



**North Carolina**  
Total Retirement Plans



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

## **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 9:31 a.m., April 29, 2021, by the Chair, State Treasurer Dale R. Folwell, CPA. 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. The Chair further opened the meeting with a moment of silence for Watauga County and the city of Boone on behalf of Deputy Logan Fox and Sergeant Chris Ward who lost their lives in the line of duty in the previous 72 hours.

#### **Members Present in Person or via Telephone**

Treasurer Dale R. Folwell, Clee Atkinson (via telephone), Melody Brady (via telephone), Lentz Brewer (via telephone), Tony Brown, Allen Buansi (via telephone), Homer Dearmin, Kevin Gordon (via telephone), Brenda Howerton (via telephone), Jeffrey Morse, and Greg Patterson (via telephone).

#### **Members Absent**

Vernon Gammon and Catherine Truitt.

#### **Guests in Attendance via Telephone**

Katherine Murphy with the North Carolina Department of Justice, Sarah Collins with the North Carolina League of Municipalities, and Rick Houser with the Youngsville ABC Board.

#### **Department of State Treasurer Staff Present in Person or Via Telephone**

The staff members present were: Thomas Causey, Ben Garner, Elizabeth Hawley, Brian Jackson, Patrick Kinlaw, Richard Lopez, Lisa Norris, Vicki Roberts (via telephone), Laura Rowe (via telephone), and Sam Watts (via telephone).

#### **Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest**

The Acting Chair asked, pursuant to the ethics rules, about conflicts of interest of board members. No conflicts of interest were identified by the board members.

#### **Approval of the Local Minutes from the January 28, 2021 Board Meeting**

It was moved by Jeffrey Morse and seconded by Tony Brown that the minutes from the Board meeting held on January 28, 2021 be approved. Dale Folwell, Allen Buansi, Brenda Howerton,

Clee Atkinson, Greg Patterson, Homer Dearmin, Kevin Gordon, Lentz Brewer, and Melody Braddy voted in support of the motion.

#### **Retirement System Division Operations Update**

The Chair recognized Rick Lopez, Director of Operations for an update on the Division's operations. Mr. Lopez began by noting the Retirement Processing team processed 4,500 retirement requests for the quarter stating that turnaround goal times were exceeded with 9 out of the past 12 months having a 100% paid on time rate. Mr. Lopez moved on to discuss death notifications stating Benefits Processing staff processed over 3,300 death notifications in the first quarter of 2021 noting an increase of about 1,000 notifications compared to the first quarter of 2020. Mr. Lopez noted the turnaround time for processing death notifications was 29 days in January, 29.6 days in February, and 31 days in March. Mr. Lopez moved on to discuss new disability applications noting that 282 applications were received in March which is similar to last year's numbers. Mr. Lopez noted that a physician had finished serving on the Medical Board in the past week and that the Division will be looking for a replacement, which will require approval from the Board of Trustees when the time comes. Mr. Lopez discussed refund requests, noting 1,140 requests were received in March with a 20.7-day turnaround time. Mr. Lopez closed by discussing monthly payroll and Orbit Self Service usage noting over 1.3 million retirement estimates, over 300,000 beneficiary updates for active employees, over 8,500 change of addresses for retirees, and nearly 79,000 service purchase estimates.

#### **Legislative Update**

The Chair recognized Sam Watts, Legislative Liaison for the Department, to provide an update on the legislative session. Mr. Watts began by discussing that the top legislative priority for the Retirement Systems is the funding of the actuarial requirement. Mr. Watts stated that a bill had been filed to address issues identified by both the Division and school boards regarding contribution-based benefit cap (CBBC) provisions. Mr. Watts further noted that a bill had been introduced at the Department's request to standardize some of the many service purchase provisions available to members, the continuation of an effort that began with a law enacted in 2020.

