North Carolina
Retirement Systems

MINUTES

BOARD OF TRUSTEES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

The regularly quarterly meeting of the Board of Trustees was called to order at 9:00 a.m., April 24, 2025, by the Chair, State Treasurer Brad 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 Blount (designee for Mo Green) (via telephone), Benjamin Bobzien, Lentz Brewer (via telephone), Crystal Certain (via telephone), Homer Dearmin, Vernon Gammon, Pat Hurley, Jeffrey Morse (via telephone), Nancy Vaughan (via telephone), Shinica Thomas, and Wilson Weaver.

Members Absent
Avril Pinder.

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 Chisholm, 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, Jeff Poley and Sam Watts.

Introduction of Appointments and Reappointments of Members of the Board of Trustees of the Local Governmental Employees' Retirement System
The Chair recognized the appointment of Shinica Thomas to the Local Governmental Employees' Retirement System and acknowledged the re-appointment of Vernon Gammon to the Teachers' and State Employees' Retirement System Board of Trustees and the Local Governmental Employees' Retirement System.

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 January 30, 2025 Board Meeting
2. Acknowledgment of Receipt – Pierce Insurance Report
3. Inactive Employers Report

With no objections from the Board, the consent agenda was adopted. It was noted that the minutes from the January meeting would be corrected to reflect that certain members were present in person rather than via telephone.

Policy and Compliance Update

The Chair recognized Patrick Kinlaw, Director of Policy, Planning & Compliance. Mr. Kinlaw briefly explained that the Inactive Employers Report referenced in the consent agenda is an annual report required by statute and it identifies employers that have gone at least six (6) months without reporting any qualifying employees. Mr. Kinlaw noted there were no employers fitting that category this year.

Mr. Kinlaw provided a short overview of the first three Appendix items, which included an Actuarial Review by GRS, the Wisconsin Pension Plan Comparative Study, and the First Responders Retirement Parity Act. Mr. Kinlaw noted that the GRS report showed the relevant allocation methodology was reasonable and complied with accounting standards. Mr. Kinlaw remarked that the First Responders Retirement Parity Act, which is a bill recently introduced in Congress, deals with whether nonprofit 501(c) fire and rescue department employees can participate in a local government retirement system. Mr. Kinlaw pointed out that the Wisconsin comparative study consists of data from 87 public employee retirement systems, including TSERS and LGERS.

Mr. Kinlaw provided an update on a recent federal judicial decision, namely Talley v. Folwell. Mr. Kinlaw noted that the United States Court of Appeals for the Fourth Circuit issued a unanimous published opinion on April 4, 2025, which affirmed dismissal of the constitutional claims against the relevant TSERS Board members.

Mr. Kinlaw concluded with a brief discussion regarding the Contribution-Based Benefit Cap (CBBC) provision. He noted that that CBBC legislation has been in existence for over 10 years and mentioned that the Retirement Systems Division is working on CBBC liability estimation guidance for employers.

Member Services, and Payroll & Operations Update

The Chair recognized Tonya Bass, Director of Member Services, for a presentation on the metrics for Member Services. Ms. Bass began by noting from January to March staff conducted over 106 counseling sessions, assisted over 848 visitors at the front desk, and from fiscal year to date conducted over 63 webinars with over 15,000 attendees. Ms. Bass stated that staff also received over 9,800 e-mails and discussed increased utilization of the

online chat feature. Ms. Bass noted there were abnormally high call volumes for the first quarter. Although Member Services normally has an increase in call volume from January through the end of the regular tax season, she pointed out an increase of member requests for copies of their 1099R's and assistance with the self-service ORBIT portal.

The Chair recognized Ron Chisholm, Director of Benefits, for an update on the Division's operations. Mr. Chisholm began by providing a brief background on the Benefits Section. Mr. Chisholm further discussed retirement application processing, death notifications refunds, and disability benefits.

Mr. Chisholm stated that the processing team achieved a paid on time percentage of 99.8 for members that submitted their applications within 60 days in advance of their effective retirement date. Mr. Chisholm noted that the Division is expecting an increase in applications prior to the month of July, which is a high retirement month for teachers to retire. Mr. Chisholm also discussed staff vacancies and cross training of staff to assist in other areas as needed.

