Draft Minutes

BOARD OF TRUSTEES

OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

The regularly quarterly meeting of the Board of Trustees was called to order at 9:30 a.m., January 31, 2019, 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 acknowledged the new members of the Board to be sworn in, and thanked the other members 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

Treasurer Dale R. Folwell, Lentz Brewer (by phone), Kathryn Johnston on behalf of Superintendent Mark Johnson, Vernon Gammon, Ashley Wooten, Aaron Meredith, Allen Buansi, Brenda Howerton, Clee Atkinson, David Dear, Kevin Gordon, and Sally.

Members Absent

The board member absent was: Greg Patterson.

Guests Present

Jody Newsome from the Attorney General's Office, Sarah Collins with the NC League of Municipalities, Marge Foreman with the North Carolina Association of Educators, Richard Rogers with the North Carolina Retired Governmental Employees' Association, and Johanna Reese with the North Carolina Association of County Commissioners.

Department of State Treasurer Staff Present

The staff members present were: Steve Toole, Thomas Causey, Joan Fontes, Sam Hayes, Timeka Holden, Anne Roof, Patrick Kinlaw, Fran Lawrence, Karah Manning, Vicki Roberts, David Starling, Edgar Starnes, Christina Strickland and Sam Watts.

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. The Chair referenced the updated SEI evaluations and a new board and a new board member SEI evaluation that were completed for TSERS and LGERS members respectively for review.

Introduction and Swearing-In of New Member of the Board of Trustees of the Local Governmental Employees' Retirement System

The Chair introduced Sheriff Cleveland "Clee" Atkinson, Jr. as a new member on the Board. Sheriff Atkinson was appointed by Governor Cooper to the Local Governmental Employees' Retirement System Board of Trustees representing a local law enforcement officer. Sheriff

Atkinson serves on the Board with an appointment date of December 17, 2018 and his term on the Board expires March 31, 2020. Sheriff Atkinson was sworn in by the Chair on January 31, 2019.

Approval of the Local Minutes from the October 25, 2018 Board Meeting

Ms. Sally Sandy made a correction in the draft October 25, 2018 minutes It was moved by David Dear, seconded by Sally Sandy, and carried unanimously by the Board that the minutes from the Board meeting held on October 25, 2018, be approved.

Approval of Resolution of Appreciation for the services of Sheriff Carson Smith

It was moved by Sheriff Atkinson, seconded by Sally Sandy, and carried unanimously that the resolution of appreciation for the services of Sheriff Caron Smith be approved.

Retirement Systems Division Operations

The Chair recognized Thomas Causey, Deputy Director of Operations, Vicki Roberts, Deputy Director of Member Services and Patrick Kinlaw, Director of Policy, Planning & Compliance for an update on the Division's administration operations. Mr. Causey reviewed the key takeaways from the operations report, noting that Member Service's incoming call volume and Service Level increased from prior year and Operation's turnaround times remain low. He gave a more in-depth report on the metrics for Operations, stating that retirement processing went from a 32-day processing period to a 9-day processing period over the last year. Mr. Causey also reported that the Division is reviewing the process for disability applications.

The Chair recognized Deputy Director of Member Services, Vicki Roberts, for a presentation on the metrics for Member Services. Ms. Roberts reported on metrics on member correspondence noting volume was up 15 percent, yet staff processed the correspondence 64 percent faster than last year. Ms. Roberts gave a report on increased member attendance to 2017/2018 FY Meetings and Webinars, and the amount of walk-in office visitors vs. counseling sessions for the 2017 calendar year; noting a 28 percent increase in counseling sessions when comparing December 2016 to December 2017. Next, Ms. Roberts reported on the metrics of the Call Center. She noted that over the past year 87.5 percent of calls were answered in less than a minute, with increased call volume. Executive Director, Steve Toole complimented the work of the call center for processing members calls so efficiently.

The Chair recognized the Director of Policy, Planning and Compliance, Patrick Kinlaw. Mr. Kinlaw reported on that one of the Compliance section's responsibilities is to administer invoices when retirement benefits exceed the Contribution-Based Benefit Cap (CBBC). This results from what is commonly known as the "anti-pension spiking" law. Page 17 of the slideshow shows the cumulative invoice activity under LGERS since 2015. As you can see, since 2015, the Retirement Systems have issued 77 invoices to LGERS employers, averaging fewer than 20 per year. During that time, the Retirement Systems have invoiced over $6 million and collected about $5.6 million.

