



MINUTES

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

The regular quarterly meeting of the Board of Trustees was called to order at 9:00 a.m., July 28, 2022, 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.

Members Present in Person or via Telephone

Treasurer Dale R. Folwell, Clee Atkinson (via telephone), Lentz Brewer, Tony Brown, Jeffrey Morse, Greg Patterson (via telephone), Catherine Truitt (via telephone), and Nancy Vaughn (via telephone). Brenda Howerton was not recorded as present at the start of the meeting, but later voted on an agenda item.

Members Absent

Melody Braddy, Homer Dearmin, Vernon Gammon, and Kevin Gordon.

Guests in Attendance in Person or via Telephone

Representative Allen McNeill and Representative Pat Hurley from the North Carolina General Assembly, Benny Brigman from the State Employees Association of North Carolina, and Michael Reid from CEM Benchmarking.

Department of State Treasurer Staff Present in Person or Via Telephone

The staff members present were: Ted Brinn, Thomas Causey, Elizabeth Hawley (via telephone), Patrick Kinlaw, Richard Lopez, Taylor Matyi, Timothy Melton, Lisa Norris, Laura Rowe, and Sam Watts.

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.

Appointment of Nancy Vaughn as New Member to the Board of Trustees

The Chair introduced Mayor Nancy Vaughan as a new member on the Board. Ms. Vaughan was appointed by Governor Cooper to the Local Governmental Employees' Retirement System Board of Trustees. Ms. Vaughn serves on the Board as a City Mayor with a term expiration date of March 31, 2024.

Approval of the State Minutes from the April 28, 2022 Board Meeting

Jeffrey Morse moved the Board to approve the minutes of the April 28, 2022 Board meeting, Clee Atkinson seconded the motion, and the minutes were approved by a unanimous vote of 8-0.

Resolution of Appreciation and Presentation of the North Carolina State Treasurer's "Order of the Keeper of the Public Purse Award" to Representative Allen McNeill

The Chair presented Representative Allen McNeill with the "Order of the Keeper of the Public Purse Award". The chair expressed his deep appreciation and gratitude to Representative McNeill for his leadership and public service.

Tony Brown made a motion to approve the Resolution, Clee Atkinson seconded the motion, and the motion was approved by a unanimous vote of 7-0. Lentz Brewer was not present for the vote.

Resolution of Appreciation for the Services of Mr. Allen Buansi

The Chair introduced a resolution recognizing the service of former Board member Allen Buansi. It was moved by Clee Atkinson, seconded by Jeffrey Morse, and carried unanimously with a vote of 8-0 that the resolution of appreciation for the services of Allen Buansi be approved.

Presentation on the Defined Benefit Administration Benchmarking Analysis Report

The Chair recognized Michael Reid of CEM Benchmarking for a presentation on the Defined Benefit Administration Benchmarking Analysis Report. Mr. Reid discussed cost analysis noting a total pension administration cost of \$27 per active number which was \$74 below the peer average and the second lowest in CEM's global universe. Mr. Reid noted an increase of 2.4% in the Retirement Systems' total pension administration cost per active member from 2015 to 2021. Mr. Reid further discussed the Retirement Systems' service analysis noting a total service score of 71, below the peer median of 77 and decreasing by 1 point between 2015 and 2021. Mr. Reid stated that the addition of new online tools and improvements had a positive impact on the service score but negative changes in key metrics for the call center and 1-on-1 counseling offset the positive additions.

Operations, Member Services, and Compliance Update

The Chair recognized Rick Lopez, Director of Operations for an update on the Division's operations. Mr. Lopez noted that the team processed 1,326 retirements in June of 2022 with an average turnaround time of 40.6 days. Mr. Lopez discussed death notifications, noting 934 death notifications in June 2022 with an average

turnaround time of 54.8 days. Mr. Lopez discussed disability application processing, noting that the team processed 281 applications in June 2022 with a 17.4-day turnaround time. Mr. Lopez discussed refund requests, noting that over the last 12 months the team processed an average of 1,200 refund requests a month well under the 20-day turnaround goal. Mr. Lopez also discussed monthly payroll processing, stating that in June 2022 the Divisions paid over 350,000 payees with a total payment amount of over \$580,000,000. Mr. Lopez mentioned that ORBIT Self Service usage had over 1.5 million retirement estimates, 12,000 address changes, 58,000 direct deposit changes, 90,000 tax withholding changes, and 328,000 beneficiary changes over the last 12 months. Mr. Lopez finished by noting the Division successfully launched the Refunds Online application and have already had almost 1,800 people use the application.

