



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 Local Governmental Employees' Retirement System (LGERS) Board of Trustees was called to order at 9:05 a.m., January 27, 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.

Board Members Present in Person or via Telephone

Treasurer Dale R. Folwell, Clee Atkinson (via telephone), Melody Braddy (via telephone), Lentz Brewer (via telephone), Tony Brown, Homer Dearmin (via telephone), Vernon Gammon, Brenda Howerton (via telephone), Jeffrey Morse (via telephone), Greg Patterson and Catherine Truitt (via telephone).

Board Members Absent

Allen Buansi and Kevin Gordon.

Guests in Attendance in Person or via Telephone

Flint Benson from the State Employees Association of North Carolina, Sarah Collins from the North Carolina League of Municipalities, Jonathan Craven and Wendy Ludbrook from Cavanaugh Macdonald Consulting, Katherine Murphy from the North Carolina Department of Justice (via telephone), and Ken Noland from the North Carolina City and County Management Association.

Department of State Treasurer Staff Present in Person or Via Telephone

Ted Brinn, Thomas Causey, Christy Farrelly (via telephone), Elizabeth Hawley, Patrick Kinlaw, Richard Lopez, Timothy Melton, Lisa Norris, Vicki Roberts, Laura Rowe (via telephone), 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.

Approval of the State Minutes from the October 28, 2021, Board Meeting

Tony Brown moved the Board to approve the minutes of the October 28, 2021, Board meeting, Homer Dearmin seconded the motion, and the minutes were approved by a unanimous vote of 9-0. Catherine Truitt and Vernon Gammon did not vote.

Operations, Member Services, and Compliance Update

The Chair recognized Rick Lopez, Director of Operations. Mr. Lopez began by discussing the 1,025 retirements processed in December 2021 with an average turnaround time of 23.1 days and noted 910 death notifications in the same period with an average turnaround time of 41.7 days. Mr. Lopez noted that the team processed 230 disability applications in December 2021 with a 32.7-day turnaround time. Mr. Lopez discussed the 1,149 refund requests in December 2021, processed with a 20-day turnaround time. Mr. Lopez shared that in December 2021 the Division paid 343,646 payees with a total payment amount of over \$670,000,000, noting that these payments included a one-time supplement payment. Mr. Lopez discussed the ongoing effort to sign up Fire and Rescue Departments for online reporting. Mr. Lopez mentioned that over the last year ORBIT Self Service usage had completed 1,540,971 million retirement estimates and 331,646 beneficiary updates for members.

The Chair recognized Vicki Roberts, Director of Member Services. Ms. Roberts began by noting that Member Services received more than 15,500 pieces of mail last quarter with an average turnaround time of 7 days. Ms. Roberts shared that Member Services assisted over 5,200 people through 179 webinars since July 2021 and, in the last quarter of the year, counselors held 691 retirement counseling sessions, responded to over 15,000 emails with a turnaround average of 3.2 days, and answered over 65,000 calls. Ms. Roberts also stated Member Services' primary goal is to assist members efficiently, but the average wait time to answer a call was about 15 minutes, with 34% of the calls ending up abandoned, mainly due to the staffing crisis.

The Chair recognized Patrick Kinlaw, Director of Policy, Planning & Compliance. Mr. Kinlaw began by discussing Contribution-Based Benefit Cap liabilities, noting that 454 retirements since 2015 have resulted in required employer contributions totaling more than \$43.1 million, and of that amount, around \$35 million has been collected. Mr. Kinlaw discussed staff's progress in the required review of the Retirement Systems' decennial rules noting that staff plans to bring the recommendations to the Board in April. Mr. Kinlaw discussed a report from the reporting firm Gabriel Roeder Smith (GRS), engaged by the Office of the State Auditor 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 work was performed in accordance with actuarial standards of practice and that the assumptions and methods used in the evaluation were reasonable. Mr. Kinlaw discussed a memo provided to the board regarding the reemployment earnings limit increase for 2022.

Legislative Update

The Chair recognized Sam Watts to provide an update on the legislative session. Mr. Watts briefly discussed the Report on 2021 State Legislative Actions memo provided to the Board noting the 19 enacted bills that affect the Retirement Systems or State Health Plan.