At the previous meeting of the Boards, we discussed a group of approximately 40 individuals who are receiving retirement benefits from TSERS or LGERS under "Option 4" (the Social Security leveling form of payment), whose benefit was not reduced appropriately when they turned age 62.

In some instances, that reduction should have occurred many years ago. As we discussed at the October meeting, their retirement benefits were adjusted in August 2018 to be equal to the benefits that they should have been receiving all along. Meanwhile, the Retirement Systems contacted the individuals to explain why their benefit was being reduced, and further, to inform them that they had received an overpayment of benefits. The letter stated that a complete review of the issue would occur, and that they would be contacted to discuss repayment of any overpayment, but no earlier than January 2019. As of today, the review is still ongoing. Our staff is finalizing the exact amounts of the overpayments that are due, and finalizing the plans for working with the members and their representatives on repayment of the overpayment. Mr. Kinlaw also updated the Board on North Carolina's 2018 Comprehensive Annual Financial Report.

Investment Advisory Committee (IAC) Update

The Chair recognized Lentz Brewer for an update on the IAC meetings. Mr. Brewer provided an update on the Investment Performance Review of the North Carolina Retirement System pension trust funds as of Q3, 2018 and noted the volatility of the financial markets in fourth quarter of 2018. Cost-efficiencies initiative underway in the Investment Management Division are seeing great success. The year-to-date (through Q3) cost savings in the amount of $94.5MM have been realized. The goal was to accomplish $100MM over a four-year time frame. Cost-cutting measures include bringing indexed investments in-house and renegotiating contracts with existing fund managers and competitive bidding for new contracts. Mr. Brewer recognized the Investment Management Department for their efforts to rein in costs. Mr. Brewer also stated that for third quarter, we saw much better performance domestically than the system's international positions. Positive signs included unemployment rates reaching a 20-year low and consumer confidence hitting an 18-year high. Mr. Brewer shared the United States economy saw limited inflation concerns and a strong GDP growth led to solid gains within the domestic sector in the third quarter, and large caps had biggest quarter in 5 years. Each of the major indices reached all-time records. Mr. Brewer also stated that total assets under management for the Investment Management Division increased to $131 billion, up $2 billion in Q3. The N.C. Retirement Systems represent $99.5 billion of this number, up from $94.057 billion as of June 30, 2018. Mr. Brewer shared that the portfolio has beaten both benchmarks (implementation and long-term policy) in all measured periods up to 20 years. For third quarter, the pension trust funds achieved a total return of 2.1% versus an implementation benchmark of 1.9% and long term of 1.6%. Mr. Brewer also stated the 12-month rolling saw net return of 6.4% versus benchmarks of 5.1% and 4.7% respectively. The Investment Management Division continues to do a great job managing risk (83% lowest risk amongst peers) while getting consistent returns with less volatility in down markets.

Presentation on "Date Set by Board of Trustees" under N.C.G.S. Sec. 128-30(g)(3) and Sec. 1358(f)(3) for Employer Contributions Satisfying Contribution-Based Benefit Cap Liabilities.

The Chair recognized Patrick Kinlaw, Director of Policy, Planning, and Compliance, for a presentation on the "Date Set by Board of Trustees" under N.C.G.S. Sec. 128-30(g)(3) and Sec. 1358(f)(3) for Employer Contributions Satisfying Contribution-Based Benefit Cap Liabilities. Mr. Kinlaw shared that staff is recommending an amendment to a policy of each Board, which will give some employers additional time to pay the contribution-based benefit cap (or CBBC) liabilities before the Retirement Systems would begin the process of intercepting their State appropriations.

