



North Carolina
Total Retirement Plans



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

MINUTES

BOARD OF TRUSTEES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

The regular quarterly meeting of the Board of Trustees was called to order at 9:00 a.m., April 27, 2023, 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 (via telephone), Lentz Brewer (via telephone), John Ebbighausen, Vernon Gammon (arrived at 9:19 a.m.), Dirk German (via telephone), Oliver Holley (via telephone), Pat Hurley, Margaret Reader, Joshua Smith (via telephone), Blake Thomas (designee for Barbara Gibson), and Jeffrey Winstead.

Members Absent

Catherine Truitt.

Guests in Attendance in Person or via Telephone

Linda Gunter with the North Carolina Retired School Personnel.

Department of State Treasurer Staff Present in Person or Via Telephone

Tonya Bass, Ted Brinn, Thomas Causey, Christy Farrelly, Ben Garner, Elizabeth Hawley, Patrick Kinlaw, Richard Lopez, Taylor Matyi, Timothy Melton, Lisa Norris, and Jason Sass.

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.

Approval of the State Minutes from the January 26, 2023 Board Meeting

John Ebbighausen moved the Board to approve the minutes of the January 26, 2023, Board meeting, Margaret Reader seconded the motion, and the minutes were approved by a unanimous vote of 9-0. Joshua Smith's microphone was not working at the time of the vote and Vernon Gammon had not yet arrived.

Adoption of Resolution of Appreciation for the Services of Ms. Linda Gunter

It was moved by Pat Hurley that the resolution of appreciation for the services of Linda Gunter be approved. Oliver Holley seconded the motion, and the motion passed with a unanimous vote of 9-0. Joshua Smith's microphone was not working at the time of the vote and Vernon Gammon had not yet arrived.

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 Division's operations noting there are already over 3,000 retirement requests for July and that RSD had over 2,400 retirement requests for January. Mr. Lopez discussed death notifications noting over 1,000 deaths for the month of March. Mr. Lopez discussed disability application processing noting staff vacancies and efforts to hire. Mr. Lopez discussed refund requests noting RSD received over 1,800 refund requests in February and nearly 1,300 in March with a turnaround time of 16 days. Mr. Lopez also discussed monthly payroll processing, stating that in March 2023 the Division paid over 357,000 payees with a total payment amount of almost \$600 million. Mr. Lopez closed by discussing Orbit Self Service noting over the last 12 months there have been nearly 1.5 million retirement estimates, over 275,000 beneficiary updates, and over 67,000 direct deposit changes performed on self-service.

The Chair recognized Tonya Bass for a presentation on the metrics for Member Services. Ms. Bass began by stating that from January to March 2023 staff responded to over 24,000 pieces of correspondence. Ms. Bass referenced the Meetings and Webinars slide noting that since July 2022 staff has conducted over 155 webinars with around 7,200 attendees. Ms. Bass further discussed visitors and counseling sessions noting over the last three months there has been over 230 appointments and over 775 visitors in the office. Ms. Bass moved on to discuss the call center noting an average speed of answer of 21 minutes and 12 seconds for March 2023. Ms. Bass briefly discussed the move to a new phone platform and redesign of the integrated voice system noting that the addition of the call back assist option has been helpful for callers. Ms. Bass stated that since January staff has assisted over 13,000 members through call back assist which reduced the abandonment rate by 22.5 percentage points from March 2022. Ms. Bass closed by noting the launch of a live chat self-service feature in Orbit allowing members to chat online with a counselor.

The Chair recognized Director of Policy, Planning & Compliance, Patrick Kinlaw. Mr. Kinlaw began by discussing the Contribution-Based Benefit Cap liabilities, noting that 652 retirements since 2015 have resulted in required employer contributions totaling more than \$69 million, and of that amount, around more than \$54.9 million has been collected. Mr. Kinlaw moved on to discuss agency rulemaking, noting that the Decennial Rules Review was completed, and the re-adopted rules were published in the North Carolina Administrative Code effective March 1, 2023. Further, Mr. Kinlaw noted that the LGERS Surety Rules that were voted on during the January board meeting were published in the North Carolina Register on March 1, 2023, and are currently in the comment period. Mr. Kinlaw moved on to state that MI Connection (Continuum) has formally ended their participation in LGERS. Mr. Kinlaw noted the acquisition of the Boards' consulting actuarial firm, Buck Global, by Arthur J. Gallagher & Co., and that there has been no observed impact on Buck's internal team or service. Mr. Kinlaw closed by describing three informational documents provided in an appendix to the Board meeting materials – one with employer contribution rates under LGERS for local governments for the upcoming fiscal year, one with frequently asked questions related to tax withholding, and one containing a report from an actuarial firm engaged by the Office of the State Auditor.

