



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 9:00 a.m., April 28, 2022, by the Acting Chair, Ted Brinn. The meeting was held in the Dogwood Conference Room of the Longleaf Building at 3200 Atlantic Avenue, Raleigh, NC 27604. The Acting Chair thanked the members of the Board for their service. The Acting 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 Dale R. Folwell (via telephone), Clee Atkinson (via telephone), Greg Patterson (via telephone), Melody Braddy (via telephone), Lentz Brewer (via telephone), Homer Dearmin (via telephone), Vernon Gammon (via telephone), and Jeffrey Morse (via telephone).

#### **Members Absent**

Tony Brown, Kevin Gordon, Brenda Howerton, and Catherine Truitt.

#### **Guests in Attendance in Person or via Telephone**

Suzanne Beasley from the State Employees Association of North Carolina, Katherine Murphy from the North Carolina Department of Justice (via telephone), and Tonya Manning, Mike Ribble, and Beth Wiley from Buck Global, LLC.

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

The staff members present were: Tonya Bass, Ted Brinn, Thomas Causey, Elizabeth Hawley, Patrick Kinlaw, Richard Lopez, Taylor Matyi, Timothy Melton, Christopher Morris, Lisa Norris, Laura Rowe, and Sam Watts.

#### **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 State Minutes from the January 27, 2022 Board Meeting**  
Clee Atkinson moved the Board to approve the minutes of the January 27, 2022 Board meeting, Jeffrey Morse seconded the motion, and the minutes were approved by a unanimous vote of 8-0.

**Designation of Consulting Actuary**

The Acting Chair recognized Patrick Kinlaw for an update on the designation of a consulting actuary. Mr. Kinlaw began by reminding the Board that the department has been conducting a procurement process for an actuarial firm to provide consulting services to the Retirement Systems Division. Mr. Kinlaw stated the procurement process began in 2021 when the Board members were provided an opportunity to participate in evaluating proposals and that after careful review of the proposals the Evaluation Committee made the recommendation to award the contract to Buck Global, LLC. Mr. Kinlaw noted the recommendation was approved by the Department of Administration and the Governor's Office and the contract was officially awarded to Buck Global, LLC by the Department of State Treasurer on February 17, 2022. Mr. Kinlaw stated that the Board of Trustees have a statutory responsibility to designate an actuary who should be the technical advisor for the Board, noting that historically the Board has designated the same actuaries that the Department selects through its procurement, and that staff recommends that the Board designate Buck Global, LLC as the actuary to serve as the technical advisor for the Board.

Homer Dearmin made a motion to designate Buck Global, LLC as the consulting actuary to the Board, Jeffrey Morse seconded the motion, and the motion passed by a unanimous vote of 7-0. The Acting Chair voted on behalf of the Chair. Greg Patterson was not present for the vote.

**Update on Actuarial Transition**

The Acting Chair recognized Tonya Manning, Mike Ribble, and Beth Wiley from Buck Global, LLC to provide an update on the actuarial transition. Ms. Manning, Ms. Wiley, and Mr. Ribble began by introducing themselves to the Board. Ms. Manning noted that Buck Global, LLC, and its predecessor firms, have over 75 years of partnership with the North Carolina Retirement Systems Division. Mr. Ribble discussed the transition process noting that their current focus is on replicating prior valuations by performing an independent review of the all the valuations of the State and Local Retirement Systems as of December 31, 2020. Mr. Ribble state this review and replication process will ensure benefit provisions are being handled correctly and assumptions are being applied correctly. Ms. Wiley provided a progress update noting that they have collected and reviewed the data and information provided from the Retirement Systems and the prior actuary and that they have developed a set of defined tolerances for matching the prior actuaries' results. Ms. Wiley noted that the next step is to calculate liabilities and

compare them to the prior actuaries' results. This will involve collaboration with the Retirement Systems staff and the prior actuaries. Mr. Ribble closed out the presentation noting that the December 31, 2021 valuation results will be reviewed at the October Board meeting.

### **Operations, Member Services, and Compliance Update**

The Acting Chair recognized Rick Lopez, Director of Operations for an update on the Division's operations. Mr. Lopez began by welcoming and introducing Tonya Bass, Interim Director of Member Services, to the team noting she has already made significant progress on identified issues since she took over the roll as Interim Director. Mr. Lopez moved on to discuss the Division's operations noting the team processed 1,194 retirements in March of 2022 with an average turnaround time of 16.1 days. Mr. Lopez discussed death notifications, noting 1,151 death notifications in March 2022 with an average turnaround time of 60.2 days. Mr. Lopez discussed disability application processing, noting that the team processed 356 applications in March 2022 with a 38.8-day turnaround time. Mr. Lopez discussed refund requests, noting that the team processed 1,419 refund requests in March 2022 with a 13.2-day turnaround time. Mr. Lopez also discussed monthly payroll processing, stating that in March 2022 the Divisions paid over 347,000 payees with a total payment amount of over \$576,000,000. Mr. Lopez mentioned that ORBIT Self Service usage had an increase of over 20,000 retirement estimates and 2,000 additional hits on direct deposit banking changes. Mr. Lopez finished by noting the Division is working on the next self-service feature which will allow members to request refunds online as well as access to 1099 tax forms allowing members to opt out of mailed forms.

