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 9:06 a.m., July 30, 2026, 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 Bradford Briner, Janet Blount (designee for Mo Green) (via telephone), Lentz Brewer (via telephone), John Ebbighausen (via telephone), Staci Meyer (via telephone), Margaret Reader (via telephone), Pat Thornburg, and Jeffrey Winstead.

Members Absent
Oliver Holley and Joshua Smith.

Guests in Attendance in Person or via Telephone
Christopher Doll with CEM Benchmarking, Natalia Isenberg with the North Carolina Department of Justice, and Frank Karpinski with Linea Solutions.

Department of State Treasurer Staff Present in Person or Via Telephone
Sam Watts, Amy Auth, Tonya Bass, Ron Chisolm, Courtney Carter, Deborah Forry (via telephone), Jeff Hancock (via telephone), Patrick Kinlaw, Taylor Matyi, Timothy Melton, Eric Naisbitt, Lisa Norris, Jeff Poley, Anne Roof, Colin Russell, and Kevin SigRist.

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 of the April 30, 2026, 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)
3. Line of Duty Death Benefit Funding Report
4. Disability Programs – New Medical Board Appointment – Dr. Holly W. Lee
5. Determination Regarding Supplemental Insurance Rebates

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 summarized the 2026 legislative short session, including enactment of the state budget, Session Law 2026-41 (Senate Bill 257), and the Department of State Treasurer's omnibus agency bill, Session Law 2026-50 (House Bill 1126), both of which were signed into law July 7, 2026.

Colin Russell reviewed key budget provisions, which include updated employer contribution rates for the retirement systems and related benefits; a one-time 2.5% supplement for eligible TSERS, Judicial, and Legislative retirees, payable as close as practicable to October 15, 2026, to payees of record on or before September 1; and increases taking effect January 1, 2027 for the monthly benefits under the National Guard Pension Fund and the Firefighters' and Rescue Squad Workers' Pension Fund.

Taylor Matyi next presented House Bill 1126 provisions affecting the retirement systems, including restoration of employer-paid military service when a member repurchases withdrawn service, authority to establish electronic reporting rules for the Firefighters' and Rescue Squad Workers' Pension Fund, and changes to the treatment of contributory death benefits in overpayment recovery.

Investment Updates
The Chair recognized Kevin SigRist to provide an update on the North Carolina Investment Authority and portfolio performance. Mr. SigRist described continued portfolio rebalancing during 2025 and 2026, including significant reallocations from public equities to other asset classes. Mr. SigRist also discussed market and geopolitical conditions.

Executive Director Update
The Chair recognized Sam Watts, Executive Director of the Retirement Systems Division, for an update. Mr. Watts reported on budget and operational matters. Mr. Watts described legislative changes to Board composition, appointment authority, and per diem amounts. He also discussed supplemental insurance rebates, the planned procurement of brokerage services, new flexibility for technology procurement, and the need to prepare for future modernization of the approximately 21-year-old ORBIT pension administration system.

Mr. Watts presented staff recommendations that the Board take the following actions pursuant to its authority under Section 1.7 of Session Law 2026-50: (1) authorize the State Treasurer to establish and implement compensation plans, including salaries and performance-related bonuses, for employees who possess specialized skills or knowledge necessary for the proper administration of the Retirement Systems; (2) determine that maintaining appropriate alignment between RSD positions and the duties, responsibilities, organizational needs, and specialized expertise required to administer the Retirement Systems is advisable; (3) authorize the State Treasurer to take position-management actions, including classifying or reclassifying existing RSD positions, implementing differentiated roles, and making related salary adjustments, as the State Treasurer determines appropriate; (4) authorize the State Treasurer to fund and implement these actions using recurring Retirement System administrative receipts, including obtaining any necessary adjustments to budgeted requirements and corresponding receipts; (5) require the State Treasurer to provide the Boards, at least annually, with an update on the implementation and use of the authority under the items described in (1) through (4); (6) determine that one additional position to perform retirement compliance functions, six additional member counseling positions, and

one additional document imaging position are advisable to carry out the terms and conditions of the Retirement Systems; and (7) authorize the State Treasurer to take all actions necessary to establish and fill the positions described in (6), including obtaining any necessary adjustments to budgeted requirements and corresponding receipts. John Ebbighausen made a motion to approve all the recommended actions concerning additional positions, compensation plans, and position-management authority. Jeffrey Winstead seconded the motion, and the motion passed by a unanimous vote.