The Chair recognized Sam Watts, Director of the Retirement Systems Division, for a presentation on the Payroll Services metrics. Mr. Watts noted that the retirement systems payroll is the second or third largest in the state, and payments total at least a half billion per month. Mr. Watts reported that the employer reporting system is being updated and employers have been informed that this change is coming. Mr. Watts further noted that the retirement systems had 372,000 payees in March, which is a 2% increase, and 1.7% of payees receive printed checks. Mr. Watts also commented that the team is handling an increase in tax questions which is normal during this time of year.

Update on the Investment Advisory Committee (IAC) Meetings

The Chair recognized Lentz Brewer to provide an update on the IAC meetings. Mr. Brewer stated that the Investment Advisory Committee (IAC) last met on February 26, 2025. Mr. Brewer stated as of end of 2024, the total assets of the Retirement System was $126.5 billion which was a decrease 1.6 billion from the second quarter of 2024. He noted that staff presented asset class reviews. Mr. Brewer further noted that the one-year performance declined to 7.43% versus the benchmark of 7.45%. Regarding asset allocation, he reported that growth assets remained underweight at 54% versus a target of 55%.

Investment Update

The Chair recognized Kevin SigRist, DST's Chief Investment Officer, to provide an update of calendar year to date performance through April 23, 2025. Mr. SigRist discussed the initiatives for 2025, which include rebalancing, governance, and the 2025 State Investment Modernization Act. Mr. SigRist reported that the North Carolina Retirement Systems (NCRS) is at 125 billion in the combined retirement systems portfolio and down from the year end of 126.5 billion. He noted that NCRS equities and stocks are down about 4%, and the bonds plus their cash investments are up about 1.2%.

Legislative Updates

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 provided an update on the 2025 long session and described the current elected positions in the legislature. Ms. Auth noted that the Senate passed its budget proposal fully funding the pension plan and helping with critical infrastructure needs of the Department. Ms. Auth explained that the House of Representatives may pass budget proposal by the end of May. Ms. Auth stated that the Legislature will typically take the two different versions of the budget and work on reconciling the differences to come up with a final recommendation for the Governor's consideration. Ms. Auth noted that the crossover deadline is May 8, 2025.

Mr. Russell explained the status of the 2025 State Investment Modernization Act. He explained that House Bill 506 passed through the Pensions Committee and will be heard in the House Rules Committee on April 28, 2025.

Mr. Matyi provided an update on the DST Corrections and Administrative Changes Act. Mr. Matyi briefly explained two provisions of the Act pertaining to charter schools and felony forfeiture and noted it included some technical corrections. Mr. Matyi provided an update on the Retirement Death Benefits Rewrite bill. Mr. Matyi also discussed legislation regarding the Survivor's Alternate Benefit and the line of duty death benefit.

Local Government Loan Program Update

The Chair introduced Jeff Poley, Interim Director, State & Local Government Finance Division, to provide a loan program update. Mr. Poley noted that the mission was to get 100 million dollars to the western part of the state following Hurricane Helene. Mr. Poley stated that the program began in January and the first check was sent out on February 24, 2025. Mr. Poley reported that staff have not heard responses from all the municipalities regarding acceptance of proposed loans. However, he noted that most of the units have responded, and the program has committed at least 92 million of the allocation. The program has instructed the non-responsive units to provide their answer by April 30, 2025.

Employer Contribution Rates Update

The Chair introduced Patrick Kinlaw for a presentation on LGERS employer contribution rates to be effective July 1, 2025. Mr. Kinlaw commented that the LGERS Board typically sets the employer contribution rates in January of each year. However, he explained that the Board has not yet established the rates to be effective in July of this year because some Board members wished to ensure that the Hurricane Helene recovery loan program for local governments was operational before establishing the rates.

