



North Carolina
Total Retirement Plans



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

DRAFT MINUTES

BOARD OF TRUSTEES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

The regularly quarterly meeting of the Board of Trustees was called to order at 9:01 a.m., July 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, Matthew Calabria (via telephone), Janet Blount (designee for Catherine Truitt, via telephone), Wilson Weaver (via telephone), Homer Dearmin, Jeffrey Morse (via telephone), Benjamin Bobzien, Lentz Brewer (via telephone), Pat Hurley, and Avril Pinder.

Members Absent

Melody Reagan, Nancy Vaughan, and Vernon Gammon.

Guests in Attendance in Person or via Telephone

David Vanderwhite with the North Carolina Legislature; Mary Scruggs and Natalia Isenburg with the North Carolina Department of Justice; Christopher Doll with CEM Benchmarking (via telephone); Mike Ribble and Elizabeth Wiley with Gallagher; and Blair Paul.

Department of State Treasurer Staff Present in Person or Via Telephone

Tonya Bass, Thomas Causey, Elizabeth Hawley, Patrick Kinlaw, Richard Lopez, Timothy Melton, and Lisa Norris.

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 and Reappointments of Members of the Board of Trustees of the Local Governmental Employees' Retirement System

The Chair recognized the appointments of and introduced Matthew Calabria, Avril Pinder, Benjamin Bobzien, and Wilson Weaver to the Local Governmental Employees' Retirement System Board of Trustees and acknowledged the reappointments of Homer Dearmin, Nancy Vaughan, Melody Reagan, and Jeffrey Morse.

Approval of the Local Minutes from the April 25, 2024 Board Meeting

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

Adoption of Resolution of Appreciation for the Services of Ms. Brenda Howerton, Mr. Cleveland Atkinson, Jr., Mr. Kevin Gordon, and Mr. Tony Brown

It was moved by Homer Dearmin, seconded by Wilson, and carried unanimously with a vote of 10-0 that the resolution of appreciation for the services of Ms. Brenda Howerton, Mr. Cleveland Atkinson, Jr., Mr. Kevin Gordon, and Mr. Tony Brown be approved.

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 the retirement processing section noting the section is comprised of 1 manager, 17 analysts, 12 QC's, 1 retiree and 2 vacant positions. Mr. Lopez discussed that the retirement processing section saw a 25% increase in retirements from June of 2024 compared to June of 2023 noting RSD received just over 1400 retirement request for June with a turnaround time of 37 days. Mr. Lopez discussed that the two highest months for retirement are always January and July noting the average for January is around normally around 2100 and July's average falls anywhere between 3500 to 4000. Mr. Lopez moved on to discuss the benefits processing noting benefits processing is comprised of the survivor benefits section, disability benefits section, and refunds section. Mr. Lopez stated there is currently one manager responsible for all three sections, but that RSD will be adding another manager for the survivor benefits section and has brought in additional working supervisors in each of the sections. Mr. Lopez noted the survivor benefits section is comprised of 2 supervisors, 8 analysts, 6 QC's, and 2 temporary employees. Mr. Lopez moved on to discuss death notifications noting the team receives at least 800 notifications a month. Mr. Lopez discussed recent legislation noting that RSD is now allowed to make determinations on short term disability and are currently recruiting a short-term disability specialist. Mr. Lopez moved on to discuss refunds noting that volume has been extremely high with an average of 1,300–1,500 requests per month. Mr. Lopez moved on to discuss payroll processing RSD pays 360-370,000 people upwards of over \$629 million a month. Mr. Lopez closed by praising the imaging team noting that during COVID they were here daily making sure other teams had what they needed to process member requests.

The Chair recognized Tonya Bass for a presentation on the metrics for Member Services. Ms. Bass began by giving a brief overview of member services and what they do, noting it is comprised of the Educational Retirement Group and the Counseling Center. Ms. Bass discussed the Education Retirement Group noting from April to June they have conducted 167 counseling sessions and assisted 164 visitors at the front desk. Ms. Bass discussed webinars hosted noting for fiscal year to date they have conducted 125 webinars with over 11,000 attendees. Ms. Bass moved on to discuss email volume noting that in March RSD received over 82,000 emails but from April to June saw a 20% decrease and then leveled out to the average volume of 6,000 emails a month. Ms. Bass moved on to discuss the counseling center noting the average speed of answer was just under 3 minutes and 30 seconds with a reduction of 50% from April to June. Ms. Bass closed by discussing call volume noting the call center received over 26,600 calls in February, saw a slight decrease to 26,200 calls by the end of April, and were down to just over 18,000 calls by end of June.