Investment Advisory Committee (IAC) Meetings Update

The Chair recognized Lentz Brewer to provide an update on the IAC meetings. Mr. Brewer stated the last IAC meeting occurred on November 17th, 2021, where Jeff Smith and Christopher Morris presented a performance update on behalf of the Division. Mr. Brewer noted that the IAC was informed by Mr. Morris that the total assets under management at the end of the third quarter rose \$1.4 billion to a total of just over \$172 billion and there were no major changes regarding asset allocations from the second to third quarter. Mr. Brewer further noted the IAC was informed that at the end of the third quarter the total portfolio was up roughly 0.5%. With equity markets slightly negative and fixed income flat, the returns on alternative investments were strong in the third quarter. Mr. Brewer stated the IAC was shown a comparison between our Retirement System and peers, noting the portfolio outperforming significantly with a low percentile of risk when compared to peers. Mr. Brewer stated Jeff Smith elaborated on the asset class performance, new investments, asset allocation history, the top twenty investment managers, and the fixed income portfolio.

Actuarially Determined Employer Contribution (ADEC) Projections

The Chair recognized Larry Langer and Wendy Ludbrook from Cavanaugh Macdonald Consulting to present ADEC projections for the LGERS. Mr. Langer presented charts demonstrating the effect of the assumption and method changes resulting from the experience study (including 6.5% assumed return per year in the future) and the actual return during calendar year 2021, which was estimated to be 9.6%. Ms. Ludbrook stated that if all assumptions are met in 2022 and beyond, the actuarially determined employer contribution rates would stabilize or decline in the coming years, and the funded ratio would reach 100% by the end of 2025.

Presentations on the 2022 Alternatives for LGERS

The Chair recognized Patrick Kinlaw to present the recommendations to the General Assembly for the contribution rates or contribution amounts to fund the Retirement Systems effective July 1, 2022. Mr. Kinlaw began by noting that for LGERS itself, the Board has the authority to set contribution rates for employers and to provide benefits under certain conditions. Mr. Kinlaw stated staff believes there are three substantive issues for the Board to consider.

Mr. Kinlaw raised the first substantive issue of the Board setting the employer contribution rate under its statutory authority and its authority under Session Law 2021-178 (Senate Bill 311) to provide a one-time supplement to retirees. Mr. Kinlaw discussed the Board's Employer Contribution Rate Stabilization Policy (ECRSP) which, as it stands, would increase employer contribution rates for the upcoming fiscal year for non-law enforcement employees from 11.35% to 12.10% of pay and for law enforcement employees from 12.10% to 13.10% of pay (an increase of approximately \$59 million). Mr. Kinlaw stated the amount employers will be paying in the upcoming fiscal year is above and beyond what the actuaries have reported is minimally required and that the ECRSP also states the employer contribution rate should be further increased for any additional benefits provided. Mr. Kinlaw stated the Chair has publicly recommended that the Board use its authority to provide a one-time supplemental payment to LGERS retirees in October of 2022 equal to 2% of each retiree's annual pension and that employer contribution rates should not be increased beyond the increases already planned at 12.10% for non-law enforcement employees and 13.10% for law enforcement employees. Mr. Kinlaw stated that if the Board followed the Chair's recommendation, the one-time supplement would add up to approximately \$33 million and staff would recommend that the Board amend the ECRSP in accordance with

Draft Amendment No. 1 from today's meeting materials to conform with that decision. For the second substantive issue, regarding the Firefighters' and Rescue Squad Workers' Pension Fund (FRWSPF), Mr. Kinlaw stated that the Board had a number of alternatives, one of which was to recommend that the General Assembly provide a one-time supplement of \$40 per retiree, equivalent to 2% of the average annual benefit, and provide an additional State appropriation of \$630,000 to pay for the supplement. For the third substantive issue, regarding the Retirees' Contributory Death Benefit Plan, staff recommended that the Board direct staff to engage with the consulting actuary to study and make recommendations regarding the projected funding shortfall.