#### **Retirement System Member Services and Policy, Planning, & Compliance Update**

The Chair recognized the Director of Member Services, Vicki Roberts, for a presentation on the metrics for Member Services. Ms. Roberts began by discussing efforts made by the Educational Retirement Group noting they received over 18,000 letters for the quarter with a 5.7-day average turnaround time. Ms. Roberts discussed educational meetings noting year to date the team has held 130 total meetings with increasing attendance. Ms. Roberts stated the team is currently offering six presentations a week as well as an employer presentation once a week and access to a pre-recorded presentation available online at any time. Ms. Roberts described scheduled one-on-one counseling sessions noting there were more than 250 held in January. Ms. Roberts further discussed e-mails answered and received noting over 16,000 e-mails were received this quarter with a response average of two business days. Ms. Roberts discussed the call center speed of answer and the calls offered and abandoned noting that it was nearly impossible to meet the goal for average speed of answer due to the amount and length of calls. Ms. Roberts stated that all Member Services staff members have now been trained to answer calls noting that at certain times all staff will be answering calls on top of the normal call center staff. Ms. Roberts concluded by

discussing call volume, noting there was an 17% abandonment rate for the quarter with over 69,000 calls received.

The Chair recognized the Director of Policy, Planning & Compliance, Patrick Kinlaw. Mr. Kinlaw discussed overpayments collected noting that just over \$9.6 million has been collected in the past 12 months and that the outstanding balance of identified overpayments is approximately \$36.9 million. Mr. Kinlaw discussed CBBC liabilities, noting that invoices have been sent for 385 separate retirements since 2015 totaling \$37.3 million, and of that amount, more than \$29.9 million has been collected. Further, Mr. Kinlaw briefly discussed staff assistance in the collection of plan information for Cavanaugh Macdonald's report that will be presented to the Board in October.

#### **Update on the Investment Advisory Committee (IAC) Meetings**

The Chair recognized Greg Patterson to provide an update on the IAC meetings. Mr. Patterson began by stating the Investment Advisory Committee held its last meeting on February 24. Mr. Patterson stated the meeting started with an update on the Treasurer's initiative on cost savings noting that the initiative has exceeded \$350 million in cost savings over the past four years with total Assets Under Management (including the Retirement Systems, Cash Management, and Supplemental Retirement Plans) nearing \$156 billion and the Retirement Systems having a \$7.5 billion increase in asset value in the last quarter of 2020. Mr. Patterson noted a presentation was given by strategists on economic review discussing the recession, pandemic, social unrest, the election, and how those items may affect the portfolio and the economy. Lastly, Mr. Patterson discussed a report was provided by Aon regarding the Investment Management Division's (IMD's) governance, operations, and investment practices, from which IMD received high marks with only minor suggestions regarding the shifting of roles and responsibilities.

#### **Annual Report on Supplemental Retiree Insurance**

The Chair recognized Thomas Causey, Executive Director, to review the Annual Report on Supplemental Insurance. Mr. Causey stated that RSD has made benefit coverage available on a participating basis to retirees and benefit recipients noting that the premiums are paid by participating retirees and benefit recipients cover all costs associated with administering the benefits. Mr. Causey discussed that the current benefits offered are dental and vision through UnitedHealthcare and identity theft through LifeLock noting that RSD partners with Pierce Insurance Agency who serves as the exclusive broker and administrator for the program. Mr. Causey stated the contract with both UnitedHealthcare and LifeLock expires on December 31, 2021.

Homer Dearmin made a motion to accept the report and Jeffrey Morse seconded the motion. Dale Folwell, Allen Buansi, Brenda Howerton, Greg Patterson, Lentz Brewer, Melody Braddy, and Tony Brown voted in support of the motion.

#### **Annual Report on Inactive Employers Pursuant to G.S. 135-5.5 and G.S. 128-23.1**

The Chair recognized Patrick Kinlaw to review the Annual Report on Inactive LGERS Employers Pursuant to G.S. 128-23.1(b). Mr. Kinlaw stated that no employers under LGERS were determined to be inactive during calendar year 2020. However, RSD identified several LGERS employers who might potentially meet the criteria to become inactive employers during 2021. Mr. Kinlaw stated staff members have been working with those identified employers to ensure they are aware of the

recently established process for being designated as inactive and that this may result in determinations of inactive employers during calendar year 2021.