Mr. Kinlaw shared that the Retirement Systems Division collects contributions from employers for various reasons, including payments to satisfy CBBC liabilities, but also other types of contributions. The Boards must set a date by which, if these contributions have not been received, the Retirement Systems will begin the process of having State appropriations to the employer intercepted in order to recover the payment. The method that the Boards have used to set this date is a policy of each Board that was adopted in October 2016. As it pertains to CBBC liabilities, the policy adopted in October 2016 is that CBBC-related contributions must be received within 12 months after the effective retirement date of the relevant plan member. Some employers have not paid certain CBBC contributions that were due before the Boards adopted administrative rules related to the “cap factor”. Staff recommends that these employers be given some additional time to pay the CBBC liabilities.

For the TSERS Board, Mr. Kinlaw shared staff’s recommendation of leaving the 12-month policy in place for CBBC contributions, but to extend the due date to December 1, 2019, if that is later. For the LGERS Board, the recommendation is similar, except that the due date would be extended to May 1, 2019, if that is later than the 12-month date. Neither updated Board policy would change the required payment date for contributions other than CBBC payments. Both updated Board policies would be effective today.

David Dear made a motion to approve this recommendation, which was seconded by Brenda Howerton and carried unanimously by the Board.

Presentation on the Decennial Rules Review Readoption Date.

The Chair recognized Christina Strickland, General Counsel for the Retirement Systems Division, for a presentation on the Decennial Rules Review Readoption Date. Ms. Strickland stated that on August 16, 2018 the Rules Review Commission (RRC) approved the Decennial Rules Review report for the Teachers’ and State Employees’ Retirement System’s (TSERS) and Local Governmental Retirement System’s (LGERS) rules found in Title 20, Chapter 2 of the North Carolina Administrative Code. As required by the Administrative Procedure Act (APA), the report was then submitted to the Joint Legislative Administrative Procedure Oversite Committee, and on October 21, 2018, the report became final and effective (N.C.G.S. §150B-21.3A(c)(3)). Now that the Decennial Rules Review report is final, the next step is to establish a date by which certain rules must be re-adopted. During the decennial review process some rules were determined to be “necessary with substantive public interest.” The list of TSERS and LGERS rules determined as such as attached as Appendix A. The APA requires these rules to be re-adopted by a date established by the RRC (N.C.G.S. §150B-21.3A(c)(2)(g). In establishing a re-adoption date, N.C.G.S. §150B-21.3A(d)(2) requires the RRC to consult with the agency and to “consider the agency’s rule-making priorities in establishing the re-adoption date.” Ms. Strickland shared that in November 2018, staff of the Department of State Treasurer consulted with RRC counsel and December 31, 2022 is proposed as the date for re-adoption. In reaching this proposed date it was noted that currently staff of the Retirement Systems Division are in the process of reviewing and revising all of the rules in Title 20, Chapter 2; including those rules requiring re-adoption. It is staff's intention to complete the full update of rules and to complete the required re-adoption of rules by December 31, 2022.

It was motioned by Allen Buansi, seconded by Vernon Gammon to and carried unanimously by the Board to approve the proposed re-adoption date for LGERS rules as December 31, 2022, to be presented for formal approval by the RRC.

Proposed Administrative Rules for Monthly Reports to Employers under N.C.G.S. §128-30(g)(2)b. and §135-8(f)(2)f.

The Chair recognized Christina Strickland, General Counsel for the Retirement Systems Division, and Ms. Strickland presented the Staff recommendations for the following Board actions of the LGERS Board of Trustees:

Monthly Contribution Based Benefit Cap Report to Employers

(a) The Retirement System shall provide a report each month to each employer listing the member(s), for whom the employer made a contribution to the Retirement System in the month preceding the month in which the report is issued, that are most likely to require additional employer contributions should the member(s) elect to retire within the 12 months following the month in which the report is issued.
(b) The Retirement System shall issue the report no later than the 25th day of the month following the month for which the contribution was made in Paragraph (a) above.
(c) The report shall list any active member(s) whose compensation is $95,000.00 or greater, adjusted annually from 2019 to later years based on the consumer price index, and whose estimated monthly retirement allowance exceeds the contribution-based benefit cap factor adopted under N.C.G.S. §135-5(a3), minus 0.3.
(d) Any member for whom an annual statement of benefits was not generated for the previous calendar year will not be reported as outlined in Paragraph (a) above.
Authority: N.C.G.S. §135-6(f); §135-8(f)(2)(f)

It was moved by Vernon Gammon, seconded by David Dear and carried unanimously by the Board to adopt the proposed administrative rules for monthly reports to employers.