The Chair recognized Director of Policy, Planning & Compliance, Patrick Kinlaw. Mr. Kinlaw began by discussing 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 \$87.2 million and recovered \$80.7 million of that. Mr. Kinlaw briefly discussed the pension spiking litigation efforts as well as Session Law 2023-48. Mr. Kinlaw moved on to provide

an update on whether any decisions have been made about whether an overpayment was entirely due to administrative error noting that during the second quarter RSD determined one overpayment fit the description. Mr. Kinlaw discussed administrative rules noting that four rules previously approved by the Board were approved by the Rules Review Commission towards the end of June. Mr. Kinlaw closed by discussing the appendixes and noting that Gallagher (previously Buck) were present to present the first ever actuarial stress testing report for the Teachers and State Employees' Retirement System.

Presentation on the Defined Benefit Administration Benchmarking Analysis Report, Prepared by CEM Benchmarking

The Chair recognized Christopher Doll with CEM Benchmarking for a presentation on the Defined Benefit Administration Benchmarking Analysis Report noting the results are for the period of January 1, 2022 through June 30, 2023. Mr. Doll began by providing a brief background of what CEM Benchmarking does noting they provide reporting on cost and performance to participating pension plans as well as provide peer-to-peer data-driven insights. Mr. Doll moved on to discuss the key takeaways of the report noting RSD's costs were \$30 per active member which was \$79 below the peer average, RSD's costs increased by 4.3% per annum over seven years while peers saw increases of 2.2%, RSD's service score was 80 slightly below the peer median of 81, and that RSD's service score has increased over the last seven years from 72 to 80.

Legislative Update

The Chair recognized Taylor Matyi to provide an update on the 2024 Legislative Session. Mr. Matyi began by stating there have been five bills passed into law that impact the Retirement Systems noting that 3 of those 5 bills originated from RSD. Mr. Matyi noted the requested bills included technical corrections to make the statutes cleaner, the remainder of the service purchase rewrite project, administrative changes, and changes to the Fire and Rescue Squad Pension fund benefits and contribution. Mr. Matyi closed by noting that staff is working to put together the legislative memo that comes out in the fall of every year with hopes to present it at the October Board meeting.

Report from the Advisory Panel of the Firefighters' and Rescue Squad Workers' Pension Fund on the Status and Needs of the Plan

The Chair recognized Thomas Causey for an overview of the Firefighters' and Rescue Squad Workers' Pension Fund Status and Needs of the Plan Report. Mr. Causey began by providing a brief background on the Advisory Panel and report noting that the Advisory Panel has no administrative authority but provides recommendations in the report around funding, investments, benefits, and administrative policies. Mr. Causey stated the Advisory Panel met on June 5, 2024 where staff presented updates on legislation, operations, communications, and actuarial valuations to the Advisory Panel. Mr. Causey noted that staff and the Advisory panel review the previous year's report and the Advisory Panel identified needs and recommendations for staff to capture in this year's report. Mr. Causey stated that the needs remained mainly unchanged from the previous report but that he wanted to call attention to need number 3 on page 7 noting it is something the Panel has mentioned as a strong need where currently members that reach 20 years of service receive \$170 a month beginning at age 55 but receive no additional benefit when they retire if additional service was provided after age 55 and before retirement, the Panel recommended a change to allow for additional benefits based on additional service time similar to the National Guard Pension Fund. Mr. Causey noted that most of the additional recommendations made are around communications with departments and members, including the Retirement Systems requesting more structured and frequent reporting.

Benjamin Bobzien moved to accept the report, Avril Pinder seconded the motion, and the motion passed by unanimous vote of 10-0.

Firefighters' and Rescue Squad Workers' Advisory Panel Appointment Recommendation

Avril Pinder made a motion to accept staffs recommendation to appoint Benjamin Bobzien to the Firefighters' and Rescue Squad Workers' Advisory Panel. Homer Dearmin seconded the motion, and the motion passed by a unanimous vote of 9-0. Benjamin Bobzien recused himself from the vote.