Mr. Kinlaw stated that this meeting is the last opportunity for the Board to establish employer contributions rates to be effective July 1, 2025. Mr. Kinlaw noted that the staff recommendation is to establish rates pursuant to the Board's Employer Contribution Rate Stabilization Policy (ECRSP). Mr. Kinlaw further noted there are approximately 900 employing entities that participate in LGERS and they are required to make the employer contributions established by the Board. Mr. Kinlaw also pointed out that LGERS has an

unfunded actuarial accrued liability of $5 billion as of December 31, 2023, which was the last time it was measured by the actuaries.

Mr. Kinlaw reported that the actuaries most recent projections show the actuarially determined rates will continue to increase through the end of fiscal year 2029, reaching levels of 19.06% for law enforcement officers and 16.74% for non-law enforcement officers.

Homer Dearmin made a motion to establish the employer contribution rates toward retirement benefits, to be effective as of July 1, 2025, as 14.35% of compensation for non-law enforcement officers, and 16.10% of compensation to law enforcement officers. Vernon Gammon seconded the motion, and motion passed with a majority vote. Mayor Nancy Vaughan voted no because she was unable to review the local budget impact.

Application of Qualified Political Subdivision of the State to Become a Participating Employer with the Local Governmental Employees' Retirement System

The Chair recognized Taylor Matyi to present the application of Thomasville Tourism Commission ("TTC") to become a participating LGERS employer. Mr. Matyi noted that the Attorney's General Office confirmed that TTC is eligible to join to local system and that TTC submitted resolutions committing to payment of the required contributions. Mr. Matyi stated that TTC obtained the surety bond, which has been placed into an escrow account, and staff has concluded that TTC's financial reports show an ability to make the required contributions for LGERS participation. Mr. Matyi further noted that TTC has two (2) employees that would be eligible to join LGERS effective July 1, 2025, if approved by the Board.

Homer Dearmin made a motion to accept the application of Thomasville Tourism Commission. Vernon Gammon seconded the motion, and the motion passed by a unanimous vote.

New Firefighters' and Rescue Squad Workers' Advisory Panel Appointment Recommendation

The Chair recognized Sam Watts for the Advisory Panel's report on the needs of the FRSWPF. Wilson Weaver made a motion to accept staff recommendation to appoint David Cates as the representative of the public at large, and the reappointments of Dean Coward, Gary Whitman, and Debra Poe to the Advisory Panel. Benjamin Bobzien seconded the motion, and the motion passed unanimously.

Update on Legislative Enactment Implementation Arrangement (LEIA) Authorization

The Chair recognized Patrick Kinlaw for a presentation on LEIA authorization. Mr. Kinlaw explained that in July 2024, the State and Local Boards determined that implementation of the Retirement Systems' new Imaging and Document Management System (IDMS) was a LEIA-eligible administrative purpose. Mr. Kinlaw noted that the relevant statutes authorize use of LEIA finds for administrative purposes if it is necessary to prevent an interruption to the normal operation of the retirement systems. Mr. Kinlaw explained that the expected cost previously communicated to the Boards was up to one million dollars, but additional costs associated with DST employee and independent contractor time had not been considered.

When those costs were included, the estimate cost rose to 1.2 million dollars. Mr. Kinlaw noted that staff recommends the State and Local Boards determine that these identifiable DST employee and independent contractor costs are part of the purpose of implementing the IDMS and that the use the LEIA funds are not expected to exceed 1.2 million dollars.

Jeffrey Winstead made a motion to approve staff recommendations. Staci Meyer seconded the motion, and the motion passed by a unanimous vote.

Annual Report on Supplemental Retiree Insurance
The Chair recognized Sam Watts to present the annual report on Supplemental Retiree Insurance. Mr. Watts noted the current benefits offered for retirees to enroll on a voluntary basis are dental and vision provided through UnitedHealthcare, and identity theft through LifeLock. Mr. Watts explained that the Retirement Systems Division partners with Pierce Insurance Agency, who serves as the exclusive broker and administrator for the program.

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, Benjamin Bobzien moved to adjourn the meeting. Homer Dearmin seconded the motion, and the motion passed by a unanimous vote. The meeting was adjourned at 12:26 p.m.

CHAIR

SECRETARY

7/31/2025
DATE