



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., January 29, 2026, 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), John Ebbighausen, Oliver Holley (via telephone), Staci Meyer, Margaret Reader, Joshua Smith (via telephone), Pat Thornburg, and Jeffrey Winstead.

Members Absent

Lentz Brewer

Guests in Attendance in Person or via Telephone

Natalia Isenberg, North Carolina Department of Justice.

Department of State Treasurer Staff Present in Person or via Telephone

Tonya Bass, Courtney Carter, Ron Chisholm, Patti Hall, Patrick Kinlaw, Taylor Matyi, Timothy Melton, Eric Naisbitt, Kevin SigRist, Sam Watts, Lisa Norris, Christy Farrelly, Anne Roof, Elizabeth Hawley.

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

1. Adopt the State Minutes from the October 30, 2025, Board Meeting
2. Adoption of Resolution of Appreciation for the Service of Vernon Gammon
3. Adoption of Resolution of Appreciation for the Service of Thomas Causey

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

Presentation of Public Pension Coordinating Council Awards

The Chair recognized Sam Watts, Executive Director of the Retirement Systems Division, to present the Public Pension Coordinating Council Awards (PPCC Standards for Administration and Funding Awards) that were awarded to each of the eligible North Carolina Retirement Systems.

Presentation of Resolution of Appreciation – Vernon Gammon

The Chair recognized Sam Watts, Executive Director of the Retirement Systems Division, to present a resolution of appreciation to Vernon Gammon for his years of service on the Board of Trustees of the Teachers' and State



Employees' Retirement System, and the Board of Trustees of the Local Governmental Employees' Retirement System.

Presentation of Resolution of Appreciation – Thomas Causey

The Chair recognized Sam Watts, Executive Director of the Retirement Systems Division, to present a resolution of appreciation to Thomas Causey for his years of service with the North Carolina Retirement Systems.

Policy, Planning & Compliance Update

The Chair recognized Director of Policy, Planning & Compliance, Patrick Kinlaw. Mr. Kinlaw discussed the quarterly update regarding alternative repayments of overpayments, noting that in the last quarter ending December 31, 2025, no alternative repayment requests were approved or denied by Retirement Systems Division staff. Mr. Kinlaw then reviewed the timeline of 2025-2026 actuarial processes and where the current meeting fits into it. He then provided a brief overview of the Appendix items regarding an addendum to the 2025 legislative memo, documentation of the 2026 earnings limitation for retirees returning to work in non-contributing positions, a frequently-asked questions document about cost-of-living adjustments, the October 2025 experience study report from Gallagher for reference later in the meeting, and the 2025 Annual Comprehensive Financial Report (ACFR) for the State.

Member Services, Payroll Services and Operations Update

The Chair recognized Courtney Carter, Director of Payroll Services, for a presentation on payroll metrics. Ms. Carter explained that January is a major month for Payroll Services, noting the rollout of digital 1099s and W-2s for members, with paper versions mailed mid-month. She added that many agencies are transitioning to new payroll software vendors and encouraged them to notify Payroll Services in advance to ensure a smooth process.

Ms. Carter reported that in December 2025, Payroll Services issued monthly payments to approximately 370,000 retirees. She also noted that tax documents were posted online by January 5, 2026, and mailed by January 16, 2026.

The Chair recognized Ron Chisholm, Director of Benefits, for an update on Retirement Systems Division operations. Mr. Chisholm provided a brief background regarding the Benefits Section and reported on retirement applications, death notifications, refunds, and disability benefits.

Mr. Chisholm reported that survivor benefits average processing time was reduced from 39 to 28 days and disability benefits turnaround time improved from 99 to 78 days. He noted that the refunds team continues to exceed its 20-day processing goal. Mr. Chisholm also reported the successful, on-time implementation of the new OnBase document management system on January 12, 2026.

Tonya Bass, Director of Member Services, introduced Alphanumeric, the firm that assessed the counseling center and would be making a presentation later in the meeting. Ms. Bass also announced that the new ID.me system was expected to be launched on February 1, 2026.



