DRAFT 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., April 30, 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), Lentz Brewer (via telephone), John Ebbighausen, Oliver Holley (via telephone), Staci Meyer (via telephone), Maragaret Reader, Joshua Smith (via telephone), Pat Thornburg, and Jeffrey Winstead.

Members Absent
None

Guests in Attendance in Person or via Telephone
Natalia Isenberg with the North Carolina Department of Justice, Brent Cagle with the Metropolitan Public Transit Authority, and Debra Campbell with the Metropolitan Public Transit Authority.

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, Anne Roof.

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 January 29, 2026, Board Meeting
2. Acknowledgment of Receipt – Pierce Insurance Report
3. Inactive Employers Report

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

Executive Director Update
The Chair recognized Sam Watts, Executive Director of the Retirement Systems Division, for an update. Mr. Watts provided a comprehensive overview of the condition of the North Carolina Retirement Systems, emphasizing the scale, financial condition, operational performance, and long-term strategic direction of

the pension programs. Mr. Watts reported that the combined Retirement Systems currently manage approximately $141 billion in assets and paid approximately $9 billion in retirement benefits during the preceding year to retirees residing throughout North Carolina, almost if not every state in the nation, and numerous foreign countries. The Retirement Systems currently serve approximately 2,800 participating employers, including state agencies, public school systems, universities, community colleges, counties, municipalities, fire departments, and other participating governmental entities.

Mr. Watts discussed the long-term funding position of the Retirement Systems and noted that, after nearly a decade of increasing employer contribution rates associated with lower investment returns and funding adjustments, the Systems appear to be approaching a more stable period. He also explained that recent investment performance and actuarial projections suggest that employer contribution rates may begin to stabilize and eventually decline, although continued disciplined funding and prudent investment management remain essential.

Mr. Watts also described the significant operational scale of the Retirement Systems. During the previous year, Retirement Systems staff conducted hundreds of thousands of direct member interactions through counseling services, processed millions of electronic transactions through the ORBIT system, managed approximately 32 million electronic documents, and continued to administer benefits with one of the lowest administrative costs among comparable public retirement systems. Mr. Watts emphasized that maintaining these service levels while meeting increasing member expectations requires continued modernization of technology and thoughtful investment in staff resources.

During Board discussion, members inquired about projected retirements and staffing needs within the Retirement Systems Division. Mr. Watts estimated that approximately 17,500 members retire annually, while approximately 10,000 beneficiaries leave the rolls each year, resulting in continued net growth in the retiree population. Responding to questions regarding staffing, Mr. Watts explained that the Division continues to evaluate opportunities to improve efficiency through automation and artificial intelligence while recognizing that certain operational areas, including member counseling services, will require additional personnel as workload continues to increase.

Policy, Planning & Compliance Update

The Chair recognized the Director of Policy, Planning & Compliance, Patrick Kinlaw. Mr. Kinlaw began by reporting on the administration of requests for alternative repayment of retirement benefit overpayments resulting solely from administrative error. During the quarter ending March 31, 2026, staff approved one request involving a TSERS overpayment that had accumulated over several years due to administrative error. The overpayment totaled less than $25,000, and staff implemented process improvements designed to prevent recurrence. Mr. Kinlaw reported that there were no denials of requests during the quarter and noted that, since enactment of the alternative repayment provisions more than two years earlier, only five overpayments had qualified for relief, reflecting the rarity of such situations.

Mr. Kinlaw next discussed the annual report on inactive employers, which had been accepted by the Board as part of the consent agenda. He explained that participating employers are required to submit monthly payroll reports for retirement purposes and that employers failing to report qualifying employees for six consecutive months are classified as inactive under statute.

While no TSERS employers met that definition during calendar year 2025, four LGERS employers were identified as inactive. Mr. Kinlaw described the statutory process under which inactive employers may either demonstrate that they expect to resume participation or, if participation is terminated, become subject to withdrawal liability determined under the actuarial valuation.

Mr. Kinlaw also informed the Board that final versions of the recommendations adopted by the Boards during the January 2026 meeting had been incorporated into the official meeting materials. Looking ahead, he reviewed several significant items expected to come before the Boards during the remainder of 2026, including legislative updates, completion of the inventory of public safety employee benefits, review of participation by the newly created Metropolitan Public Transportation Authority, and consideration of updated funding policies for the National Guard Pension Fund and Firefighters' and Rescue Squad Workers' Pension Fund. He concluded by noting that the proposed Employer Contribution Rate Stabilization Policies to be considered later in the meeting represented the culmination of the five-year actuarial experience study cycle and nearly two years of policy development and stakeholder engagement.