The Acting Chair recognized Interim Director of Member Services, Tonya Bass, for a presentation on the metrics for Member Services. Ms. Bass began by providing the Board with a brief background of her employment. Ms. Bass moved on to discuss the metrics noting that Member Services responded to over 9,500 pieces of correspondence in February of 2022. Ms. Bass noted that the Educational Retirement Group has held 271 webinars since July 2021 and counselors have held 174 retirement counseling sessions for the month of March. Ms. Bass touched on emails and calls received noting that emails fluctuate with the call numbers as members are emailing at the same time they are calling when they cannot get through. Ms. Bass noted that in February of 2022 Member Services received 32,000 phone calls with an average speed of answer around 38 minutes and over 29,000 calls in March of 2022 with an abandonment rate of 48.4%. Ms. Bass finished by discussing staffing and solutions the Division is working on.

The Acting Chair recognized Director of Policy, Planning & Compliance, Patrick Kinlaw. Mr. Kinlaw began by discussing Contribution-Based Benefit Cap liabilities, noting that 492 retirements since 2015 have resulted in

required employer contributions totaling more than \$47.6 million, and of that amount, around \$39 million has been collected. Mr. Kinlaw discussed a report from the firm Gabriel Roeder Smith (GRS) who the Office of the State Auditor engaged to conduct a review of actuarial assumptions, methods, and processes used by Cavanaugh MacDonald when working with the retirement systems. Mr. Kinlaw noted that the review found the work was performed in accordance with actuarial standards of practice and that the assumptions and methods used in the evaluation were reasonable. Mr. Kinlaw briefly touched on House Bill 243 (Budget Technical Corrections Act) which was enacted March 2022 noting two changes to provisions related to line-of-duty death benefits for public safety workers. Mr. Kinlaw closed by discussing the Actuarial Standards Board's recent adoptions of the revisions to Actuarial Standard of Practice No. 4.

### **Legislative Update**

The Acting Chair recognized Sam Watts to provide an update on the legislative session. Mr. Watts discussed the three bills the Treasurer's Office has recommended to the General Assembly that affect the Retirement Systems including cost saving measures for the Judicial System as well as administrative and technical corrections.

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

The Acting Chair recognized Greg Patterson to provide an update on the IAC meetings. Mr. Patterson stated the last IAC meeting occurred on February 23, 2022, where the meeting started with a review of the investment portfolio performance. Mr. Patterson stated that as of December 31, 2021 the portfolio held \$124 billion in assets with an overall return of 9.71% for calendar year 2021, 11.94% for the average 3-year return, 9.43% for the average 5-year return, and 8.35% for the average 10-year return. Mr. Patterson noted that so far in 2022 the financial market has been challenging and as of April 22, 2022 the portfolio was down about 7% which equates to about \$9 billion. Mr. Patterson then moved on to a review and discussion of how much of each of the different asset classes contributed to the gains in the portfolio noting that the two most significant asset classes were public equity and alternatives. Mr. Patterson stated that the Retirement Plans are invested very conservatively which tends to mean the losses experienced during down markets are not as severe as for peers. Mr. Patterson concluded his report on the IAC meeting by noting that Callan Group presented their asset liability study results and that the meeting was concluded with a presentation on the inflation sensitive portion of the portfolio.

### **Recommended Decennial Administrative Code Updates**

The Acting Chair recognized Timothy Melton, Assistant General Counsel to the Retirement Systems, for a recommendation of updates to the North Carolina Administrative Code relating to the Division. Mr. Melton began by

recognizing the efforts of current and former staff on the project, Mr. Melton informed the Board that in 2013 the General Assembly enacted N.C.G.S. § 150B-21.3A which established a process and schedule for agencies to decennially review their active rules codified in the North Carolina Administrative Code. Mr. Melton provided a brief history of the Board's decision to authorize the Retirement Systems to take all necessary steps required to complete the Decennial Rules Review process. Mr. Melton noted the deadline for rule adoption is December 31, 2022 and staff has completed their review and prepared a proposal for the Board's approval.

The Acting Chair moved for a ten-minute recess without objection. After the recess, the Acting Chair called the meeting back to order.

Homer Dearmin made a motion to approve the proposal, Greg Patterson seconded the motion and the motion passed by a unanimous vote of 7-0. The Acting Chair voted on behalf of the Chair, Jeffrey Morse left the meeting at 10:43 a.m., and was not present for the vote.

