



## **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., July 31, 2025, by the Chair, State Treasurer Bradford B. Briner. 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 Brad Briner, Kristen Bierline (designee for Staci Meyer), Janet DeVane-Blount (designee for Mo Green) (via telephone), Lentz Brewer (via telephone), John Ebbighausen (via telephone), Vernon Gammon, Oliver Holley, Margaret Reader, Joshua Smith (via telephone), Pat Thornburg, and Jeffrey Winstead.

#### **Members Absent**

None.

#### **Guests in Attendance in Person or via Telephone**

Mary Scruggs and Natalia Isenberg with the North Carolina Department of Justice.

#### **Department of State Treasurer Staff Present in Person or Via Telephone**

Tonya Bass, Ron Chisolm, Ben Garner, Deborah Forry (via telephone), Jeff Hancock (via telephone), Patrick Kinlaw, Taylor Matyi, Timothy Melton, Eric Naisbitt, Anne Roof, Lisa Norris, Kevin SigRist, Amy Auth, Colin Russell, 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.

#### **Consent Agenda (State Board)**

1. Approval of the State Minutes from the April 24, 2025, Board Meeting
2. Report on the projects, amounts and sources of funds collected by year, amounts expended and current status of the Legislative Enactment Implementation Arrangements (LEIAs) pursuant to N.C.G.S. § 135-7(h)(5) and N.C.G.S. § 128-29(g)(5)
3. Acceptance of Aspire Trade High School Notice of Application Withdrawal

With no objections from the Board, the consent agenda was adopted.

## **Legislative Update**

The Chair recognized Amy Auth, Deputy Treasurer of External Affairs, Colin Russell, Legislative Liaison, and Taylor Matyi, Policy Development Analyst, to provide legislative updates. Ms. Auth reported that in late May, the North Carolina House of Representatives passed a draft budget to fund the retirement systems and modernize the Orbit system. Ms. Auth hoped the final budget would pass by the new fiscal year, but it became clear the budget would not be passed due to numerous issues unrelated to the retirement systems. Ms. Auth also reported the once the legislature returned from a short break, they passed a stop-gap spending measure to fully fund the retirement system for one (1) full year and took care of required needs concerning the State Health Plan.

Ms. Auth introduced Taylor Matyi to provide additional updates. Mr. Matyi began by discussing some of the bills in the legislature that concern the retirement systems. Mr. Matyi discussed an appointments bill, which reappointed Board members, and a technical corrections bill, which made conforming changes to certain retirement related statutes. Mr. Matyi further noted bills regarding Hurricane Helene relief, Law Enforcement Officer payments and superior court judges being eligible to continue serving until the end of the calendar year when they turn age seventy-two (72).

Mr. Matyi introduced Colin Russell to provide updates on agency bills from the last legislative session. Mr. Russell noted that all three (3) bills became law with a strong roster of bill sponsors with unanimous or almost unanimous support on the bills. He also pointed out that House Bill 506, an act to enact the 2025 State Investment Modernization Act, was signed into law on June 13, 2025. This bill transfers the authority to manage investments and carry out other statutory duties from the Treasurer to the newly created North Carolina Investment Authority (NCIA).

## **Update on the Investment Advisory Committee (IAC) Meetings**

The Chair recognized Lentz Brewer to provide an update on the most recent IAC meeting of May 28, 2025. Mr. Brewer reported that the IAC discussed the drafting and passing of the 2025 State Investment Modernization Act. Mr. Brewer also discussed investment performance through the second quarter 2025. He noted the weighting asset classes relative to the strategic asset allocation, and also noted that more than \$4 billion has been deployed from cash to other investments during 2025 to date.

## **Investment Update**

The Chair recognized Kevin SigRist, Chief Investment Officer, to provide an update of calendar year to date performance through June 30, 2025. Mr. SigRist commented that after the April volatility in the markets from the initial tariff announcements, the portfolio has bounced back significantly through the end of June. Mr. SigRist stated that the portfolio remains highly diverse even throughout the highly volatile markets, and positive returns were posted by most of the asset classes over the last year. Mr. SigRist also noted that the team is working on the asset liability study. This work will lead to discussions on return assumptions and asset allocation in the coming years.

## **Executive Director Update**

The Chair recognized Sam Watts, Executive Director of the Retirement Systems Division (RSD), for a retirement related update. Mr. Watts reported that the National Association of Governmental Defined Contribution Administrators recognized RSD for National Retirement Security Month Communications. This effort was led by Christy Farrelly, Communications Director, and the award recognized RSD for bright ideas and innovative solutions. Mr. Watts noted a 50% increase in group attendance, a 31% increase in actionable click-throughs on our social media sites, and a 30% increase in social media engagements.

Mr. Watts also recognized the reappointments of Board Members Lentz Brewer and Pat Thornburg.