Legislative Update

The Chair recognized Patrick Kinlaw to provide an update on the 2023 Legislative Session. Mr. Kinlaw began by stating the biggest development of the quarter has been the House of Representatives' passage of a proposed State budget, containing a few provisions that could affect the Retirement Systems. Those include a 1% permanent COLA for the State, Legislative, and Judicial Retirement Systems that would be effective July 1, 2023 if enacted, and a second 1% increase that would be effective July 1, 2024, with the cost of both proposed COLAs fully appropriated by the legislature. Mr. Kinlaw discussed further provisions of the proposed House budget, noting a

provision that would extend the required retirement age for appellate judges from age 72 to age 76, and a provision that would expand certain line of duty death benefits to cover an officer who was on their way to work. Mr. Kinlaw noted the Senate's proposed budget has not yet been released and that, after the Senate passes a budget, there will likely be a conference budget process. Mr. Kinlaw closed by stating Senate Bill 729 is on the Senate floor today for its second reading, with recommendations from the working group convened between Department staff and the North Carolina School Boards Association related to contribution-based benefit cap liabilities.

Update on the Investment Advisory Committee (IAC) Meetings

The Chair recognized Lentz Brewer to provide an update on the IAC meetings. Mr. Brewer stated the IAC met most recently on February 22, 2023. Mr. Brewer stated that as of December 31, 2022, the Department's assets under management grew to \$165 billion. This value reflected an increase of \$3.3 billion during the quarter ending December 31, 2022, and a decrease of \$11 billion during the entire calendar year 2022. Mr. Brewer discussed the Retirement Systems portion of the assets under management, noting that the value was \$109.3 billion as of December 31, 2022. Mr. Brewer stated that the annualized returns of the Retirement Systems continue to be impressive compared against benchmarks noting a return of negative 10.4% for the calendar year, compared to a benchmark of negative 11.87%.

Annual Report on Supplemental Retiree Insurance

The 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. He also noted that RSD partners with Pierce Insurance Agency who serves as the exclusive broker and administrator for the program. Mr. Causey noted that compared to the previous year, the premiums for dental coverage have decreased 2%, the rates for vision coverage have decreased 5%, and the premium for LifeLock has remained the same.

Vernon Gammon made a motion to accept the report, Jeffrey Winstead seconded the motion and the motion passed with a unanimous vote of 11-0.

Annual Report on Inactive Employers

The 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 there are no employers in TSERS that were determined to be inactive during calendar year 2022, nor is RSD aware of any TSERS employers that would have potentially met the criteria for applying to become inactive employers since then.

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

Retirees' Contributory Death Benefit Plan Study

The Chair recognized Patrick Kinlaw. Mr. Kinlaw began by stating at the January meeting staff and the consulting actuary reminded the Boards the Contributory Death Benefit Plan (CDBP) had a projected actuarial shortfall and staff presented a study of alternatives requested by the Boards. Mr. Kinlaw noted that staff had recommended that Alternative # 1, which would allow the funds to be invested in the Retirement Systems Pool, would have the most meaningful impact on the actuarial measurement with less impact on retirees and their families. Mr. Kinlaw further stated the Governor's Budget proposal released in March 2023 includes the legislative language that would implement Alternative #1. Mr. Kinlaw stated that staff recommends the Board to request legislation to implement Alternative #1 to the legislature.

Blake Thomas made a motion to request legislation to implement Alternative #1 to the legislature, Vernon Gammon seconded, and the motion passed with a unanimous vote of 10-0. Joshua Smith was not present for the vote.

Resolution Discussion

The Chair reminded the Board that Blake Thomas handed out a written proposed resolution at January's meeting. The Chair stated staff have reviewed Mr. Thomas' proposal. The Chair stated that he believes 75% of what has been proposed has already been made publicly available, and that the Department continues to work on how to present that 75% in a format easier to understand and review, as well as how the remaining 25% might be addressed. Mr. Thomas thanked the Chair and noted that he is open to displacing this to a later meeting to provide staff additional time.

Public Comments

There were no public comments.

Board of Trustees Comments

Oliver Holley asked the Board and staff to keep Hertford County and Bertie County, their school systems, and Sheriffs' Departments in their prayers following recent tragedies in those communities. Mr. Holley thanked the Chair for personally addressing employees during a recent conference.

The Chair thanked the staff and the Board members for all they do.

Adjournment

There being no further business before the Board, Margaret Reader moved to adjourn the meeting. John Ebbighausen seconded the motion and the motion passed by unanimous vote of 11-0. The meeting was adjourned at 10:40 a.m.