund decrease by \$38,000 while still meeting the ADEC requirements for the fiscal year ending in 2026.

For the Disability Income Plan of North Carolina, Mr. Kinlaw explained that staff recommends the legislature set a contribution rate of 0.07% of compensation the fiscal year ending in 2026 and the recurring appropriation from the General Fund decrease by \$8.5 million while still meeting the ADEC requirements for the fiscal year ending in 2026.

For the North Carolina National Guard Pension Fund, Mr. Kinlaw stated that the Board could recommends the legislature amend G.S. 127A-40(a) to change \$105 to \$108; \$10.50 to \$10.80; and \$210 to \$216. If the Board recommended that benefit improvement, staff would recommend that the Board request a State contribution of \$1,116,375, decreasing the recurring General Fund costs by \$4,574.00.

For the Death Benefit Plans, Mr. Kinlaw noted that staff recommends no change to the current benefit structure and does not request additional appropriations.

John Ebbighausen made a motion to approve staff recommendations to the General Assembly, including amending G.S. 127A-40(a) for the North Carolina National Guard Pension Fund to change \$105 to \$108; \$10.50 to \$10.80; and \$210 to \$216. Jeffrey Winstead seconded the motion, and the motion passed by unanimous vote of 10-0.

Board of Trustees Comments

There were no Board of Trustees comments.

Adjournment

There being no further business before the Board, Oliver Holley moved to adjourn the meeting. Jeffrey Winstead seconded the motion, and the motion passed by unanimous vote of 10-0. The meeting was adjourned at 11:29 a.m.


CHAIR


SECRETARY

4/29/2025
DATE