



Minutes

BOARD OF TRUSTEES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

The regularly quarterly meeting of the Board of Trustees was called to order at 9:30 a.m., July 25, 2019, 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

Treasurer Dale R. Folwell, John Ebbighausen, Judith Estevez (designee for Barbara Gibson), Vernon Gammon, Dirk German, Oliver Holley, Kathryn Johnston (designee for Mark Johnson), Greg Patterson, Margaret Reader and Jeffrey Winstead.

Members Attending via Telephone

Lentz Brewer, Linda Gunter and Joshua Smith.

Others in Attendance via Telephone

Larry Langer and Wendy Ludbrook from Cavanaugh Macdonald Consulting.

Members Absent

There were no board members absent.

Department of State Treasurer Staff Present

The staff members present were: Thomas Causey, Joan Fontes, Elizabeth Hawley, Timeka Holden, Patrick Kinlaw, Fran Lawrence, Frank Lester, Vicki Roberts, Anne Roof, Christina Strickland, Sam Watts and Lorraine Whitman.

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.

Adoption of Resolution of Appreciation for the services of Claire Miller recognizing her outstanding service as a member of the Board of Trustees for the Local Government Employees' Retirement System and the Board of Trustees of the Teachers' and State Employees' Retirement System

It was moved by Oliver Holley, seconded by Margaret Reader, and carried unanimously that the resolution of appreciation for the services of Claire Miller be approved.

Approval of the Minutes from the April 25, 2019 Board Meeting

It was moved by Greg Patterson, seconded by Oliver Holley, and carried unanimously by the Board that the minutes from the Board meeting held on April 25, 2019, be approved.



Operations, Member Services and Compliance Update

The Chair recognized Thomas Causey, Interim Director of the Retirement Systems Division, Vicki Roberts, Director of Member Services and Patrick Kinlaw, Director of Policy, Planning & Compliance for an update on the Division's operations. Mr. Causey reviewed the key takeaways from the operations report, noting that the turnaround time has improved, and the team has processed over 3,600 retirement applications in the month of July. The current rate for processing and paying retirements processing of within 60 days is 99.7%. Mr. Causey stated that the number of disability cases received has increased, and we are also working to replace the nurse that was reviewing information and requesting backup documentation regarding these applications.

Mr. Causey also reported on the monthly payroll processing. There are over 323,000 payees, with over \$524 million in payments in June, and it continues to grow. Mr. Causey stated that RSD continues to encourage the use of the online system and more members are using the online system. The online system has also enhanced the beneficiary designation and other self-service capabilities.

The Chair recognized Director of Member Services, Vicki Roberts, for a presentation on the metrics for Member Services. Ms. Roberts reported on member correspondence, noting this has been a busier than normal time of the year for RSD. She reported that so far, Member Services has received a great deal more requests than last year at this time and has still been able to answer the correspondence within the established turn-around-time, actually exceeding the goal. Ms. Roberts gave a report on the increase of scheduled and unscheduled educational retirement counseling sessions, with the number of visitors and counseling sessions increasing to almost 700 last month. Ms. Roberts also pointed out that the Education Retirement Counselors have already far surpassed the annual goal for counseling sessions. Ms. Roberts reported that during the quarter (April-June) the call center counselors saw an increase of over 6500 more calls received this year than last, for the same time period. The most popular topics raised by callers were retirement and tax related. The service level goal of answering at least 65% of the calls within 60 seconds or less was met for the year.

The Chair recognized the Director of Policy, Planning and Compliance, Patrick Kinlaw. Mr. Kinlaw stated that employer contribution rates in the Local System, as a percentage of employee compensation, are increasing effective with July service, compared to what they were in June. This is in accordance with the Board's amendment adopted in January of this year to the Local System's funding policy. The new rates are 8.95 percent of compensation for all employees other than law enforcement, and 9.70 percent for law enforcement officers.

Mr. Kinlaw also stated that employer contributions to the State System will ultimately be set by the State budget. Since there is not a State budget for the current fiscal year, the statutory continuing resolution provides that employer contributions will remain at the same rate as June 30, 2019, which for example was 12.29 percent of compensation for TSERS. The employer contribution rate that the Board has recommended to the General Assembly for the current fiscal year is 12.97 percent, based on the current benefits provided by TSERS. The statutory continuing resolution provides that once a State budget is enacted, the Director of the Budget will adjust the contribution rate in the State Budget Act for the remainder of the fiscal year to compensate for any under-collection that may have occurred between the start of the fiscal year and the enactment of the budget.

Mr. Kinlaw then reported that one of the Compliance section's responsibilities is to administer invoices when retirement benefits exceed the Contribution-Based Benefit Cap (CBBC). This requirement is based on what is commonly known as the "anti-pension spiking" law. Since 2015, the Retirement Systems have issued 244 invoices, averaging a little more than 50 per year. During that time, the Retirement Systems have invoiced over \$23 million and collected over \$19 million.