Contribution-Based Benefit Cap Average Final Compensation Threshold Determination.

The Chair recognized Patrick Kinlaw, Director of Policy, Planning, and Compliance, for a presentation on the Contribution-Based Benefit Cap Average Final Compensation Threshold Determination. Mr. Kinlaw shared that by statute, the contribution-based benefit cap (CBBC) can apply to retiring members only if their four-year average final compensation is greater than or equal to a certain amount, which is referred to as the "threshold" for administration purposes. If someone's average final compensation is below the threshold, the CBBC cannot apply to them. The threshold was set by law at $100,000 in 2015 and has increased each January 1 for inflation. For the first few years, the increase was based on December-to-December increases in the Consumer Price Index. For retirement dates effective in 2018, the threshold was $104,973.81.

Mr. Kinlaw shared that this year's increase, for the first time, is based on the June-to-June increase in the Consumer Price Index, as required by Session Law 2018-85. The increase in CPI from June 2017 to June 2018 was 2.9 percent. Therefore, the staff calculation is that the threshold should increase by 2.9 percent, to $108,018.05. This new threshold applies to all retirements effective in 2019.

It was moved by Brenda Howerton, seconded by Sally Sandy and carried unanimously by the Board to approve the recommendation.

Increase in the Amount of Reemployment Earnings Before Suspension of Retirement Allowance.

The Chair recognized Steve Toole, Executive Director of the Retirement Systems Division (RSD) to speak about the annual statutory increase in the compensation that may be earned by a re-employed beneficiary who is receiving either an early retirement benefit or a service retirement benefit, before suspension of a retirement allowance under G.S. §135-3(8)(c). Mr. Toole commented on how much retirees are allowed to earn without jeopardizing their pension. The State law says: 1) greater than fifty (50) percent of compensation twelve months prior to retirement or 2) $20,000 indexed annually for change in CPI, which would be $33,560 effective as of January 1, 2019.

It was moved by Ashley Wooten, seconded by Allen Buansi and carried unanimously that the 2019 earnable allowance is set at the greater of fifty (50) percent of reported income twelve months prior to retirement, or the rate of $33,560.00.

Employer Contribution Rate Stabilization Policy (ECRSP) Alternatives for Local System

The chair recognized Patrick Kinlaw to speak to the LGERS Employer Contribution Rate Stabilization Policy. Mr. Kinlaw noted that contributions made to LGERS by local governments and other employers are based on the Board's ECRSP, which stands for "Employer Contribution Rate Stabilization Policy". Mr. Kinlaw noted that at the last Board meeting, the consulting actuaries reported that employer contribution rates are beginning to fall behind what they are projecting to be the actuarially determined rates. The Board directed staff to study alternatives for revising the ECRSP for the remainder of its term and to make a recommendation. Since that meeting, staff has worked with several employer groups and considered different perspectives on the ECRSP.

Mr. Kinlaw shared staff's findings and recommendation. The original purpose of the ECRSP was to provide sufficient contributions over the six-year period, while not subjecting employers needlessly to the ups and downs of capital markets. To underscore, though, the goal was always to provide sufficient contributions. The schedule was designed so that, back in 2016, it was considered more likely than not that the total contributions over six years would be at least equal to the actuarially calculated contributions.

Mr. Kinlaw shared that the ECRSP has been to the benefit of the plan's funding. His own estimate is that the contributions have been greater than actuarial amounts, to the tune of $100-$200 million cumulatively by June 2019. However, circumstances have changed, including two very big things.

First, investment returns since 2016 have not quite met the Board's assumption. Second, the Board has lowered the return assumption. Both of these mean that more contributions will be needed in the future that were not expected back in 2016. And, rather than being uncertain future events, both of them are things that have already happened that we know will be recognized into costs over the next several years. It is estimated that the ECRSP contributions over the last three years of the policy are projected to fall short of actuarial amounts by $450-$550 million, with some possible variation. Adding together the first three years and the last three years, it's estimated that the total contributions over the six years will be less than actuarial amounts by $250-$450 million, or a reduction in the funded percentage of LGERS of 0.5 to 1.5 percentage points.