Ms. Bass reported that from October through December 2025, staff conducted over 53 counseling sessions, served 670 visitors at the front desk, held over 25 webinars, and responded to more than 900 member chats. Additionally, mail and email correspondence decreased by 22%, and call volume decreased by 27%.

ID.me Demo

The Chair recognized Christy Farrelly, Communications Manager, for a demonstration of the ID.me system. Ms. Farrelly reported that a communications campaign launched in late October 2025 and webpages were created to help members use the verification system. Members with existing ID.me accounts will be able to sign into ORBIT easily, and those creating new ORBIT accounts can follow the website prompts.

Ms. Farrelly noted that automated calls and emails followed in January 2026 to remind members of the upcoming change. She further explained that employers received newsletter updates regarding ID.me and the campaign has been promoted on social media.

Investment Update

The Chair recognized Kevin SigRist, Chief Investment Officer, to provide an update on recent investment activities and performance. Mr. SigRist stated that the North Carolina Investment Authority has been working on investment policy updates as informed by a recent asset-liability study. Mr. SigRist reported that the investment return for calendar year 2025 was estimated to be about 13%, and that rebalancing and deployment of cash during the year had been beneficial to the Retirement Systems.

Alphanumeric – Retirement Systems Division Counseling Center External Review

The Chair recognized Sheryl Johnson and Eric Ness of Alphanumeric to present findings from the assessment of the Retirement Systems Division counseling center. Ms. Johnson explained that the review evaluated organizational structure, staffing, scheduling, leadership, visibility, culture, communication, workflow, and technology. Data was collected over six months through staff interviews, call shadowing, and review of recorded calls.

Ms. Johnson reported that call volume showed no clear link to demand variability or handling time, and while staffing levels meet requirements in theory, absences and adherence gaps create shortfalls in practice. Mr. Ness stated that there should be at least 33 full-time equivalents (FTE) to handle call volume. The number of available staff often falls below 30 FTE because of leave and other absences.

Alphanumeric suggested exploring options such as team-lead phone coverage rotations, implementing centralized FMLA tracking, hiring a workforce manager to oversee scheduling and capacity planning, and adopting an interactive, AI-powered knowledge-base tool to improve workflow.

Executive Director Update

The Chair recognized Sam Watts, Executive Director of the Retirement Systems Division, for an update. Mr. Watts noted that he plans to meet with several large retirement system employers this year to gather feedback and



identify process improvements. He also highlighted that the Division operates the second or third largest payroll in the State, underscoring its importance to North Carolina's economy.

Mr. Watts reported that approximately 17,500 members retired last year, about 321,000 calls were handled by the counseling center, and roughly 32 million documents are now managed by the OnBase system.

Public Comments

The Chair recognized Flint Benson with the State Employees Association of North Carolina. Mr. Benson asked the Board to continue prioritizing the issue of benefit improvements.

Board Discussion Following Public Comments

The Board discussed the topic of benefit improvements. Rep. Pat Thornburg moved to direct staff, when developing the proposed Employer Contribution Rate Stabilization Policy that may take effect July 1, 2027, to include a provision giving the Board discretion to recommend that the investment gains be used to provide COLAs or supplements to retirees, without recommending a simultaneous increase in the employer contribution rate. The Board's discretion would apply only when there are investment gains on the actuarial value of assets as documented by the actuarial valuation report, and would remain limited to the relevant statutory provisions. Oliver Holley seconded the motion, and the motion was approved by unanimous vote.

Adoption of Experience Study

The Chair recognized Michael Ribble and Elizabeth Hoalt from Gallagher for a presentation on the experience study. Mr. Ribble and Ms. Hoalt reminded the Board of the experience study presented at the October 30, 2025 meeting, and reviewed some of the key findings. They reminded the Board that if approved, implementation of the new assumptions and methods would be effective with the December 31, 2025 actuarial valuation, which determines actuarially determined employer contributions (ADECs) effective July 1, 2027.

Jeffrey Winstead moved that the Board adopt the experience study effective for the December 31, 2025 actuarial valuation. Staci Meyer seconded the motion, and the motion was approved by unanimous vote.