Homer Dearmin made a motion to accept the report and Brenda Howerton seconded the motion. Dale Folwell, Allen Buansi, Greg Patterson, Jeffrey Morse, Lentz Brewer, Melody Braddy, and Tony Brown voted in support of the motion.

### **Funding Policy Updates**

The Chair recognized Patrick Kinlaw to discuss funding policy updates for the Local Governmental Employees' Retirement System (LGERS) and the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF). Mr. Kinlaw began by stating that the proposals presented today were developed by staff with input from the consulting actuary, and that the consulting actuary was participating in the meeting by phone and available to answer questions. Mr. Kinlaw discussed background information regarding the proposals, stating that four of the retirement systems have stabilization policies in addition to the regular actuarial assumptions and methods, two of which, LGERS and FRSWPF, fall under the oversight of the Local Board. Mr. Kinlaw stated that the stabilization policy for FRSWPF is referred to by the acronym SCRSP (State Contribution Rate Stabilization Policy) and the policy for LGERS is referred to by the acronym ECRSP (Employer Contribution Rate Stabilization Policy). Mr. Kinlaw stated that the stabilization policies serve an important purpose noting that without them the actuaries would calculate a recommended contribution amount every year but that the contribution amount would fluctuate yearly. Mr. Kinlaw stated that the stabilization policies are meant to be there for a limited time to provide more stability, helping to avoid a "v" or "w" shape for the required contribution rate which is a difficult pattern for budgeters and funders. Mr. Kinlaw stated that having the stabilization policies in place can ensure the decisions and incentives that are made and created around the funding and budgeting of the systems are in the best interest of the Retirement Systems in the long term. Mr. Kinlaw stated that in the policies presented the Board will set a strategy for recommended contributions over the next five years noting that the current versions of all policies presented today are expected to expire June 2022, and staff is presenting proposed versions to cover the five fiscal years from 2023 to 2027.

Mr. Kinlaw presented the proposed ECRSP for LGERS covering the five fiscal years ending 2023 through 2027, noting that whereas for the other Retirement Systems the Boards make recommendations to the legislature for setting employer contribution rates and amounts each year, in the case of LGERS, the Board establishes the employer contribution rate based on authority delegated to the Board by the legislature. The proposed ECRSP for LGERS includes a basic plan to increase the employer contribution rate for non-law enforcement employees (non-LEOs) by 0.75% of eligible compensation each year. The resulting contribution rate will be increased if the underlying actuarially determined employer contribution rate (ADEC) calculated by the consulting actuary exceeds the planned contribution by more than 1% of compensation. Beginning in the third year of the policy, the contribution rate may be decreased if the underlying ADEC is less than the planned contribution rate by a difference exceeding 1% of compensation. The additional employer contribution required for LEO employees, which is 0.75% of compensation under the current policy, would increase gradually to 2.00% of compensation by the fifth year of the proposed policy. Mr. Kinlaw further stated that the proposed policy contains several clarifications and updates for applying its terms to various situations.

Mr. Kinlaw presented the proposed SCRSP for FRSWPF covering the five fiscal years ending 2023 through 2027, under which the employer contribution recommended by the Board to the legislature for an upcoming fiscal year would continue to be equal to the greater of (1) the appropriation recommended by the Board for the current fiscal year increased by \$350,000 or (2) the underlying ADEC for the upcoming fiscal year. Mr. Kinlaw stated that the proposed policy contains several clarifications and updates for applying its terms to various situations. Mr. Kinlaw also described terms of the proposed SCRSP related to the conditions under which the Board might recommend benefit increases to the legislature, and the policy's measurement of the appropriate amount of additional funding associated with such a recommendation.

The Chair recognized Sarah Collins representing the North Carolina League of Municipalities for a public comment.