Mr. Kinlaw next discussed the 13-month history of the collections to recoup overpayments. Overpayments are amounts that are paid out by the Retirement Systems where it is later determined that the money must be repaid to the systems. Collections for the fiscal year were just over \$10.4 million. As of the end of June, the total outstanding number of identified overpayments was approximately \$38.5 million.



North Carolina
Total Retirement Plans



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

Review and Update on the 2019 Short Session of the North Carolina General Assembly

The Chair recognized Sam Watts, Legislative Liaison, for a review and update on the 2019 session of the North Carolina General Assembly. Mr. Watts began the discussion with a mention that the 2019 budget has not been passed yet. Mr. Watts commented that this budget impasse could go on for quite some time. This is a key year for the budget because there will be a change in State-appropriated contribution rates.

Mr. Watts also discussed the additional funding to continue to move the retirement processes online, which will also enhance existing online identity verification capabilities.

Mr. Watts reported that there have been some changes to the medical board process which require additional documentation. Additionally, a bill has been introduced related to felony forfeiture laws. Mr. Watts also mentioned a high-need retired teachers bill. One proposal in this bill is that certain teachers could still earn pay while receiving their retirement.

Report on the amounts and sources of funds collected by year and amounts expended, projects for which funds were expended, and current status of the Legislative Enactment Implementation Arrangements (LEIAs)

The Chair recognized Patrick Kinlaw, Director of Policy, Planning & Compliance for an update on the amounts and sources of funds collected by year and amounts expended, projects for which funds were expended, and current status of the Legislative Enactment Implementation Arrangements (LEIAs).

The Department of State Treasurer must report to the Boards of Trustees, the Joint Legislative Commission on Government Operations, and the Fiscal Research Division on the amounts and sources of funds collected by year and the amounts expended, the projects for which those funds were expended, and the current status of projects. The report must be submitted on or before August 1 of each year and must be posted on the public website. As of June 30, 2019, the Department of State Treasurer has not identified any legislation resulting in implementation projects eligible for LEIA expenditures under the criteria set forth in the statutes.

It was moved by Greg Patterson, seconded by Jeffrey Winstead and carried unanimously by the Board to accept the report, which focused on the amounts and sources of funds collected by year and amounts expended, the projects for which fund were expended, and current status of the LEIAs.

Investment Advisory Committee (IAC) Update

The Chair recognized Greg Patterson for an update on the IAC meetings. Mr. Patterson began his discussion by commenting that after a very difficult fourth quarter last year, the first quarter of 2019 did very well. Mr. Patterson reported that the portfolio is up about \$6 billion, and by looking at how the portfolio did over different periods of time certain components of the return may be attributed to asset allocation and manager performance. Mr. Patterson next commented on a review of the money managers and mentioned that at the May meeting, private equity was 6% of the portfolio and that private equity has outperformed the public markets over the last 10 years. The Chair commented that North Carolina has committed over \$1 billion last year to our strategy, where in the years 2009-2010 we had to sell some of our investments at a discount. However, we would rather buy at a discount during challenging market conditions.

Board of Trustees Comments

The Chair asked the Board if there were any comments prior to adjournment of the meeting. The Board had no additional comments.



North Carolina
Total Retirement Plans



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

State System Adjournment

There being no further business before the Board, Margaret Reader moved to adjourn, which was seconded by Dirk German, and the meeting was unanimously adjourned at 11:17 a.m.

Dale R. Folwell

CHAIR

Charm M. Carney

SECRETARY

TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES

July 25, 2019 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 § 163A-159(c)

In the following packet are 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 evaluations to inform and remind them of the identified actual or potential conflicts of interest.

The SEI Evaluations included are:

Chris Farr – Designee of State Treasurer Folwell
Thomas Causey – Designee of State Treasurer Folwell
Kathryn Johnston – Designee of Superintendent Johnson
Melissa Werner – Designee of Superintendent Johnson
Lars Nance – Designee of OSHR Director Gibson
Judith Estevez – Designee of OSHR Director Gibson



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

June 17, 2019

The Honorable Dale R. Folwell
North Carolina Department of State Treasurer
3200 Atlantic Avenue
Raleigh, North Carolina 27604

Re: Evaluation of Statement of Economic Interest by Ms. Chris Marie Farr, Chief of Staff and Chief Deputy Treasurer to Serve on the Board of Trustees of the Teachers' and State Employees' Retirement System

Dear Treasurer Folwell:

Our office has received **Ms. Chris Marie Farr's** 2018 Statement of Economic Interest and 2019 No-Change Form to serve as your designee on the **Board of Trustees of the Teachers' and State Employees' Retirement System (the "Board")**. We have reviewed them 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 Board of Trustees of the Teachers' and State Employees' Retirement System is responsible for administration of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System. The Board serves as trustee and the State Treasurer is custodian of and makes decisions concerning investment of System 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).