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

The Acting Chair recognized Patrick Kinlaw to present three applications of qualified political subdivisions to become participating employers with the Local Governmental Employees' Retirement System. Mr. Kinlaw stated three employers have applied to begin participating in LGERS effective July 1, 2022, namely, the Foothills Regional Airport Authority, the Monroe-Union County Economic Development Commission, and the Town of Stokesdale. 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 Department staff have reviewed the most recent financial statements of each employer and have concluded all three entities are financially fit to participate in LGERS.

Clee Atkinson made a motion to accept the applications of the Foothills Regional Airport Authority, the Monroe-Union County Economic Development Commission, and the Town of Stokesdale. Homer Dearmin seconded the motion and the motion passed with a unanimous vote of 7-0. The Acting Chair voted on behalf of the Chair.

#### **Firefighters' and Rescue Squad Workers' Advisory Panel Reappointment Recommendation**

The Acting Chair recognized Thomas Causey to discuss staff's recommendation to reappoint Kevin Gordon, Dean Coward, Gary Whitman, Debra Poe, and Fred Beroth to the Firefighters' and Rescue Squad Workers'

Advisory Panel. Mr. Causey stated that the terms of the five members previously appointed by the LGERS Board expired January 16, 2022. Mr. Causey stated that it is staff's recommendation for Kevin Gordon, Dean Coward, Gary Whitman, Debra Poe, and Fred Beroth to be reappointed to the advisory panel for an additional four-year term through January 16, 2026.

Vernon Gammon made a motion to reappoint Kevin Gordon, Dean Coward, Gary Whitman, Debra Poe, and Fred Beroth to the Firefighters' and Rescue Squad Workers' Advisory Panel, Clee Atkinson seconded the motion and the motion passed with a unanimous vote of 7-0. The Acting Chair voted on behalf of the Chair.

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

The Acting Chair recognized Thomas Causey to review the Annual Report on Supplemental Insurance. Mr. Causey discussed that the current benefits offered for retirees to enroll in 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 noted the premiums for dental and vision have remained the same from last year and the premium for LifeLock dropped 5%.

Clee Atkinson made a motion to accept the report, Greg Patterson seconded the motion and the motion passed with a unanimous vote of 7-0. The Acting Chair voted on behalf of the Chair.

#### **Inactive Employers Report**

The Acting Chair recognized Patrick Kinlaw to review the Annual Report on Inactive TSERS Employers Pursuant to G.S. 135-5.5(b). Mr. Kinlaw stated that during 2021 two employers under LGERS became inactive, namely, the Town of Cahah's Mountain, which remains inactive, and the Neuse Reginal Library, which resumed active participation effective January 1, 2022.

Homer Dearmin made a motion to accept the report, Clee Atkinson seconded the motion and the motion passed with a unanimous vote of 7-0. The Acting Chair voted on behalf of the Chair.

#### **Public Comments**

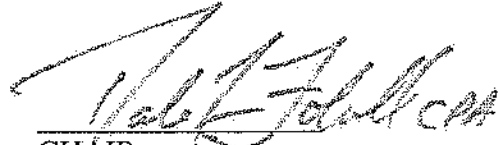
The Acting Chair recognized Suzanne Beasley from the State Employees Association of North Carolina for a public comment regarding retiree cost of living adjustments.

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

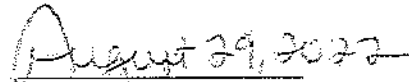
The Treasurer thanked the Acting Chair for chairing the meeting.

**Adjournment**

There being no further business before the Board, Clee Atkinson moved to adjourn the meeting. Vernon Gammon seconded the motion and the motion passed by unanimous vote of 7-0. The Acting Chair, Ted Brinn, voted on behalf of the Chair. The meeting was adjourned at 12:08 p.m.

  
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CHAIR

  
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SECRETARY

  
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DATE

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

**April 28, 2022 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:

- Cecil Vernon Gammon





## STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

### Via Email

January 19, 2022

The Honorable Roy A. Cooper III  
Governor of North Carolina  
20301 Mail Service Center  
Raleigh, North Carolina 27699-0301

**Re: Evaluation of Statement of Economic Interest Filed by Mr. Cecil Vernon Gammon  
The Local Governmental Employees' Retirement System Board of Trustees**

Dear Governor Cooper:

Our office has received **Mr. Cecil Vernon Gammon's** 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 but found the potential for a conflict of interest. The potential conflict identified does not prohibit service on this entity.**

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).

Mr. Gammon fills the role of a public member (not a State employee; also serves on TSERS). He is a recipient of the NC Firefighters' & Rescue Squad Workers' Pension Fund, which is administered by the Local Governmental Employees' Retirement System Board of Trustees. Therefore, he has the potential for a conflict of interest and should exercise appropriate caution in the performance of his public duties should issues involving his retirement benefits come before the Board for official action.


In addition to the conflict 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,



Mary Roerden, SEI Unit  
State Ethics Commission

cc: Cecil Vernon Gammon  
Laura Rowe, Ethics Liaison  
Gregory S. McLeod, Deputy General Counsel, Office of the Governor  
Scarlett Hargis, Office of the Governor

Attachment: Ethics Education Guide