### **Policy, Planning and Compliance Update**

The Chair recognized Patrick Kinlaw, Director of Policy, Planning & Compliance for a compliance update. Mr. Kinlaw discussed the consent agenda that was adopted, noting that the Board has adopted the legislative enactment implementation (LEIAs) report, and confirmed the report will be provided to the Fiscal Research Division at the General Assembly as well the Joint Legislative Commission on Government Operations.

Mr. Kinlaw also noted that as part of the consent agenda, TSERS has accepted a letter from Aspire Trade High School which notifies the Board that the school is withdrawing its participation in TSERS effective as of July 31, 2025. Aspire Trade was in TSERS on a provisional basis and had applied for permanent participation status before withdrawing that application. Aspire Trade will not be subject to a withdrawal liability because they withdrew from provisional rather than permanent status. Aspire Trade will be eligible to join TSERS in five (5) years if they wish to re-apply.

Mr. Kinlaw noted that staff has neither approved nor denied any requests for alternative repayments of overpayments in the past quarter. He then discussed the likely timing of Board actions in the next few meetings as the Board will be considering actuarial valuation reports, an actuarial experience study, and funding policy updates.

Mr. Kinlaw next discussed the Compliance team's work on detecting fraud, waste and abuse. He noted that RSD is exploring possible improvements to technology in this area. He stated that it is important to be proactive because there have been continued attempts to defraud our members in the past few years.

### **Member Services, Payroll & Operations Update**

The Chair recognized Tonya Bass, Director of Member Services, for an update on Member Services metrics. Ms. Bass began by noting from April to June staff conducted over 87 counseling sessions, responded to approximately 1,000 chat inquiries, assisted over 970 visitors at the front desk, and conducted at least 15 webinars. Ms. Bass also noted that Member Services transitioned out of the extremely busy season going into April, and the volume of correspondence and e-mails has decreased by 27% compared from earlier in the year. Additionally, Ms. Bass reported that Member Services continues to provide a high level of service and adjust workflow to meet the needs of members, including answering chat from members as quickly as possible.

The Chair recognized Courtney Carter, Director of Payroll Services, for an update regarding payroll services. Ms. Carter stated that the payroll services group includes outgoing payrolls for the retirees as well as employer reporting. Ms. Carter noted that a large project has been in process the last several years to improve the reporting system, including a request for employers to follow our guidelines more closely. Ms. Carter reported a fifty percent (50%) increase in call volume following the rollout of an initiative at the end of April. She also noted that there were about 375,000 payees for the month of July with a majority paid by direct deposit and 1.7% paid by paper checks.

The Chair recognized Ron Chisolm, Director of Benefits, for an update on operations. Mr. Chisolm began by providing an update on the new document management system which was discussed at the April 2025 board meeting. He reported that a vendor was secured to replace our current document management system, and good progress has been made to complete this project. The training and testing on the new solution will begin in late

August and roll out is anticipated in January 2026. Mr. Chisolm also discussed retirement application processing, death notifications refunds, and disability benefits. He noted that RSD received 3,600 retirement applications in July with a slight increase in processing time.

### **Plan Design: Discussion on Member Contributions**

The Chair recognized Patrick Kinlaw for a discussion regarding member contribution rates. Mr. Kinlaw noted that the purpose of the presentation was not to recommend any changes, but to help the Board understand some of the many issues that are connected to the member contribution rate. He discussed history of the present member contribution rate of 6% of compensation for the State and Local systems, the prevalence of different member contribution rates in other major U.S. public retirement systems, the role of Social Security coverage in establishing a member contribution rate, the role of employer pick-up provisions, the fact that changes to member contribution rates have been challenged through litigation in other states, and the ways in which member contribution rates can be interdependent with employer contribution rates and employer budgeting.

### **Line of Duty Death Benefit Funding Report**

The Chair recognized Taylor Matyi for an update on the line-of-duty death benefit funding. Mr. Matyi reported that on June 13, 2025, Governor Stein signed House Bill 477 which is also known as the Retirement Death Benefits Rewrite (Session Law 2025-11). He confirmed that as of July 1, 2025, the TSERS Board may deposit a percentage of the State's employer contribution rate established for the benefits provided under G.S. 135-165 into a separate fund for payment of death benefits awarded by the Industrial Commission under the Public Safety Employees' Death Benefits Act. All funds deposited into the separate fund will only be used for payment of benefits if all other State funds appropriated to the Department for the fiscal year have been exhausted. Any unspent funds remaining in the separate fund as of June 30 of the same fiscal year shall be transferred to the death benefit fund for State employees.

Oliver Holley made a motion to accept staff's recommendation that the Board deposit 0.04% of compensation into a separate fund for fiscal year 2025-26 for payment of line-of-duty death benefits. Margaret Reader seconded the motion, and the motion passed by a unanimous vote.

