North Carolina
Retirement Systems

# MINUTES

## BOARD OF TRUSTEES OF THE TEACHERS' AND STATE 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, Lentz Brewer (via telephone), Janet Blount (designee for Mo Green) (via telephone), John Ebbighausen, Vernon Gammon, Pat Hurley, Staci Meyer, Margaret Reader, Joshua Smith (via telephone), and Jeffrey Winstead.

**Members Absent**
Oliver Holley.

**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 of Members of the Board of Trustees of the Teachers' and State Employees' Retirement System**
The Chair recognized the re-appointment of and Vernon Gammon to the Teachers' and State Employees' Retirement System Board of Trustees, and the Local Governmental Employees' Retirement System, and thanked Mr. Gammon for his service.

**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 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 paidon 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 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.

**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.

**Charter School Withdrawal Data**
The Chair recognized Taylor Matyi to present the Charter School Withdrawal Report. Mr. Matyi explained that 54 of the 213 active charter schools for the 2024-25 school year participate in TSERS. Mr. Matyi noted that since 2016, nine charter schools have withdrawn

from TSERS with a liability of $14,693,632.00, of which $11,587,983.98 has been paid. Mr. Matyi further noted that three schools make up the remaining balance of $3,105,648.02: Bridges Charter School, Children's Village Academy, and Invest Collegiate Charter (Davidson). Mr. Matyi provided that $422,806.98 of the $1,187,323.00 total withdrawal liability for Bridges Charter School was received through receivership. Mr. Matyi continued by explaining that Children's Village Academy, which closed on July 1, 2024, and Invest Collegiate Charter which closed on July 1, 2023, did not have their charters renewed by the Department of Public Instruction which resulted in the charter schools changing to a business or legal form not eligible for participation an employer in the Retirement System under federal law pursuant to G.S. 135-8(i). Mr. Matyi noted that both schools were informed of the withdrawal liability and the requirement to pay for their liabilities prior to their closure, however, RSD has not received payment.

**Aspire Trade High School**

The Chair recognized Mr. Kinlaw for an update on Aspire Trade High School (ATHS), a charter school seeking TSERS. Mr. Kinlaw explained that ATHS applied through an alternate pathway that allows brand-new charter schools to apply for provisional TSERS participation during their opening year. ATHS joined TSERS effective September 1, 2023, and was automatically granted one year of provisional participation.

In January 2025, staff received ATHS's audited financial report for the fiscal year ending June 30, 2024. Mr. Kinlaw noted that ATHS paid all required retirement contributions on time but received a school performance grade of F from the Department of Public Instruction.

Mr. Kinlaw provided that TSERS considers six indicators to assess the financial soundness of charter schools. Mr. Kinlaw noted that, ATHS met three indicators pertaining to student enrollment, fund balance, and internal control and governance measures. ATHS did not meet the three indicators regarding presence of large loans outstanding to fund operations, debt-to-assets ratio, and cash flow.

With no objections from the Board, the determination whether ATHS is financially sound and can meet the obligations of participating in TSERS was postponed until a later date.

**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, Vernon Gannon moved to move into executive (closed) session and adjourn the meeting pending the conclusion of the executive session. Margaret Reader seconded the motion, and the motion passed by unanimous vote. The meeting was adjourned at 12:26 p.m. pending the conclusion of the executive session.

The executive session was concluded at 1:25 p.m. and the regular quarterly meeting was adjourned.

CHAIR

SECRETARY

7/31/2025
DATE