



TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES MEETING – January 2021

Update on Funding Stabilization Policies – TSERS and NCNGPF

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North Carolina
Total Retirement Plans



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Agenda

- Overview and Timing of Current Board Policies
 - Employer Contribution Rate Stabilization Policy (ECRSP) for Teachers' and State Employees' Retirement System (TSERS)
 - State Contribution Rate Stabilization Policy (SCRSP) for North Carolina National Guard Pension Fund (NCNGPF)
- Next Steps



TSERS Employer Contribution Rate Stabilization Policy (ECRSP)

- First adopted Jan. 2016 as part of recommendation to legislature for FYE 2017
- Consulting actuaries' Jan. 2016 presentation demonstrated policy through June 30, 2022
- Policy as expressed Jan. 2016 has been followed by Board in each year since, as part of annual recommendations to legislature
- Policy describes annual funding recommendations:
 - Greater of (1) or (2), but with a ceiling of (3)
 - (1) = Current year's calculated actuarially determined employer contribution (ADEC)
 - (2) = Prior year's appropriated contribution, increased by 0.35% of pay
 - (3) = ADEC determined using discount rate equal to 30-year Treasury yields



NCNGPF State Contribution Rate Stabilization Policy (SCRSP)

- Adopted by Board on April 25, 2019; effective until June 30, 2022
- Annual funding recommendation: Greater of (1) or (2), plus additional funding that might be required for any recommended benefit improvement
 - (1) = Prior year's appropriation plus \$2 million
 - (2) = Current year's ADEC
- A recommendation to increase the benefit multiplier (\$105/\$210) may be considered if the increase is no greater than inflation, and if its cost is fully funded within one year
- If the funded percentage reaches or exceeds 90% (it was 88.1% as of 12/31/2019), then recommendation regarding COLAs, if any, should be the same or similar to those recommended for TSERS
- While the funded percentage is less than 90%, the policy allows consideration of a recommendation to provide COLA increases to retirees only if the increase is no greater than inflation, and if its cost is fully funded within one year



Next Steps

- Both TSERS ECRSP and NCNGPF SCRSP scheduled through June 30, 2022
- Alternatives presented for FYE 2022 recommendations are based on current policies
- Expect staff recommendation at April 2021 meeting regarding FYE 2023-2027
- Issues under consideration for TSERS ECRSP
 - Formal Board policy document outlining purpose, objectives, multi-year term
 - Clarification in policy regarding direct rate smoothing
 - Annual funding recommendation to be based on scenario projections
 - Will continue to recommend at least the ADEC
 - Additional constraints (like current 0.35% escalation) under consideration
 - Any clarifications regarding circumstances for recommending benefit changes
- Issues under consideration for NCNGPF SCRSP
 - Annual funding recommendation, including “prior year plus \$2 million” minimum
 - Technical review of existing policy document