Mr. Kinlaw noted that the consulting actuaries will be delivering their latest long-term projections for LGERS, which include a revision to the projections that they presented in October 2018 and as a result the alternatives are based on the revised projections. As a result, some of the figures in this ECRSP discussion may not appear consistent with the report the consulting actuaries originally presented in October 2018.

Mr. Kinlaw highlighted the importance of revising the ECRSP funding policy sooner rather than later. Staff anticipates that if the ECRSP is not revised, the current projection is that the actuarially recommended rates effective July 2022 would be more than 5 percent of pay greater for law enforcement, and more than 4 percent greater for all other employees, than what the employers were contributing immediately before that. Without any amendment to the ECRSP, there is a very real risk that we would be approaching a situation in three years with sudden rate increases that employers will not be in a position to absorb.

Mr. Kinlaw highlighted that the "blue option" would leave the rates in place for another year, and then start to make some very significant changes effective in July 2020. The "red option" would take action more immediately, so the contribution rates would start to ramp up in July 2019, but by starting earlier, the increases could be a bit more gradual. Under both the blue and red, the law enforcement rates would stay greater than non-law enforcement by 0.75 percent of pay. These proposals would not make any change to that during the current term of the ECRSP.

Mr. Kinlaw noted that if all assumptions are met, the baseline, the current ECRSP, would result in a funded percentage for LGERS that is less than it would have been if there had been no ECRSP, by 0.5 to 1.5 percentage points. The blue and red options would be projected to deliver total contributions over the six-year period that are reasonably close to the actuarial amounts. There will be some small differences, but they are close enough that staff is comfortable that both the Blue and Red options would meet the funding-related goal of revising the policy.

Mr. Kinlaw shared staff's recommendation. The key decision points are outlined here for the Blue and Red options. The Blue option defers action for a year, and ultimately gets to a strong position. The main disadvantage of the Blue option is the amount of the year-over-year increases, which are 2.25 percent of pay for two consecutive years. The Red option takes action immediately so that the increases can be a bit more gradual, with year-over-year increases being 1.2 percent. The main disadvantage of the Red option is that it requires action on short notice. The changes to schedule would begin just about five months from now.

The Board discussed the alternatives, the timing of the increases and the need to keep the system funded appropriately. Various Board members expressed that it is not too late to alter the employer contribution amounts for fiscal year 2020, starting July 1, 2019, if staff can communicate soon.

Actuarially Determined Employer Contribution (ADEC) Projections for the Local System

The Chair recognized Larry Langer and Jonathan Craven of CMC to provide the actuarially determined employer contribution projections. Mr. Langer and Mr. Craven shared the key takeaways from their presentation. The projections of the actuarial valuation are known as deterministic projections. Deterministic projections are based on one scenario in the future. The baseline deterministic projection is based on December 31, 2017 valuation results as assumptions. The key projection assumptions include valuation rate of 7.00% for all years in conjunction with direct rate smoothing of the employer contribution rate over a 3-year period beginning July 1, 2019. Also predicted are a 7.00% investment return on market value of assets, along with actuarial assumptions and methods as described in Appendix D. All future demographic experience is assumed to be exactly realized. Additionally, the contribution rate under the ECRSP is contributed until fiscal year ending 2022. There is a 0% increase in the total active member population. There are no cost-of living adjustments granted, and future pay increases are based on long-term salary increase assumptions.

The ECRSP adopted by the Board of Trustees on January 21, 2016 requires that recommended contributions be 0.35% of payroll greater than the appropriated contribution during the prior year, with the following bounds: 1) contributions may not be less than the actuarially determined employer contribution (ADEC) rate and 2) contributions may not be greater than a contribution determined using the same assumptions used to calculate the ADEC but using a discount rate equal to the long-term Treasury bond yield.

In addition, we have provided one alternate deterministic projection. The alternate deterministic projection is based on the same assumptions as the baseline deterministic projection except that it is based asset return of -1.5% for calendar year 2018. The preliminary return of -1.5% for calendar year 2018 was provided by RSD Staff. It was noted that returns under this scenario were 8.5% lower than expected, as a result, the unfunded actuarial accrued liability will be higher resulting in a higher employer contribution.

