

1997-1998

**HOUSE
PENSIONS &
RETIREMENT**

MINUTES

HOUSE
PENSIONS AND RETIREMENT COMMITTEE
1997-1998

Representative Bobby H. Barbee, Sr.
Chairman

Representative Eugene McCombs
Vice Chairman

Representative Gene Rogers
Ranking Minority Member

Staff Counsel:

Karen Cochrane-Brown	- Staff Attorney
Dennis Ducker	-Director, Retirement Systems Division
Stanley Moore	- Fiscal Analyst

Committee Clerk:
Rosa Murray

HOUSE PENSIONS AND RETIREMENT COMMITTEE

1997-1998 SESSION

MEMBER (Clerk)	TEL.	OFFICE	SEAT
BOBBY H. BARBEE, SR. Chair Rosa Murray, Committee Clerk	3-5908	1025	74
CARY D. ALLRED Jean Allred	3-5773	2223	11
CHARLES M. BEALL Mary Capps	3-5868	510	47
C. ROBERT BRAWLEY Bonnie Trivette	3-5931	513	3
JAMES C. CARPENTER Kara McCraw	3-5777	537	85
WAYNE GOODWIN Ann Smith	3-4838	502	111
ROBERT GRADY Peggy Murray	5-3024	402	37
LYONS GRAY Catherine Parsons	3-5995	532	49
EDWIN MITCHELL HARDY Joel Raupe	5-3019	417A	100
LARRY THOMAS JUSTUS Carolyn Justus	3-5956	2204	2

continued

HOUSE PENSIONS AND RETIREMENT COMMITTEE - Page 2

MEMBER (Clerk)	TEL.	OFFICE	SEAT
EUGENE McCOMBS, Vice Chairman Suzanne Erskine	3-5881	514	10
PAUL REEVES McCRARY Barbara Berry	3-5780	610	55
LINWOOD E. MERCER Kevin LeCount	5-2526	1424	60
WARREN PETE OLDHAM Delta Prince	3-5877	538	58
JEAN R. PRESTON Alice Falcone	5-3026	403	38
LISTON BRYAN RAMSEY Dot Barber	3-5606	2217	48
GENE ROGERS, Ranking Minority Member Judy Veorse	5-3023	416A	35
GENE WILSON Rebecca Jones	3-7727	1109	52
DOUGLAS Y. YONGUE Jenny Umstead	3-5823	1305	94
Dennis Ducker Retirement Systems Director	3-6555	Albemarle Building	
Karen Cochrane-Brown Staff Attorney	3-2578	545	
Stanley Moore Fiscal Analyst	3-4910	619	

PENSIONS AND RETIREMENT COMMITTEE

1997-1998



Bobby Harold Barbee, Sr.
CHAIRMAN



Eugene McCombs
VICE CHAIRMAN



Cary D. Allred



Charles M. Beall



C. Robert Brawley



James C. Carpenter



Wayne Goodwin



Robert Grady



Lyons Gray



Edwin Mitchell Hardy



Larry Thomas Justus



Paul Reeves McCrary



Linwood E. Mercer



Warren Pete Oldham



Jean R. Preston



Liston Bryan Ramsey



Gene Rogers
Ranking Minority
Member



Gene Wilson



Douglas Y. Yongue

ATTENDANCE

HOUSE PENSIONS AND RETIREMENT COMMITTEE

1997-1998

(Name of Committee)

1997

[illegible]