Jeffrey Morse made a motion to adopt the proposed funding policies and Homer Dearmin seconded the motion. Dale Folwell, Allen Buansi, Brenda Howerton, Greg Patterson, Kevin Gordon, Lentz Brewer, Melody Braddy, and Tony Brown voted in support of the motion.

#### **Applications of Qualified Political Subdivisions of the State to Become Participating Employers with the Local Governmental Employees' Retirement System**

The Chair recognized Patrick Kinlaw to present three applications of qualified political subdivisions to become participating employers with LGERS. Mr. Kinlaw presented the applications of the Lincolnton-Lincoln County Airport Authority, the Town of Swepsonville, and the Washington Housing Authority to become employers under LGERS effective July 1, 2021. Mr. Kinlaw noted that all three entities have submitted resolutions from their governing boards committing to making the required contributions, the Attorney General's Office has confirmed that all three entities are eligible to join LGERS, and that staff of the Division, as well as the Department's State and Local Government Finance Division, have reviewed the most recent available audited financial statements of each employer and have concluded all three entities are financially fit to participate in LGERS.

Tony Brown made a motion to accept the Washington Housing Authority and Jeffrey Morse seconded the motion. Dale Folwell, Allen Buansi, Brenda Howerton, Greg Patterson, Homer Dearmin, Kevin Gordon, Lentz Brewer, and Melody Braddy voted in support of the motion.

Greg Patterson made a motion to accept the Town of Swepsonville and Tony Brown seconded the motion. Dale Folwell, Brenda Howerton, Clee Atkinson, Homer Dearmin, Jeffrey Morse, Kevin Gordon, Lentz Brewer, and Melody Braddy voted in support of the motion.

Homer Dearmin made a motion to accept the Lincolnton-Lincoln County Airport Authority and Jeffrey Morse seconded the motion. Dale Folwell, Brenda Howerton, Greg Patterson, Kevin Gordon, Lentz Brewer, Melody Braddy, and Tony Brown approved the motion.

#### **Firefighters' and Rescue Squad Workers' Pension Fund Advisory Panel Appointment Recommendation**



The Chair recognized Thomas Causey to discuss staff's recommendation to reappoint Kevin Gordon to the Firefighters' and Rescue Squad Workers' Pension Fund Advisory Panel. Mr. Causey stated that Mr. Gordon's term expired January 16, 2018 but he has continued to serve on the panel pursuant to G.S. 128-7. Mr. Causey stated that the Advisory Panel consists of seven members including the Executive Director of the Retirement Systems Division, the designee of the State of Insurance Commission, and five members appointed by the LGERS Board of Trustees, one of whom must be a member of the LGERS Board of Trustees. Mr. Causey stated that it is staff's recommendation for Kevin Gordon to be reappointed to the advisory panel and to align his term with the other members expiring January 16, 2022.

Greg Patterson made a motion to reappoint Kevin Gordon to the advisory panel and to align his term with the other members. Homer Dearmin seconded the motion. Dale Folwell, Allen Buansi, Brenda Howerton, Jeffrey Morse, Melody Braddy, and Tony Brown voted in support of the motion.

#### **Public Comments**

The Chair recognized Rick Houser representing the Youngsville ABC Board to provide public comment. Mr. Houser provided public comment regarding an application by the Youngsville ABC Board to participate as an employer under LGERS.

#### **Board of Trustees Comments**


None

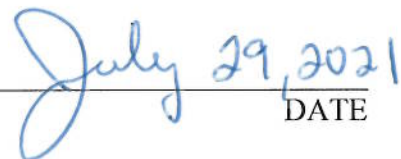
The Chair stated the meeting would be adjourning in honor of the grief our state is going through both in Elizabeth City and Watauga County.

#### **Adjournment**

There being no further business before the Board, Jeffrey Morse moved to adjourn, which was seconded by Tony Brown. Dale Folwell, Allen Buansi, Greg Patterson, Homer Dearmin, and Melody Brady voted in support of the motion and the meeting was adjourned at 12:07 p.m.

