



MEMORANDUM

Date: July 25, 2024

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

Re: Legislative Enactment Implementation Arrangement (LEIA) – Funding 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.

The administration of the Retirement Systems requires use of an Imaging and Document Management System (IDMS). In short, the function of this system is to allow incoming and internally generated documents to be digitized and routed through the necessary processing steps. The IDMS also integrates the workflow of documents with the Retirement Systems' web application (ORBIT) and archives images and document scans for later retrieval.

In October 2023, RSD was informed that the current IDMS will not be vendor-supported after December 2024. On October 31, 2023, the Department of State Treasurer issued RFP 07-2022-IT004 to solicit offers for an IDMS. The procurement process is ongoing. At this time, RSD expects that the administrative implementation (non-recurring) costs associated with the replacement IDMS will not exceed \$1 million. There will also be recurring costs associated with software licenses and ongoing support, as there have been in the past, but RSD staff is not seeking a determination that those costs are eligible for LEIA funding.

RSD staff recommends that the Boards determine the IDMS implementation is an administrative or information technology purpose eligible for LEIA funding because it is necessary to prevent an interruption to the normal operation of the Retirement Systems.

If the Boards make this determination, 0.01% of compensation from each employer's contribution rate will be directed toward the LEIA. Based on the estimated payrolls of each system, 0.01% of compensation is expected to amount to approximately \$160,000 per month directed to the TSERS LEIA and approximately \$75,000 per month to the LGERS LEIA while contributions are being directed to the LEIA. The direction of funds to the LEIA will cease on June 30, 2025, or (if earlier) when RSD staff identifies that the accumulated LEIA funds are at least sufficient to pay the IDMS implementation costs. Any TSERS LEIA funds not spent on IDMS implementation costs 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.