Actuarially Determined Employer Contribution (ADEC) Projections

The Chair recognized Michael Ribble and Elizabeth Hoalt from Gallagher for a presentation on the ADEC projections.

Presentations on the 2026 Alternatives for the General Assembly

The Chair recognized Patrick Kinlaw to present the recommendations to the General Assembly for funding and benefits for the fiscal year beginning July 1, 2026.

For the Teachers' and State Employees' Retirement System, Mr. Kinlaw noted that in following the Board's Employer Contribution Rate Stabilization Policy, the Board would recommend the legislature set a contribution rate of 17.49% of compensation for retirement benefits for the fiscal year ending in 2027 and the recurring appropriation from the General Fund would need to increase by \$47.1 million from the amount appropriated for the fiscal year ending in 2026.



For the Consolidated Judicial Retirement System, Mr. Kinlaw stated that based on the actuarial valuation, the Board would recommend the legislature set a contribution rate of 40.68% of compensation for the fiscal year ending in 2027 and the recurring appropriation from the General Fund increase by \$3.1 million from the amount appropriated for the fiscal year ending in 2026.

For the Legislative Retirement System, Mr. Kinlaw noted that based on the actuarial valuation, the Board would recommend the legislature set a contribution rate of 17.87% of compensation for the fiscal year ending in 2027 and the recurring appropriation from the General Fund could decrease by \$14,000 while still meeting the ADEC requirements.

For the Disability Income Plan of North Carolina (DIPNC), Mr. Kinlaw explained that based on the actuarial valuation, the Board would recommend the legislature set a contribution rate of 0.06% of compensation for the fiscal year ending in 2027 and the recurring appropriation from the General Fund could decrease by \$1.5 million and \$0.1 million to the Highway Fund while still meeting the ADEC requirements for the fiscal year ending in 2026.

For the North Carolina National Guard Pension Fund (NCNGPF), Mr. Kinlaw noted that in following the Board's State Contribution Rate Stabilization Policy, the Board would recommend the legislature establish a State contribution of \$1,173,123 for the fiscal year ending in 2027, an increase of \$52,174 in the recurring appropriation.

For the Death Benefit Plans Mr. Kinlaw noted that the actuarial valuations would not require changes to recommended appropriations.

Mr. Kinlaw also described two benefit provision recommendations that the Board might consider. He noted that for DIPNC, the Board could direct staff to increase the base rate of compensation upon which DIPNC benefits are calculated, by an equivalent percentage to the generally applicable salary increase for State employees, no greater than 3.25%, in the event that a permanent across-the-board salary increase for State employees is enacted and effective on or before June 30, 2027. In this situation, staff recommended that the Board direct staff to apply the adjustment prospectively to benefits payable from DIPNC, effective the first day of a calendar month 90 days after enactment of the permanent across-the-board salary increase for State employees. He also noted that for the NCNGPF, the Board could recommend the legislature amend G.S. 127A-40(a) to change \$105 to \$110; \$10.50 to \$11.00; and \$210 to \$220. Mr. Kinlaw stated that neither of these recommendations from the Board would require further changes to the recommended appropriation amounts.

John Ebbighausen made a motion to approve recommendations to the General Assembly as illustrated for the Board, including the increases described for both DIPNC and NCNGPF, with the clarification that the DIPNC increase would apply if the across-the-board salary increase for State employees is enacted and effective on or before June 30, 2027, rather than 2026 as stated on the illustration. Rep. Pat Thornburg seconded the motion and the motion passed by unanimous vote.



North Carolina Retirement Systems

Board of Trustees Comments

Rep. Pat Thornburg expressed her gratitude for a strong pension system, and thanked staff for their efforts.

Oliver Holley thanked both the State and Local Boards for balancing the interests of employers of different sizes with different financial situations.

Adjournment

There being no further business before the Board, Oliver Holley moved to adjourn the meeting. Margaret Reader seconded the motion and the motion passed by unanimous vote of 10-0. The meeting was adjourned at 1:03 p.m.