



MINUTES

BOARD OF TRUSTEES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

The regular quarterly meeting of the Board of Trustees was called to order 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, Janet Devane-Blount (designee for Mo Green-via telephone), Benjamin Bobzien, Lentz Brewer (via telephone), Crystal Certain (via telephone), Homer Dearmin, Vernon Gammon, Avril Pinder, Shinica Thomas, Pat Thornburg, and Wilson Weaver.

Members Absent

Jeffrey Morse, Nancy Vaughan.

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 (Local Board)

1. Approval of the Local 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 LEIAs pursuant to N.C.G.S. Sec. 135-7(h)(5) and N.C.G.S. Sec. 128-29(g)(5)

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 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.

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.

Mr. Watts discussed two policy recommendations in the report. The first is that the Advisory Panel requested that both Boards direct staff to provide an inventory of the benefits for first responders. The second is that the benefits provided by the Plan be enhanced to have a tiered structure like that of the North Carolina National Guard Pension Fund. Ms. Atkinson discussed several other items in the status and needs report, which were not public policy recommendations.

Benjamin Bobzien made a motion to acknowledge the Advisory Panel's report and direct RSD staff to prepare a first responder benefits inventory. Pat Thornburg 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.

Vernon Gammon 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. Wilson Weaver 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

There were no Board comments.

Adjournment

There being no further business before the Board, Homer Dearmin moved to adjourn the meeting. Wilson Weaver seconded the motion, and the motion passed by unanimous vote. The meeting was adjourned at 12:12 p.m.