  
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CHAIR

  
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SECRETARY

  
\_\_\_\_\_  
DATE

**LOCAL GOVERNMENTAL EMPLOYEES'  
RETIREMENT SYSTEM BOARD OF TRUSTEES**

**April 29, 2021 Meeting**

**AGENDA ITEM**

2a. Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest

2b. Statement of Economic Interest evaluations of members pursuant to the Ethics Act § 138A-15(c)

In the following packet are new and updated Statement of Economic Interest (SEI) evaluations issued by the State Ethics Commission. These are being provided for Board members' review and for recording in the meeting minutes pursuant to the requirements of the State Government Ethics Act. Members are encouraged to review the updated evaluations to inform and remind them of the identified actual or potential conflicts of interest.

The new and updated SEI Evaluations provided are for:

- Superintendent of Public Instruction Catherine Truitt



## STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

### Via Email

March 26, 2021

The Honorable Catherine Truitt  
Superintendent of Public Instruction  
6301 Mail Service Center  
Raleigh, North Carolina 27699-6301

### **Re: Evaluation of Statement of Economic Interest**

Dear Superintendent Truitt:

Our office has received your 2021 Statement of Economic Interest as a member of the **Local Governmental Employees' Retirement System Board of Trustees (the "Board")**. We have reviewed it for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statutes ("N.C.G.S."), also known as the State Government Ethics Act (the "Act").

Compliance with the Act and avoidance of conflicts of interest in the performance of public duties are the responsibilities of every covered person, regardless of this letter's contents. This letter, meanwhile, is not meant to impugn the integrity of the covered person in any way. This letter is required by N.C.G.S. § 138A-28(a) and is designed to educate the covered person as to potential issues that could merit particular attention. Advice on compliance with the Act is available to certain public servants and legislative employees under N.C.G.S. § 138A-13.

### **We did not find an actual conflict of interest or the likelihood for a conflict of interest.**

The Local Governmental Employees' Retirement System Board of Trustees ("LGERS") is responsible for the administration of retirement allowances and other benefits for employees of counties, cities and towns or other eligible employers participating in the System. The Board serves as trustee for LGERS funds, while the State Treasurer serves as custodian and makes investments of such funds.

The Act establishes ethical standards for certain public servants, and prohibits public servants from: (1) using their positions for their financial benefit or for the benefit of their extended family or business, N.C.G.S. § 138A-31; and (2) participating in official actions from which they or certain associated persons might receive a reasonably foreseeable financial benefit, N.C.G.S. § 138A-36(a). The Act also requires public servants to take appropriate steps to remove themselves from proceedings in which their impartiality might reasonably be questioned due to a familial, personal, or financial relationship with a participant in those proceedings. N.C.G.S. § 138A-36(c).



As the Superintendent of Public Instruction, you hold an ex officio role (by statute) on the Board.

In addition to the conflicts standards noted above, the Act prohibits public servants from accepting gifts from (1) a lobbyist or lobbyist principal, (2) a person or entity that is seeking to do business with the public servant's agency, is regulated or controlled by that agency, or has financial interests that might be affected by their official actions, or (3) anyone in return for being influenced in the discharge of their official responsibilities. N.C.G.S. § 138A-32. Exceptions to the gifts restrictions are set out in N.C.G.S. § 138A-32(e).

When this letter cites an actual or potential conflict of interest under N.C.G.S. § 138A-24(e), the conflict must be recorded in the minutes of the applicable board and brought to the membership's attention by the board's chair as often as necessary to remind all members of the conflict and to help ensure compliance with the Act. N.C.G.S. § 138A-15(c).

Finally, the Act mandates that all public servants attend an ethics and lobbying education presentation. N.C.G.S. § 138A-14. Please review the attached document for additional information concerning this requirement.

Please contact our office if you have any questions concerning our evaluation or the ethical standards governing public servants under the Act.

Sincerely,

A handwritten signature in cursive script that reads "Mary Roerden".

Mary Roerden, SEI Unit  
State Ethics Commission

cc: Laura Rowe, Ethics Liaison  
Attachment: Ethics Education Guide