Presentations on the 2020 Fiscal Year Alternatives for the General Assembly

Mr. Toole presented the 2019 fiscal year policy options and recommendations for the General Assembly for the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund and the Register of Deeds' Supplemental Pension Fund.

Mr. Toole presented the fiscal policy options for the Local Governmental Employees' Retirement System. He reviewed the Employer Contribution Rate Stabilization Policy (ECRSP) that was adopted by the Board of Trustees on January 21, 2016. He stated that, based on the policy, contributions for general employees were set at 7.25 percent of payroll for the fiscal year ending in 2017 and will increase each fiscal year by 025 percent of payroll. Additionally, the ADEC will be increased by an additional 0.25 percent if the ADEC rate is 50 percent greater than the scheduled employer rate for that fiscal year, and will decrease by an additional 0.25 percent if the ADEC rate is 50 percent less than the scheduled employer rate. He stated that benefit increases granted by the North Carolina General Assembly will increase employer contribution rates and as a policy for the LGERS Board, cost of any Board-adopted cost-of-living adjustment (COLA) will not increase the employer contributions rates.

Mr. Toole reported that the ADEC rate based on the December 31, 2017, valuation for the Local Governmental Employees' Retirement System is 8.56 percent, which is greater than the scheduled contribution rate of 8.00 percent under the ECRSP. Since the ADEC rate is within 50 percent of the scheduled employer rate, an additional change to the rate for the purposes of the ECRSP is not required. Mr. Toole also reported that the ADEC rate based on the December 31, 2017, valuation for the law enforcement officers (LEO) is 10.22 percent, which is greater than the scheduled contribution rate of 8.75 percent under the ECRSP. Since the ADEC rate is within 50 percent of the scheduled employer rate, an additional change to the rate for the purposes of the ECRSP is not required. Both of these valuation amounts are substantially higher than what our funding policy calls for.

Mr. Toole shared based on the actuarial losses recognized in the December 31, 2017 valuation, no Cost-of-Living Adjustment (COLA) that would be effective July 1, 2019 may be granted by the Board. Further, based on the methods and assumptions of the projections provided to the Board in October 2018, Cavanaugh Macdonald Consulting has estimated that a potential COLA effective July 1, 2020, may be granted by the Board following the December 31, 2018 as follows: 1) if calendar year 2018 market value returns exceed 7.8 percent, the plan is estimated to have an actuarial investment gain and a COLA could be considered; and 2) if calendar year 2018 market value returns exceed 10.9 percent, the plan is estimated to have an actual investment gain and such gain may be enough to provide a one percent recurring COLA.

Mr. Toole summarized the two policy options for consideration by the Board. The Board can set the employer contribution rate consistent with the ECRSP as adopted on January 21, 2016. Alternatively, the Board could amend the ECRSP to provide for additional funding, through two alternatives driven by when the additional employer contribution commences.

Mr. Toole presented the fiscal policy options for the Firefighters' and Rescue Squad Workers' Pension Fund. He reviewed the State Contribution Rate Stabilization Policy (SCRSP) that was adopted on January 26, 2017, stating that the SCRSP stipulates that the recommended state contributions for the Fire and Rescue Plan are the greater of (1) the prior year's appropriation plus $350,000 and 2) the actuarially determined contribution. For the fiscal year ending in 2020, item (1) is equal to the appropriation for the fiscal year ending in 2019 ($18,302,208) plus $350,00, or $18,652,208. For the fiscal year ending in 2020, item (2), the ADEC amount, is $14,323,684, according to the most recent FRSWPFR actuarial valuation report. The ADEC for fiscal year 2020 is the baseline contribution amount that would fund the system using the Board's assumptions adopted on January 21, 2016 (and April 26, 2018 with respect to the rate-of-return assumption including direct rate smoothing of that change). It used plan population and asset information as of December 31, 2017.