The Chair recognized Thomas Causey for a presentation on the metrics for Member Services. Mr. Causey began by noting Interim Director of Member Services, Tonya Bass, was out this week on a pre-planned vacation but that she has now been the Interim Director of Member Services for more than 3 months. Mr. Causey provided a brief update on staff vacancies and positions that have been filled. Mr. Causey moved on to discuss the metrics for Member Services referring to the chart showing the number of pieces of correspondence or letters received noting that staff has been able to bring down response times largely due to filling vacant positions. Mr. Causey referenced the Meetings and Webinar slide noting over the past fiscal year over 10,000 members and 1,000 employers attended. Mr. Causey further discussed visitors and counseling sessions noting that the retirement office was reopened to the public in April, but the division is still working on an appointment basis. Mr. Causey touched on emails and calls received noting that emails turnaround has improved due to filling vacant positions and that the team is still working to bring phone answer times down.

The Chair recognized Director of Policy, Planning & Compliance, Patrick Kinlaw. Mr. Kinlaw began by discussing Contribution-Based Benefit Cap liabilities, noting that 529 retirements since 2015 have resulted in required employer contributions totaling more than \$51.8 million, and of that amount, around \$42 million has been collected. Mr. Kinlaw then updated the Boards on the transition of actuarial services to the new provider, Buck, stating that the transition is continuing smoothly, and that Buck is expected to present the actuarial valuations as of December 31, 2021 at the Boards' meeting in October. Mr. Kinlaw noted that because those reports will be based on funded position as of December 31, 2021, they will not include results about the challenging investment conditions that have existed so far during 2022. He noted that whatever the 2022 investment returns are, they need to be understood against the benchmark of the Boards' long-term assumed return of positive 6.5% per year.

Mr. Kinlaw concluded with a description of legislative provisions enacted by the General Assembly during 2022 that are significant to the Retirement Systems. These included the 2022 State budget adjustment law, Session Law 2022-74, which

provided a one-time supplement to State retirees payable in October 2022 equal to 4% of their annual pensions, and also provided for a one-time mechanism to set aside employer contributions to the State employee death benefit fund to pay line-of-duty death benefits during the fiscal year ending 2023 if necessary; the Retirement Administration Changes law, Session Law 2022-14, which had several provisions including an update to the process for employing units who become “inactive”; Session Law 2022-70, which extended for one year the moratorium on school boards filing litigation related to pension spiking assessments, extended the time period for the working group on recommendations, and required employers seeking to join LGERS who are not taxing authorities to obtain a surety describing how they would cover a withdrawal liability; Session Law 2022-53, which allows charter schools to participate in the Ancillary Governmental Participant Investment Program; the Retirement Technical Corrections Law, Session Law 2022-16; and the Budget Technical Corrections law enacted in March, Session Law 2022-6, which includes provisions related to line-of-duty death benefits.

Legislative Update

The Chair recognized Sam Watts to provide an update on the legislative session. Mr. Watts discussed the recent legislative changes from Mr. Kinlaw’s presentation, as well as other legislation affecting the Department of State Treasurer. Mr. Watts reminded the Board that it is the Division’s main priority to fully fund the Retirement System.

Update on the Investment Advisory Committee (IAC) Meetings

The Chair recognized Greg Patterson to provide an update on the IAC meetings. Mr. Patterson stated the last IAC meeting occurred on May 25, 2022, where the meeting included a performance update, a review of the investment policy statement, a review of the public policy outlook, a review of the real estate asset class, and a discussion on the IAC Code of Ethics.