Policy, Planning and Compliance Update

The Chair recognized Patrick Kinlaw, Director of Policy, Planning & Compliance, for a compliance update. Mr. Kinlaw reported that no overpayments caused entirely by Retirement Systems Division errors were identified during the quarter. He reviewed the annual reports on the Legislative Enactment Implementation Arrangement (LEIAs), which establish separate funds for eligible technology improvements and implementation of legislative changes. Mr. Kinlaw also discussed policy and compliance work involving employer reporting and the Firefighters' and Rescue Squad Workers' Pension Fund.

Member Services, Payroll & Operations Update

The Chair recognized Tonya Bass, Director of Member Services, for an update on member services. Ms. Bass reported that from April through June, staff conducted 83 counseling sessions, held 16 webinars with more than 2,061 attendees, presented at nine retirement conferences with approximately 2,000 attendees, responded to 405 chats, and assisted 947 visitors at the front desk. Ms. Bass also stated that as tax-season and document backlogs declined, correspondence decreased 12%, email volume decreased 14%, and call volume decreased 16%; average speed of answer and call abandonment also improved. Ms. Bass described continued pressure concerning staffing levels and changing call volume. Mr. Watts added that ORBIT self-service was set to deliver email by default when a member has an email address, and staff were contacting members on paper delivery in batches to offer the option to change their preference.

Courtney Carter, Director of Payroll Services, began her update regarding payroll services. Ms. Carter reported that employer contribution rates were updated in the system for July reporting and communicated to employers. She encouraged employers changing payroll vendors to contact the Division early so staff can assist with file requirements and implementation. Ms. Carter also reported that the one-time retiree supplement was scheduled for the October 2026 payroll, with certain complex cases to be paid separately. More than 383,000 members were paid in July, and printed checks remained a small share of payments. Ms. Carter also emphasized the need to keep beneficiary designations current.

Ron Chisolm, Director of Benefits, reported that the Division had obtained one year of additional specialized support from Hyland to improve the OnBase document-management system. Mr. Chisolm described seasonal increases in retirement applications, a 99.8% paid-on-time rate for the quarter, and continued work across retirement, death-benefit, disability, and refund processing.

SCRSP for N.C. National Guard Pension Fund

The Chair recognized Patrick Kinlaw, Director of Policy, Planning and Compliance, to present the draft State Contribution Rate Stabilization Policy (SCRSP) for the North Carolina National Guard Pension Fund (NCNGPF). Mr. Kinlaw stated that if this policy is adopted by the Board, it will be effective through the fiscal year ending June 30, 2032 and the Board may vote to extend it for any period of time.

John Ebbighausen made a motion to approve the staff recommendation on the SCRSP for the N.C. National Guard Pension Fund. Staci Meyer seconded the motion, and the motion passed by a unanimous vote.

Fiduciary Responsibility for Technology Updates
The Chair recognized Frank Karpinski, the former director of the Rhode Island retirement system and a technology consultant, for a presentation on Board oversight of pension-system modernization. The discussion included the topics of cybersecurity oversight, artificial-intelligence guidance, risk dashboards, cross-training, and the distinction between Board governance and management responsibilities.

CEM Benchmarking Report
The Chair recognized Christopher Doll of CEM Benchmarking for a presentation on pension administration cost and service benchmarking results for the period ending June 2025. The reported service score was 75, seven points below the peer median, while cost was $33 per active member and annuitant, compared with a peer average of $130. The plan ranked as the second lowest-cost plan in the large U.S. public-plan universe. The presentation identified strengths in digital use by inactive members and annuitants, online retirement applications, and processing of disability decisions; opportunities included contact-center capabilities, member counseling, proactive retirement communications, and uninterrupted pension inceptions.

Public Comments
There were no public comments.

Board of Trustees Comments
There were no Board comments.

Adjournment
There being no further business before the Board, Jeffrey Winstead moved that the Board go into closed session for purposes of approving the minutes of the July 31, 2025 executive session and to consult with legal counsel pursuant to G.S. 143-318.11(a)(3), and to adjourn the meeting pending the conclusion of the closed session. Pat Thornburg seconded the motion, and the motion passed by unanimous vote. The meeting was adjourned at 1:10 p.m. pending the conclusion of the closed session. The closed session ended at 2:00 p.m.