

MEMORANDUM

TO: Teachers' and State Employees' Retirement System Board of Trustees (TSERS Board)
Local Governmental Employees' Retirement System Board of Trustees (LGERS Board)

FROM: Patrick Kinlaw, Director of Policy, Planning, and Compliance

DATE: April 24, 2025

RE: Legislative Enactment Implementation Arrangement (LEIA) – Spending Determination

Effective June 20, 2024, the TSERS Board or LGERS Board may direct employer contributions toward the LEIA for administrative or information technology uses when necessary to prevent an interruption to the normal operation of the Retirement Systems. See G.S. 128-29(g) for LGERS and G.S. 135-7(h) for TSERS, as amended by Part VI of Session Law 2024-8.

On July 25, 2024, both Boards determined that implementation of the Retirement Systems' new Imaging and Document Management System (IDMS) is a LEIA-eligible administrative or information technology purpose because it is necessary to prevent an interruption to the normal operation of the Retirement Systems.

At the time of the July 25, 2024 determination, the Retirement Systems Division (RSD) estimated that the implementation costs for the IDMS would not exceed \$1 million. That estimate was based on anticipated costs to be paid to the vendor.

In addition to the costs to be paid to the vendor, the implementation has required identifiable time from Department of State Treasurer (DST) employees and independent contractors. RSD estimates the total identifiable costs associated with DST employees and independent contractors to be \$200,000. If clarified by the Boards, these implementation (non-recurring) expenses could be paid by the LEIA rather than being applied to RSD's operating budget for ongoing administration of the Retirement Systems.

Accordingly, RSD is requesting that both Boards adopt the following motion:

- Move that the Boards determine that identifiable DST employee and independent contractor costs are part of the purpose of implementing the IDMS, with the understanding that the total costs associated with the IDMS purpose are not expected to exceed \$1.2 million.

Any TSERS LEIA funds not spent on the approved purpose will be transferred to TSERS (and the same for LGERS). Amounts directed to the LEIAs and spent from the LEIAs will be reported to the Boards in July 2025.