



**North Carolina**  
Total Retirement Plans



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STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

## 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., April 28, 2022, by the Acting Chair, Ted Brinn. The meeting was held in the Dogwood Conference Room of the Longleaf Building at 3200 Atlantic Avenue, Raleigh, NC 27604. The Acting Chair thanked the members of the Board for their service. The Acting 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 (via telephone), Lentz Brewer (via telephone), John Ebbighausen, Vernon Gammon (via telephone), Dirk German (via telephone), Barbara Gibson (via telephone), Linda Gunter (via telephone), Oliver Holley (via telephone), Greg Patterson (via telephone), Margaret Reader (via telephone), Joshua Smith (via telephone), and Jeffrey Winstead.

#### **Members Absent**

Catherine Truitt.

#### **Guests in Attendance in Person or via Telephone**

Suzanne Beasley from the State Employees Association of North Carolina, Katherine Murphy from the North Carolina Department of Justice (via telephone), and Tonya Manning, Mike Ribble, and Beth Wiley from Buck Global, LLC.

#### **Department of State Treasurer Staff Present in Person or Via Telephone**

The staff members present were: Tonya Bass, Ted Brinn, Thomas Causey, Elizabeth Hawley, Patrick Kinlaw, Richard Lopez, Taylor Matyi, Timothy Melton, Christopher Morris, Lisa Norris, Laura Rowe, and Sam Watts.

#### **Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest**

The Acting 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 27, 2022 Board Meeting**

John Ebbighausen moved the Board to approve the minutes of the January 27, 2022 Board meeting, Jeffrey Winstead seconded the motion, and the minutes were approved by a unanimous vote of 12-0.

#### **Designation of Consulting Actuary**

The Acting Chair recognized Patrick Kinlaw for an update on the designation of a consulting actuary. Mr. Kinlaw began by reminding the Board that the department has been conducting a procurement process for an actuarial firm to provide consulting services to the Retirement Systems Division. Mr. Kinlaw stated the procurement process began in 2021 when the Board members were provided an opportunity to participate in evaluating proposals and that after careful review of the proposals the Evaluation Committee made the recommendation to award the contract to Buck Global, LLC. Mr. Kinlaw noted the recommendation was approved by the Department of Administration and the Governor's Office and the contract was officially awarded to Buck Global, LLC by the Department of State Treasurer on February 17, 2022. Mr. Kinlaw stated that the Board of Trustees have a statutory responsibility to designate an actuary who should be the technical advisor for the Board, noting that historically the Board has designated the same actuaries that the Department selects through its procurement, and that staff recommends that the Board designate Buck Global, LLC as the actuary to serve as the technical advisor for the Board.

Jeffrey Winstead made a motion to designate Buck Global, LLC as the consulting actuary to the Board, Oliver Holley seconded the motion, and the motion passed by a unanimous vote of 12-0.

### **Update on Actuarial Transition**

The Acting Chair recognized Tonya Manning, Mike Ribble, and Beth Wiley from Buck Global, LLC to provide an update on the actuarial transition. Ms. Manning, Ms. Wiley, and Mr. Ribble began by introducing themselves to the Board. Ms. Manning noted that Buck Global, LLC, and its predecessor firms, have over 75 years of partnership with the North Carolina Retirement Systems Division. Mr. Ribble discussed the transition process noting that their current focus is on replicating prior valuations by performing an independent review of the all the valuations of the State and Local Retirement Systems as of December 31, 2020. Mr. Ribble stated this review and replication process will ensure benefit provisions are being handled correctly and assumptions are being applied correctly. Ms. Wiley provided a progress update noting that they have collected and reviewed the data and information provided from the Retirement Systems and the prior actuary and that they have developed a set of defined tolerances for matching the prior actuaries' results. Ms. Wiley noted that the next step is to calculate liabilities and compare them to the prior actuaries' results. This will involve collaboration with the Retirement Systems staff and the prior actuaries. Mr. Ribble closed out the presentation noting that the December 31, 2021 valuation results will be reviewed at the October Board meeting.

