



**RESOLUTION OF THE BOARD OF TRUSTEES OF THE NORTH CAROLINA TEACHERS'  
AND STATE EMPLOYEES' RETIREMENT SYSTEM**

**TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**

**WHEREAS**, the North Carolina General Assembly established the North Carolina Teachers' and State Employees' Retirement System (the "Retirement System") as a defined benefit plan to provide retirement allowances and other benefits for teachers and State employees of the State of North Carolina;

**WHEREAS**, the North Carolina General Assembly enacted legislation providing that all contributions to the Retirement System from participating employers and employees shall be made to funds held in trust through trust instruments that have the purposes of distributing principal and income to retired members and their beneficiaries, paying other definitely determinable benefits under Chapter 135 of the North Carolina General Statutes, and meeting the necessary expenses of administering the Retirement System; and

**WHEREAS**, more than 700,000 current and former North Carolina employees, retirees and their beneficiaries participate in the Retirement System.

**FIDUCIARY RESPONSIBILITY**

**WHEREAS**, the North Carolina General Assembly vested the general administration and responsibility for the proper operation of the Retirement System in the Board of Trustees (the "Board");

**WHEREAS**, the North Carolina General Assembly named the Board as trustee of several funds created by Chapter 135 of the North Carolina General Statutes, including the Retiree Health Benefit Fund, the Annuity Savings Fund, and the Pension Accumulation Fund;

**WHEREAS**, the North Carolina General Assembly further authorized the Board to administer the Consolidated Judicial Retirement System of North Carolina, the Legislative Retirement System of System of North Carolina and the North Carolina National Guard Pension Fund;

**WHEREAS**, the North Carolina General Assembly named the State Treasurer as custodian of the funds and charged the State Treasurer with the responsibility for investment of their assets in accordance with N.C. Gen. Stat. §§ 147-69.2 and 147-69.3, and consistent with the fiduciary duties stated in N.C. Gen. Stat. § 147-69.7;

**WHEREAS**, the Board is a public entity that holds quarterly regular meetings and, as needed, special meetings, all of which are subject to North Carolina's open meetings law (N.C.G.S. Chap. 143, Art. 33C, the "Open Meetings Law");

**WHEREAS**, the State Treasurer serves, *ex officio*, as chair of the Board;



**WHEREAS**, pursuant to their legal duties, State Treasurer Dale R. Folwell, CPA, and the Board prudently manage the investments, features, expenses, budget, and other aspects of the Retirement System in the sole interests of its members, retirees and their beneficiaries; and

**WHEREAS**, State Treasurer Dale R. Folwell, CPA, has continued his call for state fiscal responsibility on behalf of the Plans comprising the North Carolina Retirement Systems and the Plans' participants in order to protect this valuable benefit for this and future generations of public service workers.

### **2021 STATE BUDGET**

**WHEREAS**, unfortunately, there exist efforts in the North Carolina General Assembly to include in the State budget, or to otherwise incorporate into law, provisions that would severely limit the State Treasurer's ability to use funds for critical administrative and investment expenses on behalf of the Retirement System;

**WHEREAS**, these legislative efforts, if successful, would require administrative fees be deposited in the state's General Fund as nontax revenue, thereby removing a major source of operational funding from the control of Board and the Department;

**WHEREAS**, these provisions would gravely impair the State Treasurer's ability to properly manage and invest the more than \$170 billion for which the State Treasurer is responsible, which would harm the current and future financial health of the Retirement Systems and threaten the Retirement Systems' availability for current and future retirees;

**WHEREAS**, the provisions' most harmful impairment of the North Carolina Retirement Systems includes, but is not limited to, enabling non-fiduciaries, including the North Carolina General Assembly, the Office of State Budget and Management, and others to control the decisions of the State Treasurer, which is contrary to law and settled practice and which will politicize investment-related decisions;

**WHEREAS**, such outside control by non-fiduciaries will make the decisions to manage and invest the assets of the North Carolina Retirement Systems political instead of contractual, which will invariably lead to major restrictions on the types of investments because third party investment managers will be unlikely to contract with the State Treasurer due to uncertainties surrounding the State budgeting process, and this will in turn lead to a diminution in value of the North Carolina Retirement Systems' assets, increases in the Plans' risk profile, and a significant impact with respect to pension benefits; and

**WHEREAS**, regarding such proposed revenue restriction, the Board finds the following:

1. It is inconsistent with the fiduciary responsibility of the Board and the Department to establish the operational budget for the Retirement System and to retain and pay its professional staff and vendors;





2. It would transfer critical functions of the Board and the Department to non-fiduciaries, including the North Carolina General Assembly and the Office of State Budget and Management; and
3. It would harm the important functions of Board and the Department to oversee and operate the Retirement System and ultimately the ability of North Carolina's public servants to plan for retirement.

**NOW, THEREFORE**, be it **RESOLVED**, that:

1. The Board hereby expresses its appreciation for the North Carolina General Assembly's consideration of these important fiscal responsibilities;
2. The Board hereby continues to express its support for the Retirement System and the teachers and state employees, retirees and their beneficiaries who benefit as members of the Retirement System;
3. The Board hereby continues to support the critical role the Retirement System plays in the promoting the retirement goals and retirement readiness of current and former North Carolina teachers and state employees, retirees and their beneficiaries;
4. The Board hereby recognizes that there exist efforts to include provisions in the State budget that would greatly impair the State Treasurer's ability to manage and invest the funds for which the State Treasurer serves as a fiduciary, harm the current and future financial health of the Retirement Systems, and threaten the availability of the Plans for current and future retirees;
5. The Board hereby strongly opposes any efforts to include such provisions in the state budget or any other bill amending the budget execution; and
6. This Resolution shall be included in the minutes of the Board for the meeting held on October 28, 2021.

Approved by the Board, this 28<sup>th</sup> day of October 2021.

  
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Dale R. Folwell, CPA, State Treasurer and Chair

  
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Thomas G. Causey, Executive Director and  
Secretary to the Board