NORTH CAROLINA GENERAL ASSEMBLY
COMMITTEE SUMMARY REPORT

HOUSE: PENSIONS AND RETIREMENT

Valid Through 9-JUL-1997

1997-98 Regular Session

BILL	INTRODUCER	SHORT TITLE	LATEST ACTION ON BILL	IN DATE	OUT DATE
H 97	DICKSON	GASTONIA RETIREMENT FUND	*R -CH. SL 97-0161	02-27-97	03-12-97
H 126	DAUGHTRY	INCREASE PENSION BENEFITS	*H -RE-REF COM ON APPROP	02-13-97	03-06-97
H 264	REDWINE	FIRE/RESCUE OPEN ENROLLMENT	H -RE-REF COM ON APPROP	02-18-97	03-12-97
H 347=	MERCER	INCREASE PENSION BENEFITS-3	H -REF TO COM ON PENS&RET	02-27-97	
H 391=	JARRELL	HIGH POINT FIREMEN'S PENSION	R -CH. SL 97-0067	04-03-97	04-16-97
H 458	BARBEE	CHARTER SCHOOL AMENDMENTS	*H -RE-REF COM ON RULES	04-24-97	04-29-97
H 544	SHERRILL	LOCAL RETIRE/EMPLOYER PAYMENT	H -RE-REF COM ON PENS&RET	03-19-97	04-02-97
H 544	SHERRILL	LOCAL RETIRE/EMPLOYER PAYMENT	H -RE-REF COM ON PENS&RET	04-16-97	
H 642	BARBEE	1997 RETIREMENT BENEFITS ACT	H -RE-REF COM ON APPROP	03-27-97	04-16-97
H 766	MCPAHAN	MECKLENBURG/AMEND LEO DEFINITION	H -RE-REF COM ON PENS&RET	04-16-97	
H1031	GRADY	RETIREMENT INCENTIVE	H -RE-REF COM ON APPROP	04-21-97	04-30-97
H1035	HARDY	STUDY LAW ENFORCEMENT RETIREMENT	*H -RE-REF COM ON RULES	04-21-97	04-30-97
H1111	MCPAHAN	AMEND LEO RETIREMENT DEFINITION-2	H -RE-REF COM ON RULES	04-21-97	04-29-97
H1118	MILLER G	RESTORE SUSPENDED BENEFITS	H -REF TO COM ON PENS&RET	04-21-97	
S 297=	GULLEY W	AMEND CHARTER SCHOOL LAWS	*S -RE-REF COM ON ED/HIED	06-11-97	06-26-97
S 299	MARTIN R	LONG-TERM CARE BENEFITS	*H -RE-REF COM ON INS	06-11-97	06-26-97
S 352=	PLYLER	CURRENT OPERATIONS APPROPRIATIONS	*H -CONF COM APPOINTED	06-02-97	06-03-97
S 673	ODOM	AMEND LEO RETIREMENT DEFINITION	*R -CH. SL 97-0144	05-01-97	05-21-97
S 713	REEVES	RALEIGH FIREMEN'S SUPP RETIREMENT	H -RE-REF COM ON PENS&RET	06-25-97	

NOTES- = AFTER BILL NUMBER SHOWS THAT BILL IS IDENTICAL, AS INTRODUCED, TO ANOTHER BILL.

* AFTER NUMBERS INDICATES THAT TEXT OF BILL WAS ALTERED BY ACTION ON THE BILL.

BOLDED LINE INDICATES BILL INDEXED AS AFFECTING APPROPRIATIONS.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

February 26, 1997

Room 1425

12:00 Noon

AGENDA

1. Opening Remarks

Representative Barbee, Chairman

2. Presentations

Dennis Ducker, Director, Retirement Systems
Division, Department of State Treasurer

Karen Cochrane-Brown, Staff Attorney

Stanley Moore, Fiscal Analyst

3. Adjournment

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
February 26, 1997

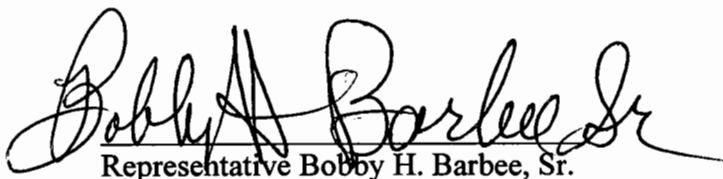
The House Committee on Pensions and Retirement met in Room 1425 of the Legislative Building on February 26, 1997 at 12:00 noon. Representative Bobby Barbee, Sr., Chairman, presided at the meeting and the following members were present: Representative Rogers, Ranking Minority Member, Representatives Allred, Beall, Carpenter, Goodwin, Grady, McCrary, Oldham, and Gene Wilson.

Chairman Barbee welcomed the members and guests and recognized the committee page, David Nida of Warren County, Billy Crocker of the Sergeant-at-Arms staff and Committee Clerk, Rosa Murray. Each member was asked to introduce himself, and the chairman asked the guests, listed on the attached Visitor Registration Sheet, to tell the committee who they represent.

Chairman Barbee recognized Dennis Ducker, Director of the Retirement Systems Division, Department of State Treasurer, for a presentation, an overview of the Retirement System including Summary of Actuarial Gains and Losses, January, 1997 and GASP 25/27 Assets at Market-Related Value Summary of Actuarial Gains' (Handout Attached). Several members directed questions to Mr. Ducker concerning these figures.

Stanley Moore, Fiscal Analyst, and Karen Cochrane-Brown, Staff Attorney, were recognized and welcomed as staff for the committee in this session.

Chairman Barbee adjourned the meeting at 12:40 p.m.