Therefore, the SCRSP results in a recommended state contribution of $18,652,208 for the fiscal year ending in 2020, which is the greater of item (1) or (2). There are two policy options available to the Board: 1) Recommend an increase in the state contribution rate to $18,652,208 for the fiscal year ending in 2020, pursuant to the SCRSP and also recommending that the monthly benefit be increased from $170 to $171, and the monthly member contribution rate be increased from $10 to $15; or 2) Recommend an increase in the state contribution to $18,652,208 for the fiscal year ending 2020, pursuant to the SCRSP. This also recommends that the benefit and contribution rates be unchanged, considering the likely deferred asset losses as of December 31, 2018.

Lastly, Mr. Toole presented the fiscal policy options for the Register of Deeds' Supplemental Pension Fund, stating that the most recent valuation report showed that the ADEC dollar amount of $0 for fiscal year ending in 2020 is less than the 1.5 percent of monthly receipts collected, for example the statutory amount collected of $844,228 in calendar year 2017. Additionally, the fund is over-funded with a funded ratio of 160.2 percent based on the assumptions adopted by the Board in April 2016 and incorporated into the most recent actuarial valuation. Staff recommends no change to the current benefit structure.

Court Cost Offset for Law Enforcement Officers

Mr. Toole reported that based on a review of receipts since 2008, the court cost offset on the Local Governmental Employees' Retirement System employer contribution rate will be set at 0.14 percent of Law Enforcement Officer payroll for the fiscal year beginning July 1, 2019. Information on the impact of the offset in regard to fiscal year employer contribution rate will be provided at the April 2019 Board meeting.

Public Comment Period

The Chair recognized the following organizations' representatives for presentations on retirement benefit proposals for the Board to consider:

> Sarah Collins, on behalf of the North Carolina League of Municipalities, mentioned the League's members have consistently recognized the need to adequately fund the defined benefit system. The League supports an option that will spread the expected increases gradually over the next few years and prevent a sharp increase in the employer contribution in fiscal year 2023. Ms. Collins thanks the Board for its support.
>
> Marge Foreman, on behalf of the North Carolina Association of Educators (NCAE), shared a statement prepared by the NCAE President, Mark Jewell. The statement included an emphasis about how retirement is an integral part of a benefits package, and also the NCAE would like to thank the Board for their hard work.
>
> Richard Rogers, on behalf of the North Carolina Retired Government Employees' Association, discussed the decline in benefits that retirees' have seen over the last several years, specifically 12-13 percent of devaluation. Mr. Rogers questioned a plan to stabilize the contribution rate, as the Association is not aware of a plan to stabilize local and state government pensions. There was further discussion between the Chair and Mr. Rogers.

Johanna Reese, on behalf of the North Carolina Association of County Commissioners, spoke about the change of the Employer Contribution Rate of Stabilization Policy. Ms. Reese also shared their concerns about long-term budget planning funding of the systems. Ms. Reese thanked the Staff for continuing strong communication efforts.

Recommendations to the North Carolina General Assembly on Actuarially Determined Employer Contribution (ADEC) Rates for Fiscal Year Ending 2019

After hearing public comments, the Board made the following fiscal recommendations to the North Carolina General Assembly:

It was moved by David Dear, seconded by Kevin Gordon, and carried unanimously to the recommend to the North Carolina General Assembly to increase the employer contribution rate for general employees for the Local Government Retirement System to 8.95 percent of payroll for non-Law Enforcement Officers and 9.70% for Law Enforcement officers for fiscal year ending 2020. The increase to the employer contribution is estimated to cost employers an additional $76.4 million.

In addition to funding the Firefighters' and Rescue Squad Workers' Pension Fund per the SCRSP, Mr. Kevin Gordon asked the Board to consider an increase to the member contribution from $10 per month to $15 per month. Following discussion, the Chair requested this decision to be deferred to allow for additional analysis and consideration. The Board agreed to defer this decision to a later date.

There were no changes to the current benefit structure for the Registers of Deeds' Supplemental Pension Fund.

Board of Trustees Comments

The Chair asked the Board if there were any comments prior to adjournment of the meeting. The Board had no comments.

Local System Adjournment

There being no further business before the Board, Linda Gunter moved to adjourn, which was seconded by Jeffrey Winstead, and the meeting was unanimously adjourned at 12:57 p.m.

____
CHAIR

____
SECRETARY