Report from the Advisory Panel of the Firefighters’ and Rescue Squad Workers’ Pension Fund on the Status and Needs of the Plan

The Chair recognized Thomas Causey for an overview of the Firefighters’ and Rescue Squad Workers’ Pension Fund Status and Needs of the Plan Report. Mr. Causey began by providing a brief background on the Advisory Panel and report noting that the Advisory Panel has no administrative authority but provides recommendations in the report around funding, investments, benefits, and administrative policies. Mr. Causey stated the Advisory Panel met on June 19, 2022 where staff presented updates on legislation, operations, communications, and actuarial valuations to the Advisory Panel. Mr. Causey noted that staff and the Advisory panel review the previous year’s report and the Advisory Panel identified needs and recommendations for staff to capture in this year’s report. Mr. Causey stated that the Panel determined one administrative policy item regarding communications could be closed and they added a recommendation that online reporting on contributions by departments and squads be required. Mr. Causey noted the Panel additionally made recommendations regarding increasing benefits

and administrative policies. Mr. Causey finished the report by noting the challenge for the division is that the plan is voluntary, and payments can be made in multiple ways by the member or unit resulting in making the plan harder to administer.

Jeffrey Morse moved to accept the report, Cleo Atkinson seconded the motion, and the motion was approved by unanimous vote of 8-0. Brenda Howerton joined the meeting by telephone to vote in approval of this motion. Nancy Vaughn was not present for the vote.

Report on the Amounts and Sources of Funds Collected by Year and Amounts Expended, the Projects for Which Funds Were Expended, and Current Status of the Legislative Enactment Implementation Arrangements (LEIAs), Pursuant to N.C.G.S. §135-7(h)(5) and N.C.G.S. §128-29(g)(5)

The Acting Chair recognized Patrick Kinlaw. Mr. Kinlaw provided a brief background on the requirements and background history of the required report. Mr. Kinlaw noted that as of June 30, 2022, the Division has not identified any legislation that has resulted in implementation projects that are eligible for LEIA expenditures. Mr. Kinlaw further stated the amounts collected through June 30, 2022 have been zero and the amounts expended have been zero. Mr. Kinlaw noted that upon acceptance of the reports, staff will communicate the report to the legislature.

Cleo Atkinson moved to accept the report, Tony Brown seconded the motion, and the motion was approved by unanimous vote of 7-0. Nancy Vaughn and Brenda Howerton were not present for the vote.

Public Comments

The Chair recognized Benny Brigman, Retiree Council Chair from the State Employees Association of North Carolina, for a public comment regarding retiree cost of living adjustments.

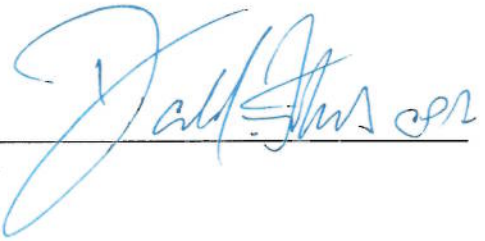
Board of Trustees Comments

Tony Brown thanked the Division's staff for the work they do every day.

The Chair stated that the purpose of the work of the Boards and staff is to preserve, strengthen, and sustain the Retirement Systems. The Chair requested that the meeting be closed in honor of the distinguished public service of Representative Allen McNeill and Representative Pat Hurley.

Adjournment

There being no further business before the Board, Jeffrey Morse moved to adjourn the meeting. Tony Brown seconded the motion and the motion passed by unanimous vote of 6-0. Catherine Truitt, Nancy Vaughn, and Brenda Howerton were not present for the vote. Robert's Rules of Order (paragraph 7 in Section 40) was invoked in absence of a quorum. The meeting was adjourned at 12:30 p.m.


CHAIR


SECRETARY

11-9-2022
DATE



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

July 14, 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 The Honorable Nancy Vaughan
The Local Governmental Employees' Retirement System Board of Trustees**

Dear Governor Cooper:

Our office has received **Mayor Nancy Vaughan's** 2022 Statement of Economic Interest as a prospective appointee to 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).

Mayor Vaughan would fill the role of a mayor or member of a governing body participating in the Local Governmental Employees' Retirement System. She is the Mayor of the City of Greensboro. Therefore, she has the potential for a conflict of interest and should exercise appropriate caution in the performance of her public duties should issues involving her retirement allowances or other benefits, the City of Greensboro or its employees come before the Board for official action.

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,



Mary Roerden, SEI Unit
State Ethics Commission

cc: The Honorable Nancy Vaughan
Attachment: Ethics Education Guide