Representative Bobby H. Barbee, Sr.
Chairman



Rosa Murray
Clerk

VISITOR REGISTRATION SHEET

HOUSE PENSIONS AND RETIREMENT

February 26, 1997

Name of Committee

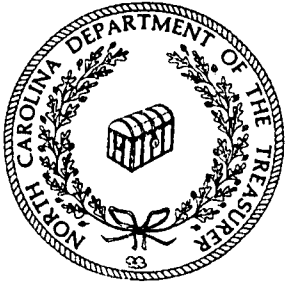
Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

NAME	FIRM OR AGENCY AND ADDRESS
Ray Presnell Jr.	N.C. Retired School Personnel
Leigh H. Hammond	NC Retired Governmental Employees Assn
Bill Wilson	NCAE
Chris Washington	NCAE
B. G. Gentry	WS PFA
Richard L. O'Brien	Prof. Fire Fighters of NC
LYNN WILSON	SEANC
Jack Pruitt	Dept. St. Treasurer
Dennis Ducker	" "



DEPARTMENT OF STATE TREASURER

Retirement Systems Division

Presentation to the House Committee on Pensions and Retirement

February 26, 1997

GENERAL

Legislative Purposes

- Recruit and keep a good public workforce
- Reward career public sector employment
- Protection in cases of disability and death
- Provide deferred income after retirement

Retirement Benefits

- “Defined Benefit Plans”
- Based on Formula/Service/Salary/Age
- Not related to contributions or contribution rates

Retirement Funding

- Trust funds for exclusive purpose
- Long-term promises recognized
- Reserves to guarantee benefits
- Prefunding future payments
- Costs funded by taxpayers served
- Combined member and employer contributions
- Level contributions as a percentage of payroll

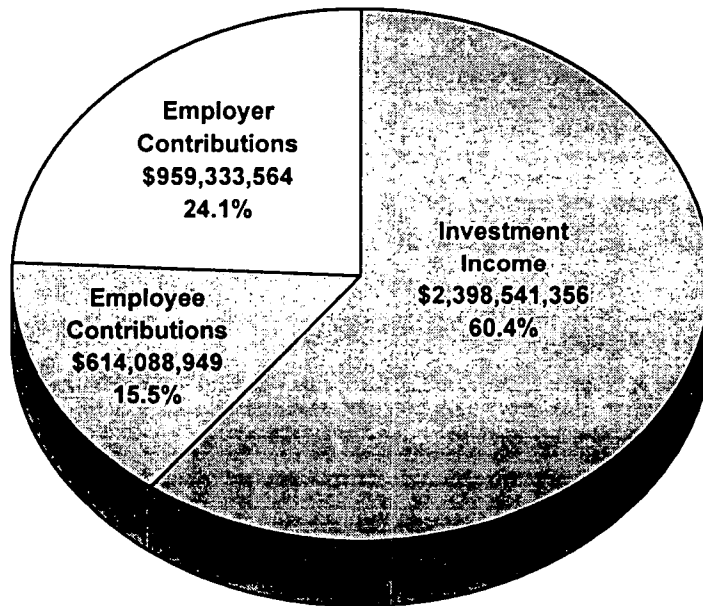
BENEFIT PROGRAMS ADMINISTERED

- **Teachers' and State Employees' Retirement System**
- **Local Governmental Employees' Retirement System**
- **Consolidated Judicial Retirement System**
- **Legislative Retirement System and Legislative Fund**
- **Firemen's and Rescue Squad Workers' Pension Fund**
- **Supplemental Retirement Income Plan [401 (K)]**
- **Disability Income Plan / Teachers and State Employees**
- **Public Employee Benefit Trust**
 - **Death Benefit for Teachers and State Employees**
 - **Death Benefit for Local Governmental Employees**
 - **Death Benefit for Legislators**
 - **Death Benefit for Retirees**
 - **Separate Insurance Plan for Law Enforcement**
- **National Guard Pension Plan**
- **Registers of Deeds Supplemental Pension Plan**