Ms. Farr will serve as your designee on the Board. Because she is a state employee who would benefit from the State's retirement system, she has the potential for a conflict of interest. Accordingly, Ms. Farr should exercise appropriate caution in the performance of her public duties should issues involving her retirement benefits 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,

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

Mary Roerden, SEI Unit
State Ethics Commission

cc: Chris Marie Farr
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

July 11, 2019

The Honorable Dale R. Folwell
North Carolina Department of State Treasurer
3200 Atlantic Avenue
Raleigh, North Carolina 27604

**Re: Evaluation of Statement of Economic Interest by Mr. Thomas Causey,
Interim Director of the Retirement Systems Division to Serve on the
Board of Trustees of the Teachers' and State Employees' Retirement System**

Dear Treasurer Folwell:

Our office has received **Mr. Thomas Causey's** 2019 Statement of Economic Interest to serve as your secondary designee on the **Board of Trustees of the Teachers' and State Employees' Retirement System (the "Board")**. We have reviewed them 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 Board of Trustees of the Teachers' and State Employees' Retirement System is responsible for administration of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System. The Board serves as trustee and the State Treasurer is custodian of and makes decisions concerning investment of System 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. Causey will serve as your secondary designee on the Board. Because he is a state employee who would benefit from the State's retirement system, he has the potential for a conflict of interest. Accordingly, Mr. Causey 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 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: Thomas Causey
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

July 16, 2019

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

Re: Evaluation of Statement of Economic Interest Filed by Ms. Kathryn Johnston, as an Appointee to the Board of Trustees of the Teachers' and State Employees' Retirement System

Dear Superintendent Johnson:

Our office has received **Ms. Kathryn Johnston's** 2019 Statement of Economic Interest as your designee to serve on the **Board of Trustees of the Teachers' and State Employees' Retirement System (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 Board of Trustees of the Teachers' and State Employees' Retirement System is responsible for administration of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System. The Board serves as trustee and the State Treasurer is custodian of and makes decisions concerning investment of System 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).

Ms. Johnston will serve as your designee on the Board. Because she is a state employee who would benefit from the State's retirement system, she has the potential for a conflict of interest. Accordingly, Ms. Johnston should exercise appropriate caution in the performance of her public duties should issues involving her retirement benefits 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,

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

Mary Roerden, SEI Unit
State Ethics Commission

cc: Kathryn Johnston
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

July 17, 2019

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

Re: Evaluation of Statement of Economic Interest Filed by Ms. Melissa Werner as an Appointee to the Board of Trustees of the Teachers' and State Employees' Retirement System

Dear Superintendent Johnson:

Our office has received **Ms. Melissa Werner's** 2019 Statement of Economic Interest as your secondary designee to serve on the **Board of Trustees of the Teachers' and State Employees' Retirement System (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 Board of Trustees of the Teachers' and State Employees' Retirement System is responsible for administration of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System. The Board serves as trustee and the State Treasurer is custodian of and makes decisions concerning investment of System 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).

Ms. Werner will serve as your secondary designee on the Board. Because she is a state employee who would benefit from the State's retirement system, she has the potential for a conflict of interest. Accordingly, Ms. Werner should exercise appropriate caution in the performance of her public duties should issues involving her retirement benefits 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).

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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: Melissa Werner
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

May 24, 2019

Ms. Barbara Gibson, Director
North Carolina Office of State Human Resources
116 West Jones Street
Raleigh, North Carolina 27603

Re: Evaluation of Statement of Economic Interest Filed by Mr. Lars F. Nance as a Designee to the Board of Trustees of the Teachers' and State Employees' Retirement System

Dear Director Gibson:

Our office has received **Mr. Lars F. Nance's** 2019 Statement of Economic Interest as your designee to serve on the **Board of Trustees of the Teachers' and State Employees' Retirement System (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").

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Mr. Nance will serve as your designee on the Board. Mr. Nance and his spouse are state employees and his child is an employee of UNC-Chapel, all of whom would benefit from the State's retirement system. Therefore, Mr. Nance should exercise appropriate caution in the performance of his public duties should issues involving his retirement benefits, his spouse's or his child's retirement benefits 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).

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Sincerely,

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

Mary Roerden, SEI Unit
State Ethics Commission

cc: Lars F. Nance
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

May 24, 2019

Ms. Barbara Gibson, Director
North Carolina Office of State Human Resources
116 West Jones Street
Raleigh, North Carolina 27603

Re: Evaluation of Statement of Economic Interest Filed by Ms. Judith Estevez as a Designee to the Board of Trustees of the Teachers' and State Employees' Retirement System

Dear Director Gibson:

Our office has received **Ms. Judith Estevez's** 2018 Statement of Economic Interest and 2019 No-Change form as your designee to serve on the **Board of Trustees of the Teachers' and State Employees' Retirement System (the "Board")**. We have reviewed them 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 Board of Trustees of the Teachers' and State Employees' Retirement System is responsible for administration of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System. The Board serves as trustee and the State Treasurer is custodian of and makes decisions concerning investment of System 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).

Ms. Estevez will serve as your designee on the Board. Because she is a state employee who would benefit from the State's retirement system, she has the potential for a conflict of interest. Accordingly, Ms. Estevez should exercise appropriate caution in the performance of her public duties should issues involving her retirement benefits 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,

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

Mary Roerden, SEI Unit
State Ethics Commission

cc: Judith Estevez
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide