



MEMORANDUM

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

FROM: Patrick Kinlaw, Director of Policy, Planning, and Compliance
Retirement Systems Division (RSD)

DATE: April 27, 2023

SUBJECT: Contributory Death Benefit Plan (CDBP) Update

On January 26, 2023, RSD staff and the Boards' consulting actuary presented a study of alternatives that may help to address the projected actuarial shortfall in the CDBP. The presentation may be found at the following link:

<https://www.myncretirement.com/documents/files/governance/boarddocs/16-cdbp-study-buck-updates/download?attachment>

At that meeting, RSD staff suggested that of the alternatives studied, Alternative #1 would have the most meaningful impact on the actuarial measurement with less impact on retirees and their families. Alternative #1 would require legislation to add the State Employees' Benefit Trust (SEBT) described in G.S. 135-7(g) to the list of "Retirement Systems" funds in G.S. 147-69.2(b)(8), which would allow the funds to be invested in the Retirement Systems pool.

The Governor's Budget proposal released in March 2023 includes legislative language that would implement Alternative #1 of the January 26, 2023 presentation to the Boards. This may be found at page 148 (Section 39.28) at the following link:

<https://www.osbm.nc.gov/fy2023-25-budget-recspecial-provisions/download?attachment>

At today's meeting, the Boards of Trustees could vote to request legislation to implement Alternative #1 of the January 26, 2023 presentation to the Boards. The Boards could also take any of the other actions described on page 18 of the January 26, 2023 presentation, or take no action. G.S. 128-28(f1) and 135-6(e1) both require that both the State and Local Boards must approve any decision pertaining to the CDBP in order for the decision to take effect.