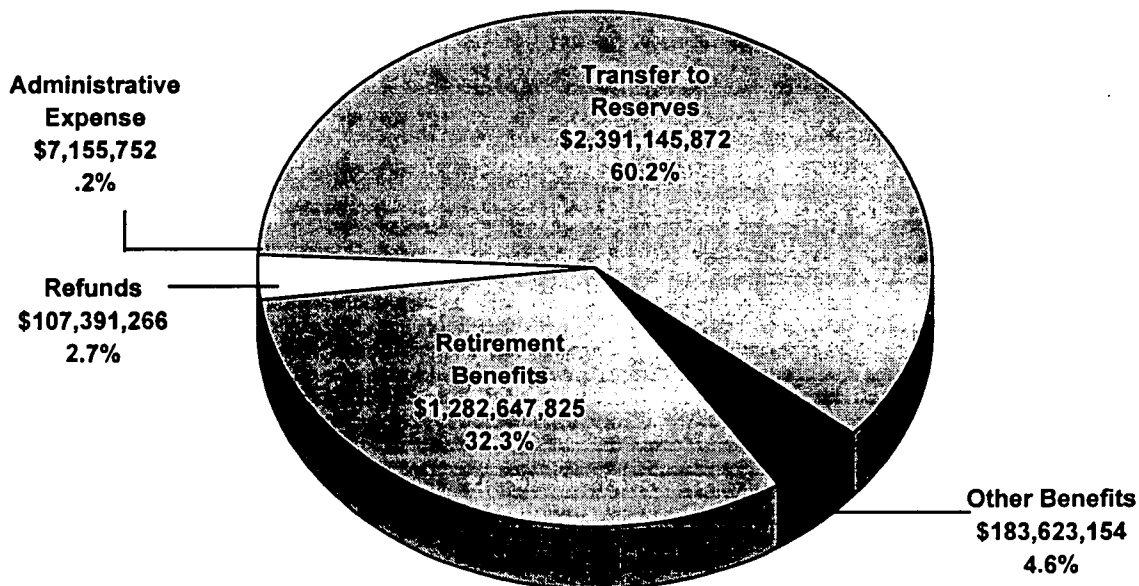
DEPARTMENT OF STATE TREASURER RETIREMENT SYSTEMS DIVISION

Twelve Months Ended December 31, 1996
(Unaudited)

Sources of Funds



Applications of Funds



**DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION**

**Financial Highlights
Year Ended December 31, 1996
(Unaudited)**

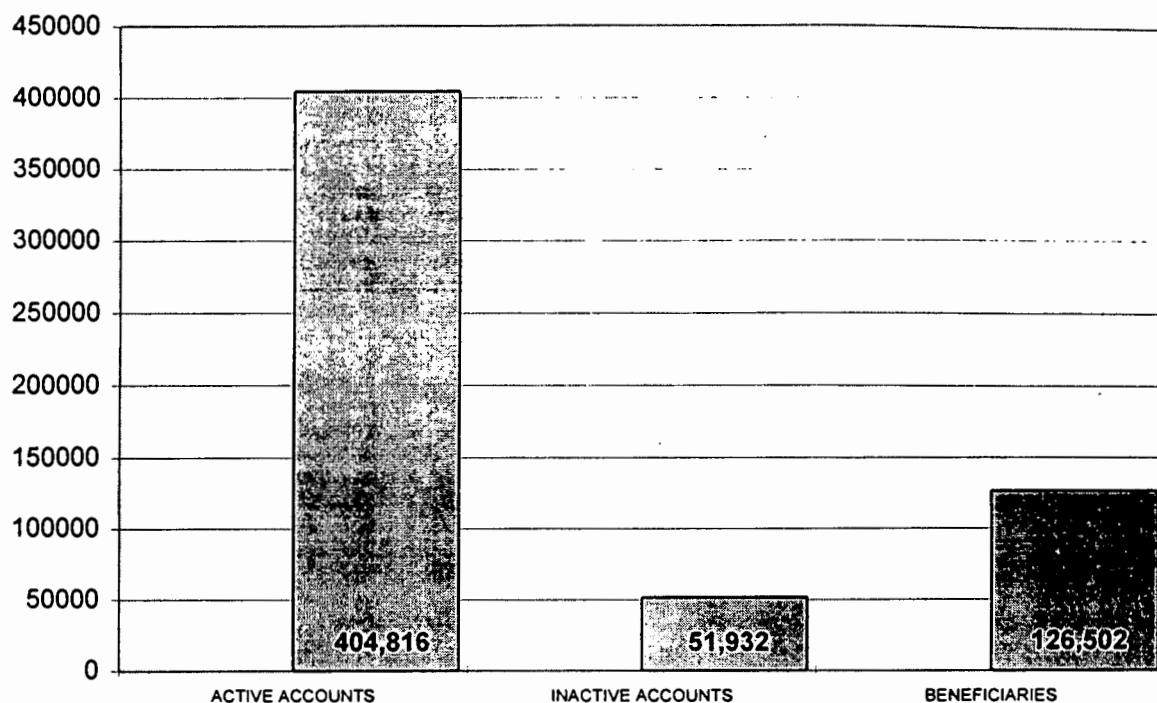
	<u>TSERS</u>	<u>LGERS</u>	<u>CJRS</u>	<u>LRS</u>	<u>FRSWPF (3)</u>	<u>OTHER</u>	<u>TOTAL</u>
Beginning Balance	\$22,178,591,785	\$5,411,167,465	\$164,358,605	\$12,883,019	\$110,195,711	\$431,894,688	\$28,309,091,273
Investment Income	1,883,073,012	461,554,897	13,870,587	1,069,344	10,722,943	28,250,573	2,398,541,356
Employee Contributions (1)	438,269,112	163,812,749	2,431,675	313,833	2,955,106	6,306,474	614,088,949
Employer Contributions (2)	583,646,832	147,303,471	7,702,193	793,783	11,735,187	208,152,098	959,333,564
Total Receipts	2,904,988,956	772,671,117	24,004,455	2,176,960	25,413,236	242,709,145	3,971,963,869
Retirement Benefits	1,042,160,775	216,777,574	9,869,243	740,439	10,940,235	2,159,559	1,282,647,825
Other Benefits						183,623,154	183,623,154
Refunds	64,455,176	41,774,145	77,424	2,260	1,082,261	0	107,391,266
Administrative Expense	4,309,231	1,565,023	18,552	4,243	321,572	937,131	7,155,752
Total Disbursements	1,110,925,182	260,116,742	9,965,219	746,942	12,344,068	186,719,844	1,580,817,997
Transfer To Reserves	1,794,063,774	512,554,375	14,039,236	1,430,018	13,069,168	55,989,301	2,391,145,872
Ending Balance	\$23,972,655,559	\$5,923,721,840	\$178,397,841	\$14,313,037	\$123,264,879	\$487,883,989	\$30,700,237,145