Application of a Qualified Political Subdivision of the State to Become a Participating Employer with the Local Governmental Employees' Retirement System

The Acting Chair recognized Patrick Kinlaw to present the application of Swain County Tourism Development Authority (TDA) to become a participating employer with the Local Governmental Employees' Retirement System. Mr. Kinlaw noted the Board did discuss their application at the April Board meeting and all requirements to join LGERS had been met except for obtaining the required amount of surety. Mr. Kinlaw stated that in May the TDA informed staff that they have obtained the surety which has been put in an escrow account. Mr. Kinlaw noted that is the Board approves their application they will become a participating employer effective October 1, 2024.

Jeffrey Morse made a motion to accept the application of Swain County Tourism Development Authority. Benjamin Bobzien seconded the motion and the motion passed with a unanimous vote of 10-0.

Report on the Amounts and Sources of Funds Collected by Year and Amounts Expended, the Projects for Which Funds Were Expended, and Current Status of the Legislative Enactment Implementation Arrangements (LEIAs) Pursuant to N.C.G.S. §135-7(h)(5) and N.C.G.S. §128-29(g)(5)

The Acting Chair recognized Patrick Kinlaw. Mr. Kinlaw provided a brief background on the requirements and background history of the required report. Mr. Kinlaw noted that as of June 30th the division has not identified any legislation that has resulted in implementation projects that are eligible for LEIA expenditures. Mr. Kinlaw further stated the amounts collected through June 30th have been zero and the amounts expended have been zero. Mr. Kinlaw noted that upon acceptance of the reports, staff will communicate the report to the legislature.

Avril Pinder moved to accept the report, Benjamin Bobzein seconded the motion, and the motion passed by unanimous vote of 10-0.

LEIA Request to Fund the Replacement of the Integrated Imaging and Document Management System

The Acting Chair recognized Patrick Kinlaw. Mr. Kinlaw stated that the legislative change that was recently enacted says that the LEIA can be used not just for cost saving legislation but also if the boards determine that there is an administrative or IT need that the LEIA funding should be used for to prevent interruption to the normal operation of the Retirement Systems. Mr. Kinlaw discussed that staff has discovered the need for the implementation of a new image and document management system (IDMS) noting that staff learned last October that the system currently being using will no longer be supported by the vendor after the end of 2024. Mr. Kinlaw noted that the IMDS is essential to RSD because it captures, digitalizes, and archives images and documents that are created within RSD or that come in through the mail, fax, or other means and ensures that every document goes through the people and steps necessary to process it. Mr. Kinlaw noted the department has been conducting a procurement process for a new IMDS that is still underway, but that staff expects the implementation costs for the new system will not exceed \$1 million. Mr. Kinlaw stated that staffs request is that the Board identifies this implementation project as an administrator IT purpose eligible for LEIA funding.

Homer Dearmin made a motion to accept staffs request. Avril Pinder seconded the motion, and the motion passed by unanimous vote of 10-0.

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 Investment Advisory Committee (IAC) last met on May 29, 2024. Mr. Brewer stated it was reported that the total assets under management came to \$183.6 billion with retirement assets compromising \$121.7 billion of that number. Mr. Brewer noted that as of May 14th the Retirement Systems asset allocation remained largely unchanged from year end 2023 with a growth portfolio remaining underweight of 52.73%, rates in liquidity remained overweight at 35.5%, inflation sensitive assets remained underweight at 9.67%, and the multi-strategy portfolio was overweight at just over 2%. Mr. Brewer moved on to discuss portfolio returns noting the System achieved annualize return for the first quarter 2024 of 2.64%, one year returns of 8.99%, three-year return of just over 3%, a five-year return of 6%, and an annualized return of 5.82%.

Public Comments

The Chair recognized Blair Paul. Mr. Paul provide background on his time working for the State and made a recommendation to extend the Bailey vesture as a simple fix to inflationary pressures.

Board of Trustees Comments

There were no Board comments.

Adjournment

There being no further business before the Board, Homer Dearmin moved to adjourn the meeting. Avril Pinder seconded the motion and the motion passed by unanimous vote of 10-0. The meeting was adjourned at 12:04 p.m.