### **Determination Regarding Supplemental Insurance Rebates – N.C.G.S. Sec. 143C-4-10(c)(3)c**

The Chair recognized Sam Watts to review the annual report on the Supplemental Insurance Rebates. Mr. Watts reported that RSD will receive a rebate from United Health Care in the amount of \$379,110.67 for the dental and vision plans. Mr. Watts noted that the TSERS board may determine that rebates received by DST from supplemental voluntary insurance benefits are not needed to pay for the future administrative costs of those benefits. If the Board makes that determination, the Treasurer may direct the funds to be transferred into the Unfunded Liability Solvency Reserve (ULSR).

Oliver Holley made a motion for the determination that \$200,000 of the funds received as result of the rebate are needed to pay future administrative costs of the supplemental voluntary insurance benefits and the remainder of the \$379,110.67 may be transferred to ULSR. Margaret Reader seconded the motion, and the motion passed by a unanimous vote.

### **Report from the Advisory Panel of the Firefighters' & Rescue Squad Workers' Pension Fund on the Status and Needs of the Plan**

The Chair recognized Sam Watts and Lisamarie Atkinson, Specialty Plans Supervisor, to present the report of the Advisory Panel of the Firefighters' and Rescue Squad Workers' Pension Fund ("the Plan") regarding the status and needs of the Plan. The presentation was directed to the Board of the Local Governmental Employees' Retirement System. However, one of the policy recommendations in the report was that the Plan's Advisory Panel requested that both Boards direct staff to provide an inventory of the benefits for first responders.

Jeffrey Winstead made a motion to direct RSD staff to prepare a first responder benefits inventory. Oliver Holley seconded the motion, and the motion passed by a unanimous vote.

### **Contribution-Based Benefits Cap (CBBC) Report**

The Chair recognized Patrick Kinlaw and Taylor Matyi to present an update on the Contribution-Based Benefit Cap ("CBBC") Report. Mr. Kinlaw began by providing background on the history of the CBBC, including the initial legislation, cap factor history, legislation affecting various CBBC provisions, and invoicing. Mr. Matyi discussed current practices regarding CBBC including monthly employee lists, staff-supported estimates, the new employer self-estimate option, and payment collection. He concluded the presentation by discussing items on the horizon, including the upcoming cap factor review to be conducted as part of the actuarial experience study, and the different operation of the CBBC that will apply to retiring employees who joined the Retirement Systems on or after January 1, 2015.

### **LEIA Determinations**

The Chair recognized Patrick Kinlaw to review the Legislative Enactment Implementation Arrangement ("LEIA") and its eligible purposes. Mr. Kinlaw noted that the TSERS or LGERS boards may direct employer contributions toward the LEIA for administrative or information technology uses when necessary to prevent an interruption to the normal operation of the Retirement Systems. He then discussed two such potential purposes.

The first pertains to the continued attempts of "bad actors" trying to defraud RSD or its members. One common tactic is impersonation of a member to gain access to their account information or initiate a transaction. Since it is important to continue offering our members online access to their account, our staff must take actions to protect our members as much as possible from the financial implications of identity theft or fraud. Mr. Kinlaw stated that staff feels it is necessary to move to newer technologies to secure our members' accounts. With funding secured, RSD would contract with a service provider that would protect members' self-service accounts. RSD estimates the implementation costs of this first item to be no greater than \$1.6 million, after which a different funding source would be needed for recurring costs.

The second pertains to the continued transition of Orbit resources to cloud-based storage and computing. The software used to manage the onsite resources is no longer generally supported, and RSD currently has technical support only because of a special agreement. The transition to the cloud will allow for continued technical support in the future. RSD estimates the implementation costs of this second item to be no greater than \$1.3 million.

Mr. Kinlaw stated that if the Boards deem the proposals to be eligible as LEIA expenditures, RSD will implement the deposit of 0.01% out of the employer contribution rates into the LEIA funds during the fiscal year to support the expenditures. Additionally, amounts directed to the LEIAs and spending during the fiscal year ending on July 30, 2026, will be reported to the Boards in July 2026.

John Ebbinghausen made a motion to accept the staff's recommendation to approve LEIA funding for purposes of obtaining an improved user credentialing service, and the transition of data to cloud-based storage. Margaret Reader seconded the motion, and the motion passed by a unanimous vote.

### **Public Comments**

The Chair recognized Suzanne Beasley with the State Employees Association of North Carolina. Ms. Beasley expressed her appreciation for the member contributions rates presentation and noted that such rates should not be increased.

### **Board of Trustees Comments**

Oliver Holley reminded everyone that back-to-school season was here, and to be aware of changes in transportation patterns and look out for school buses. He also took a moment to recognize the recent passing of Dr. Austin Obasohan, Superintendent of Duplin County Schools, and express condolences to Dr. Obasohan's family.

### **Adjournment**

There being no further business before the Board, Vernon Gannon moved to move into executive (closed) session and adjourn the meeting pending the conclusion of the executive session. Kristen Bierline seconded the motion, and the motion passed by unanimous vote. The meeting was adjourned at 12:12 p.m. pending the conclusion of the executive session.

The executive session was concluded at 12:55 p.m. and the regular quarterly meeting was adjourned.