Footnotes:

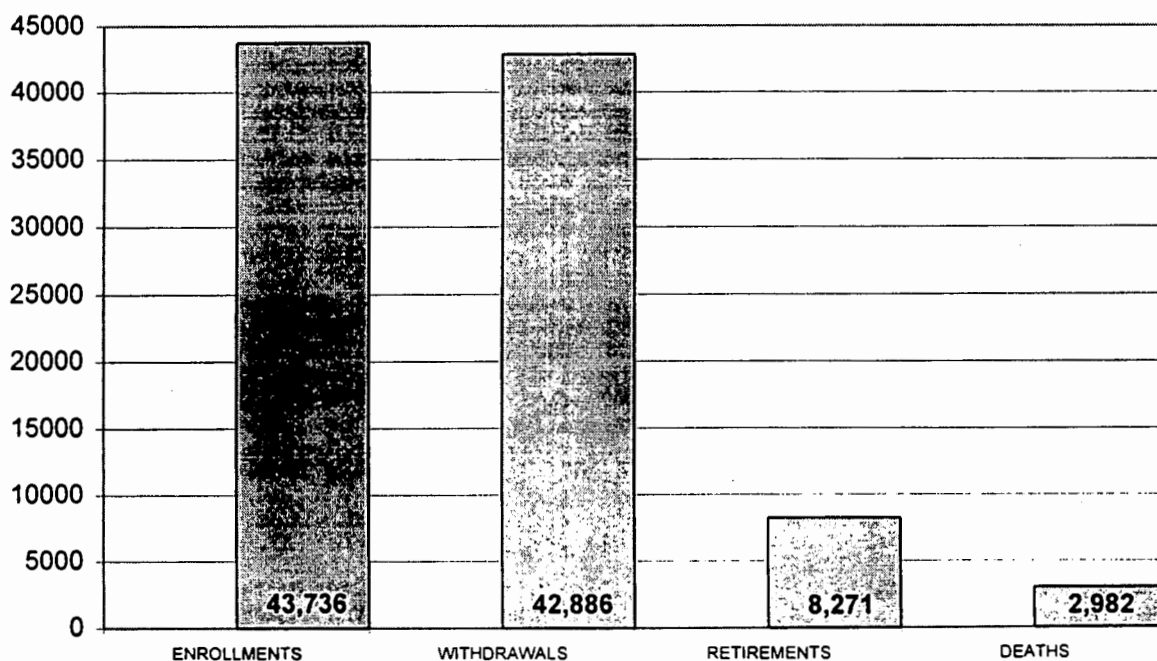
(1) