



RETIREMENT SYSTEMS DIVISION

STEVEN C. TOOLE
EXECUTIVE DIRECTOR

MINUTES

ADVISORY PANEL FOR THE FIREFIGHTERS' AND RESCUE SQUAD WORKERS'

PENSION FUND

JUNE 7, 2018

The annual meeting of the Advisory Panel ("Panel") for the Firefighters' and Rescue Squad Workers' Pension Fund ("Fund") was called to order at 1:00 p.m., June 7, 2016, by the Chair, Steve Toole. The meeting was held in the Dogwood Conference Room in Raleigh.

Members Present

The Panel members present were: Steve Toole, Walter Beroth, Gary Whitman, Kim Williams, Kevin Gordon (via webinar), Debra Poe and Dean Coward.

Members Absent

All members were present.

Guests Present

The guests present were: Ed Brinson with the North Carolina State Firefighter's Association.

Department of State Treasurer Staff Present

The staff members present were: Treasurer Folwell, Donna Boyette, Patrick Kinlaw, David Starling, James Rose, Edgar Starnes, and Sam Watts.

Conflicts of Interest

The Chair asked, pursuant to the ethics rules, about conflicts of interest of Panel members. There were no ethics conflicts identified by the panel members.

Approval of Minutes

It was moved by Debra Poe, seconded by Gary Whitman, and carried that the Panel approve the minutes from the June 27, 2017 meeting.

Resolution of Appreciation

It was moved by Gary Whitman, seconded by Dean Coward, and carried that the Panel approve the resolution of appreciation for Ken Mullen, recognizing his outstanding service as a member of the Firefighters' and Rescue Squad Workers' Pension Fund Advisory Panel.

Legislative Update

The Chair recognized Edgar Starnes, Senior Policy Advisor and Legislative Liaison, and Sam Watts, Policy Director, for an update on legislation. Mr. Watts updated the Panel on the Agency's Financial Accountability, Integrity, and Recovery Act (FAIR). Mr. Watts shared the act is designed to provide tools to collect money owed to the Retirement Systems.

Mr. Watts updated the Panel on the Agency's Retirement Complexity Reduction Act, which simplifies service purchases and sunsets benefit options 4, 6-2, and 6-3 under TSERS and LGERS.

Mr. Watts referred the Panel to the bill descriptions for detail on agency bills Administrative Changes Retirement System and Retirement Technical Corrections Act.

Operations Update

The Chair recognized Donna Boyette, Firefighters' and Rescue Squad Workers' Pension Fund Coordinator, for an update on operations. Ms. Boyette presented the metrics for the Fund, which continue to be met or exceeded. The team has five full-time permanent employees; one full-time temporary employee supporting Operations; and, two full-time temporary employees assigned to the lapsed service project.

Ms. Boyette updated the Panel on the lapsed service project, which completed May 31, 2018. The team began contacting the 15,177 lapsed members May 8, 2017. By December 2017, 10,065 lapsed members remained. The team continues efforts to make contact with all remaining lapsed members. The Chair reminded the Panel that the lapsed members have been removed from the Plan's assumptions in the annual actuarial valuations as a result of the audit previously completed by Conduent. The Plan will not experience any significant increase in its funding status as a result of refunding contributions to the remaining lapsed members.

Ms. Boyette highlighted the January 2018, 3rd edition, member newsletter. Ms. Boyette recognized Mr. James Rose, Fund Support Specialist, who demonstrated the new electronic submission process for Turnaround Documents (TADs), which is scheduled for launch late 2018. The new TAD process will automate contribution submissions, enrollment, ease payment submission processes and provide online training and phone support. The online TAD process was favorably received by the Panel.

December 31, 2016 Actuarial Valuation

The Chair recognized Patrick Kinlaw, FSA, to give a presentation on the December 31, 2016, actuarial valuation for the Fund. Mr. Kinlaw presented the key results of the December 31, 2016 actuarial valuation. He noted that while he was not involved in preparing the valuation results or report, he is an actuary with the expertise necessary to provide a summary. He reminded the Panel that under the actuarial valuation process, current information about members is collected annually by the Retirement Systems staff. This membership data assists the actuary

in estimating benefits that could be paid in the future, which is reported to the Local Governmental Employees' Retirement System Board of Trustees annually at its October meeting through the actuarial valuation process.

Mr. Kinlaw shared data for active and lapsed members; members currently receiving benefits; and disabled members eligible for deferred pensions. He reported on the \$383,865,563 market value of assets for the Fund, which experienced a 6.24% net investment return on an annualized market value during 2016, below the Board's assumed rate of return of 7.25% for that year. Mr. Kinlaw reported that there had been a net investment return of over 13% in 2017. Mr. Kinlaw highlighted the allocation of investments, which is managed by the Investment Management Division (IMD), with the majority of assets in public equity and fixed income. He reminded the Panel how the actuarial value of assets smooths investment gains/losses on the market value of assets over a five-year period resulting in less volatility in the actuarially determined employer contribution. Mr. Kinlaw stated that since 2006 the Fund has earned an actuarial value of asset return of 6.57% and a market value of asset return of 5.45%.

Mr. Kinlaw highlighted the actuarially determined employer contribution payable per active member for fiscal year ending June 30, 2019 of \$626.28, which consists of \$240.77 for normal cost and \$385.51 for accrued liability. He reminded the Panel that the Board has adopted a 12-year amortization schedule for accrued liability. He presented that as a result of the recently adopted funding policy (state contribution rate stabilization policy), the total actuarially determined employer contribution for fiscal year ending June 30, 2019 is \$18,302,208.

Mr. Kinlaw noted that the Fund was 89% funded as of December 31, 2016, according to the actuarial valuation.

Needs of the Fund

The Chair and Ms. Boyette led a discussion with the Advisory Panel on identifying the needs of the Fund. The Panel shared their satisfaction with the overall financial health of the Fund and service being provided by operations. In addition to the existing needs previously identified by the Panel in years past, the following new items were identified:

- Seek feedback from departments, which can be incorporated into process improvements
- Encourage departments to timely report death of a member
- Remind members who are 55 years of age and paid-in-full of their ability to start collecting benefits
- Seek legislation for a vesting period for employer contributions on behalf of a member who requests a refund. All member contributions should be returned to the member. Vesting period should be at least 5 to 10 years for refund of employer contributions.

The Chair indicated the Retirement Systems Division will evaluate the needs of the Fund as shared by the Advisory Panel and incorporate those needs into the ongoing project, where possible.

Adjournment

There being no further business, Debra Poe moved for adjournment of the meeting, which was seconded by Kim Williams and carried unanimously. The meeting was adjourned at 2:34 p.m.

CHAIR