### **Operations, Member Services, and Compliance Update**

The Acting Chair recognized Rick Lopez, Director of Operations for an update on the Division's operations. Mr. Lopez began by welcoming and introducing Tonya Bass, Interim Director of Member Services, to the team noting she has already made significant progress on identified issues since she took over the roll as Interim Director. Mr. Lopez moved on to discuss the Division's operations noting the team processed 1,194 retirements in March of 2022 with an average turnaround time of 16.1 days. Mr. Lopez discussed death notifications, noting 1,151 death notifications in March 2022 with an average turnaround time of 60.2 days. Mr. Lopez discussed disability application processing, noting that the team processed 356 applications in March 2022 with a 38.8-day turnaround time. Mr. Lopez discussed refund requests, noting that the team processed 1,419 refund requests in March 2022 with a 13.2-day turnaround time. Mr. Lopez also discussed monthly payroll processing, stating that in March 2022 the Divisions paid over 347,000 payees with a total payment amount of over \$576,000,000. Mr. Lopez mentioned that ORBIT self-service usage had an increase of over 20,000 retirement estimates and 2,000 additional hits on direct deposit banking changes. Mr. Lopez finished by noting the Division is working on the next self-service feature which will allow members to request refunds online as well as access to tax forms, allowing members to opt out of mailed forms.

The Acting Chair recognized Interim Director of Member Services, Tonya Bass, for a presentation on the metrics for Member Services. Ms. Bass began by providing the Board with a brief background of her employment. Ms. Bass moved on to discuss the metrics noting that Member Services responded to over 9,500 pieces of correspondence in February of 2022. Ms. Bass noted that the Educational Retirement Group has held 271 webinars since July 2021 and counselors have held 174 retirement counseling sessions for the month of March. Ms. Bass touched on emails and calls received noting that emails fluctuate with the call numbers as members are emailing at the same time they are calling when they cannot get through. Ms. Bass noted that in February of 2022 Member Services received 32,000 phone calls with an average speed of answer around 38 minutes and over 29,000 calls in March of 2022 with an abandonment rate of 48.4%. Ms. Bass finished by discussing staffing and solutions the Division is working on.

The Acting Chair recognized Director of Policy, Planning & Compliance, Patrick Kinlaw. Mr. Kinlaw began by discussing Contribution-Based Benefit Cap liabilities, noting that 492 retirements since 2015 have resulted in required employer contributions totaling more than \$47.6 million, and of that amount, around \$39 million has been collected. Mr. Kinlaw discussed a report from the firm Gabriel Roeder Smith (GRS) who the Office of the State Auditor engaged to conduct a review of actuarial assumptions, methods, and processes used by Cavanaugh MacDonald when working with the retirement systems. Mr. Kinlaw noted that the review found the work was performed in accordance with actuarial standards of practice and that the assumptions and methods used in the valuation were reasonable. Mr. Kinlaw briefly touched on House Bill 243 (Budget Technical Corrections Act) which was enacted March 2022 noting two changes to provisions related to line-of-duty death benefits for public safety workers. Mr. Kinlaw closed by discussing the Actuarial Standards Board's recent adoptions of the revisions to Actuarial Standard of Practice No. 4.

### **Legislative Update**

The Acting Chair recognized Sam Watts to provide an update on the legislative session. Mr. Watts discussed the three bills the Treasurer's Office has recommended to the General Assembly that affect the Retirement Systems including cost saving measures for the Judicial System as well as administrative and technical corrections.

### **Update on the Investment Advisory Committee (IAC) Meetings**

The Acting Chair recognized Greg Patterson to provide an update on the IAC meetings. Mr. Patterson stated the last IAC meeting occurred on February 23, 2022, where the meeting started with a review of the investment portfolio performance. Mr. Patterson stated that as of December 31, 2021, the portfolio held \$124 billion in assets with an overall return of 9.71% for calendar year 2021, 11.94% for the average 3-year return, 9.43% for the average 5-year return, and 8.35% for the average 10-year return. Mr. Patterson noted that so far in 2022 the financial market has been challenging and as of April 22, 2022, the portfolio was down about 7% which equates to about \$9 billion. Mr. Patterson then moved on to a review and discussion of how much of each of the different asset classes contributed to the gains in the portfolio noting that the two most significant asset classes were public equity and alternatives. Mr. Patterson stated that the Retirement Plans are invested very conservatively which tends to mean the losses experienced during down markets are not as severe as for peers. Mr. Patterson concluded his report on the IAC meeting by noting that Callan Group presented their asset liability study results and that the meeting was concluded with a presentation on the inflation-sensitive portion of the portfolio.

### **Recommended Decennial Administrative Code Updates**

The Acting Chair recognized Timothy Melton, Assistant General Counsel to the Retirement Systems, for a recommendation of updates to the North Carolina Administrative Code provisions relating to the Division. Mr. Melton began by recognizing the efforts of current and former staff on the project. Mr. Melton informed the Board that in 2013 the General Assembly enacted N.C.G.S. § 150B-21.3A which established a process and schedule for agencies to decennially review their active rules codified in the North Carolina Administrative Code. Mr. Melton provided a brief history of the Board's decision to authorize the Retirement Systems to take all necessary steps required to complete the Decennial Rules Review process. Mr. Melton noted the deadline for rule adoption is December 31, 2022, and staff has completed their review and prepared a proposal for the Board's approval.

John Ebbighausen made a motion to approve the proposal, Oliver Holley seconded the motion and the motion passed by a unanimous vote of 10-0. Joshua Smith and Vernon Gammon were not present for the vote.

The Acting Chair moved for a ten-minute recess without objection. After the recess, the Acting Chair called the meeting back to order.

### **Annual Report on Supplemental Retiree Insurance**

The Acting 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 noting that RSD partners with Pierce Insurance Agency who serves as the exclusive broker and administrator for the program. Mr. Causey noted the premiums for dental and vision have remained the same from last year and the premium for LifeLock dropped 5%.

Jeffrey Winstead made a motion to accept the report, Lentz Brewer seconded the motion and the motion passed with a unanimous vote of 10-0. Joshua Smith and Vernon Gammon were not present for the vote.

### **Inactive Employers Report**

The Acting Chair recognized Patrick Kinlaw to review the Annual Report on Inactive TSERS Employers Pursuant to G.S. 135-5.5(b). Mr. Kinlaw stated that no employers under TSERS were determined to be inactive during calendar year 2020 nor is RSD aware of any TSERS employers who would have potentially met the criteria for applying to become inactive employers.

John Ebbighausen made a motion to accept the report, Lentz Brewer seconded, and the motion passed with a unanimous vote of 11-0. Joshua Smith was not present for the vote.

### **Public Comments**

The Acting Chair recognized Suzanne Beasley from the State Employees Association of North Carolina for a public comment regarding retiree cost of living adjustments.

### **Board of Trustees Comments**

Greg Patterson thanked the staff and Board members for the work put into awarding Buck Global, LLC the actuarial contract. Oliver Holley thanked the staff for the work they do. Margaret Reader, Linda Gunter, and Barbara Gibson echoed the concerns from Suzanne Beasley's public comment regarding retiree COLAs and thanked the staff for their hard work. The Treasurer thanked the Acting Chair for chairing the meeting.

### **Adjournment**

There being no further business before the Board, Treasurer Folwell moved to adjourn the meeting. Oliver Holley seconded the motion, and the motion passed by unanimous vote of 11-0. Joshua Smith was not present for the vote. The meeting was adjourned at 12:08 p.m.