Catherine Truitt made a motion (1) to provide a one-time supplement from LGERS equal to 2% of annual retirement allowances in October 2022 to payees as of September 2022; determine that the Board will not authorize a COLA taking effect during the fiscal year ending 2023; and adopt the draft of Amendment No. 1 to the ECRSP as presented by Staff; (2) to recommend that the General Assembly provide a one-time supplement from FRSWPF equal to \$40 per retiree in October 2022 and an additional State appropriation of \$630,000 to pay for this supplement in one year; and (3) direct staff to engage with the consulting actuary to study alternatives for addressing the projected shortfall in the Retirees' Contributory Death Benefit Plan, as documented by the consulting actuary. Cleo Atkinson seconded the motion, and the motion was approved by a unanimous vote of 10-0. Lentz Brewer did not vote.

Public Comments

The Chair recognized Sarah Collins with the North Carolina League of Municipalities, and Ken Noland of the North Carolina City and County Management Association's Retirement Committee. Sam Watts, recognized by the Chair, read aloud a written comment submitted by Bryan Setser, Interim Executive Director of the North Carolina Retired Governmental Employees' Association.

Court Cost Offset for Law Enforcement Officers

The Chair recognized Thomas Causey to discuss the court cost offset to the employer contribution rate for law enforcement officers. Mr. Causey stated that pursuant to N.C. General Statutes § 143-166.50(d) the State Treasurer's Office is required to use certain funds derived from court costs to offset employer contribution rates paid for law enforcement officers. Mr. Causey stated that based on a review of receipts, the Court Cost Offset to the LGERS Employer Contribution rate shall remain at 0.20% of Law Enforcement Officer payroll for the fiscal year beginning July 1, 2022.

Disability Programs Approval of New Medical Board Member

The Chair recognized Thomas Causey who began by providing background on the Medical Board and its role within the Retirement Systems. Mr. Causey shared that Dr. Robert Gaddy resigned from his position on the Board and Dr. David Rockwell was highly recommended by the Medical Board. Mr. Causey stated Dr. Rockwell's resume was included in the board materials, noting that Dr. Rockwell has extensive experience and staff is recommending that the Board appoint Dr. Rockwell to the Medical Board.

Vernon Gammon made a motion to approve the appointment of Dr. Rockwell to the Medical Board, Lentz Brewer seconded the motion, and the minutes were approved by a unanimous vote of 11-0.

Public Comments

No further public comments were made.

Board of Trustees Comments

Oliver Holley showed his appreciation to all State Employees, especially those working in the school systems, and congratulated Dr. Valerie Bridges for being elected the State Superintendent of the Year. Mr. Holley noted the passing of Dr. Michael Elam, President of Halifax Community College, and asked that everyone keep his family and the staff of Halifax Community College in their prayers. Tony Brown seconded the request to keep Dr. Elam's family and the staff of Halifax Community College in everyone's prayers and applauded the Department of State Treasurer's staff for keeping the System working in a great way. The Treasurer noted that today's meeting will close in honor of Dr. Elam, Charlotte-Mecklenburg Police Officer Mia Goodwin, and Master Trooper John Horton.

Adjournment

There being no further business before the Board, Greg Patterson moved to adjourn the meeting. Tony Brown seconded the motion and the motion passed by unanimous vote of 11-0. The meeting was adjourned at 12:00 p.m.

W. J. D.
CHAIR

John A. Curry
SECRETARY

4-28-22
DATE

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES

January 27, 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)

The following packet contains new and updated Statement of Economic Interest (SEI) evaluations issued by the State Ethics Commission. These are being provided for Board members' review and 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 for the following members are being provided for review:

- Wilbur T. "Ted" Brinn (Designee of State Treasurer Dale Folwell)



STATE ETHICS COMMISSION

POST OFFICE BOX 27685

RALEIGH, NC 27611

PHONE: 919-814-3600

Via Email

October 1, 2021

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 Filed by Mr. Wilbur T. Brinn Jr.
Local Governmental Employees' Retirement System Board of Trustees**

Dear Treasurer Folwell:

Our office has received **Mr. Wilbur T. Brinn Jr.**'s 2021 Statement of Economic Interest as an appointee to the **Local Governmental Employees' Retirement System Board of Trustees (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 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).

Mr. Brinn will fill the role of your designee to serve 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: Wilbur T. Brinn Jr.
Laura Rowe, Ethics Liaison

Attachment: Ethics Education Guide