Member Services, Payroll Services and Operations Update

The Chair recognized Tonya Bass, Director of Member Services, for a presentation on the metrics for Member Services. Ms. Bass reported that member activity remained exceptionally strong during the first quarter of 2026, reflecting the traditional peak season associated with tax reporting and retirement planning. During the quarter, Member Services conducted thirty-six individual counseling sessions, seventeen educational webinars attended by more than 2,200 members, responded to hundreds of online chat inquiries, and assisted more than 900 visitors in person. As a result of increased workloads, the Division temporarily modified counseling appointment schedules to allow staff additional time to process correspondence, emails, and complex member inquiries while maintaining member access to counseling services. Although average call wait times and call abandonment rates increased during the busiest portion of the quarter, Ms. Bass noted that staff continue actively recruiting and training personnel while implementing operational improvements to improve responsiveness.

Ms. Bass also reported on implementation of the Department's new ID.me identity verification platform, which became operational during the first quarter. Staff monitored member inquiries closely following implementation and found that only a small percentage of users required additional assistance. Most issues were resolved promptly through direct collaboration with ID.me representatives, and the new platform significantly strengthened protection against fraudulent access to member accounts. Director Sam Watts emphasized that implementation of ID.me had substantially reduced attempted fraudulent account activity while providing enhanced protection of members' retirement information. Treasurer Briner added that strengthening identity verification represents an important component of the Department's broader cybersecurity strategy and supports continued expansion of secure online member services.

The Chair next recognized Courtney Carter, Director of Payroll Services, to provide a report on monthly benefit payments and employer reporting activities. Approximately 380,000 monthly benefit payments were processed during April, with fewer than two percent (2%) of retirees continuing to receive paper checks. Ms. Carter also discussed ongoing outreach to participating employers regarding payroll reporting, particularly during transitions to new payroll vendors. Staff continue working proactively with employers and payroll providers to ensure compatibility with ORBIT reporting requirements and minimize reporting delays.

Ron Chisholm, Director of Benefits, then provided an update on retirement operations. Mr. Chisholm reported successful completion of the multi-phase OnBase document management implementation, including migration of approximately 32 million electronic records from the legacy system. Mr. Chisholm reported that retirement processing continued to meet turnaround goals during the quarter despite implementation activities, while the Survivor Benefits Section significantly reduced its backlog of pending cases during the previous year. Mr. Chisholm advised that staff anticipate increased workloads during the coming months but have implemented extended work schedules and operational planning to maintain service levels.

Mr. Chisholm concluded by describing the Retirement Systems Division's measured implementation of artificial intelligence technologies. Staff have begun piloting secure A.I. tools to improve internal efficiency while maintaining strict safeguards protecting confidential member information. Director Watts noted that employees throughout the Division have identified numerous opportunities to automate repetitive administrative functions, allowing staff to devote additional time to member service and complex benefit administration.

Legislative Updates

The Chair recognized Amy Auth, Deputy Treasurer of External Affairs, to provide an update on the 2026 legislative short session. Ms. Auth introduced the Department's External Affairs team and explained that the General Assembly had recently convened for the short session. She noted that, unlike a typical short session, lawmakers entered the session without having adopted a comprehensive biennial budget during 2025, making completion of the State budget the principal focus of legislative activity. Although no comprehensive budget had yet been enacted, Ms. Auth reported that targeted appropriations approved during the previous year had provided significant support for the Department of State Treasurer, including full funding of actuarially determined employer contributions to the Retirement Systems and funding for continued modernization of the ORBIT retirement administration system.

Ms. Auth next reviewed the Department's principal legislative priorities for the 2026 session. These included continued funding of actuarially determined employer contributions for the Teachers' and State Employees' Retirement System, modifications to eligibility requirements for the Survivors' Alternate Benefit, establishment of an information technology reserve fund to support enterprise technology modernization, and continued legislative support for Retirement Systems operations. Ms. Auth advised the Board that Treasurer Briner and Department leadership were actively meeting with legislative leaders to discuss these priorities and to emphasize the importance of maintaining North Carolina's strong pension funding policies.

The Chair next recognized Taylor Matyi, Policy Development Analyst, who summarized retirement-related legislation during the opening days of the short session. Mr. Matyi reviewed companion administrative and technical corrections bills introduced in both the House and Senate on behalf of the Department of State Treasurer. Mr. Matyi explained that the proposed legislation contained numerous technical amendments intended to improve administration of the Retirement Systems while preserving existing policy direction established by the Boards and the General Assembly.

Director Sam Watts confirmed that the Department had formally presented the Boards previously adopted recommendations to the General Assembly and continued to advocate for their consideration during the legislative process. Ms. Auth concluded by advising the Board that retirement-related legislation remains an eligible subject for consideration during the short session and that staff would continue monitoring proposed legislation and providing updates as the legislative process advances.

Investment Update

The Chair recognized Kevin SigRist, Chief Investment Officer for the North Carolina Investment Authority (NCIA), to provide an update on recent investment activities and performance. Mr. SigRist reported on actions taken by the NCIA Board following its February 2026 meeting, during which the Board approved a revised Investment Policy Statement, adopted a new long-term strategic asset allocation, approved an implementation transition plan, and established a market-based compensation framework intended to strengthen recruitment and retention of investment professionals responsible for managing the State's retirement assets.

Mr. SigRist next reviewed the principal changes incorporated into the revised asset allocation. The new strategy modestly increases allocations to real assets, including infrastructure, energy, and other long-duration investments expected to generate stable cash flows and provide protection against inflation over extended investment horizons. Staff emphasized that implementation of the revised allocation would occur gradually over time in an orderly manner to minimize transaction costs and market disruption. Mr. SigRist reported on the recent investment performance, highlighting the twelve-month period ending March 31, 2026, that the combined Retirement Systems generated returns of approximately eleven percent, representing investment gains of roughly $14 billion.

Mr. SigRist also discussed implementation of the revised strategic asset allocation, including expansion of private market investments and continued development of relationships providing access to high-quality private investment opportunities prior to public market offerings. Treasurer Briner observed that the North Carolina Investment Authority has begun obtaining access to investment opportunities that historically had been available primarily to large institutional investors and private asset managers.

Public Comments

The Chair recognized Erin Wynia, the Director of Government Affairs for the North Carolina League of Municipalities. Ms. Wynia addressed the Board regarding the proposed Employer Contribution Rate Stabilization Policy (ECRSP) which is on the Board's agenda. Ms. Wynia also expressed the League's support for the proposed policy and thanked Retirement Systems Division staff for their collaborative efforts throughout the policy development process.

The Chair next recognized Colleen Lanier with the North Carolina Retired School Personnel Association. Ms. Lanier also addressed the Board, expressing appreciation for implementation of the new ID.me identity verification process and its benefits for retirees accessing Retirement Systems services.

Inventory of Public Safety Workers Benefits

The Chair recognized Patrick Kinlaw, along with Lisamarie Atkinson and Taylor Matyi, to present the inventory of public safety employee benefits requested previously by the Boards. Mr. Kinlaw explained that the report was prepared in response to a Board directive to develop a comprehensive inventory of state-funded and state-mandated retirement and employment benefits available to public safety employees throughout North Carolina.

Mr. Kinlaw also noted that the report compares benefits provided to various categories of public safety employees with those available to non-public safety employees and represents one of the most comprehensive compilations of such information prepared by the Department. Mr. Kinlaw explained that the inventory focuses on state-funded or state-mandated benefits, including retirement, disability, death, healthcare, insurance, leave, workers' compensation, and supplemental benefit programs, while acknowledging that certain locally provided benefits necessarily vary among employers. Ms. Atkinson used examples to demonstrate the rows and columns of the report. Mr. Matyi presented a high-level public website designed to make the information readily accessible while allowing users to consult more detailed reference materials when needed.

Annual Report on Supplemental Retiree Insurance

The Chair recognized Sam Watts to present the annual report on supplemental retiree insurance. Mr. Watts reported continued strong participation in the voluntary dental, vision, and identity theft protection programs available to retirees. Participation levels remained stable, with approximately 147,000 retirees enrolled in dental coverage, 127,000 enrolled in vision coverage, and approximately 31,000 participating in identity theft protection. Mr. Watts highlighted a substantial increase in identity theft alerts issued during the previous year, noting that while enrollment increased only modestly, the number of alerts generated by the identity theft protection program had approximately tripled.

Mr. Watts also advised the Board that Retirement Systems staff are proceeding with a competitive procurement process for administration of the supplemental retiree insurance programs, consistent with Board direction provided during the previous year. Staff anticipate completing the procurement later in 2026.

Proposed Employer Contribution Rate Stabilization Policy (ECRSP)

The Chair recognized Patrick Kinlaw to present the proposed Teachers' and State Employees' Retirement System Employer Contribution Rate Stabilization Policy (ECRSP), effective July 1, 2027. Mr. Kinlaw explained that the proposal represented the culmination of nearly two years of actuarial analysis, policy development, and consultation with participating employers, employee organizations, retiree representatives, and other stakeholders.

Mr. Kinlaw reviewed the purpose of the policy, explaining that employer contribution rate stabilization seeks to balance several important objectives, including maintaining actuarially sufficient funding, providing employers with greater budget predictability, reducing unnecessary volatility in employer contribution rates, and preserving flexibility for future consideration of benefit improvements. He reviewed historical contribution rate trends, described how previous stabilization policies had successfully moderated significant fluctuations in employer contribution requirements, and explained that the proposed policy reflects the improved long-term funding outlook resulting from recent investment performance and updated actuarial assumptions.

Pat Thornburg moved approval of the Teachers' and State Employees' Retirement System Employer Contribution Rate Stabilization Policy effective July 1, 2027. Jeffrey Winstead seconded the motion. The motion was approved unanimously by the Board.

Board of Trustees Comments

Oliver Holley expressed appreciation to Retirement Systems Division staff for their hard work. He further expressed gratitude to all educators for their work during the past academic year.

Jeffrey Winstead recognized Retirement Systems Division staff for their helpful and compassionate response to a situation involving a retiree who was a financial crime victim and needed assistance.

Adjournment

There being no further business before the Board, Jeffrey Winstead moved to adjourn the meeting. John Ebbighausen seconded the motion and the motion passed by unanimous vote of 10-0. The meeting was adjourned at 11:50 a.m.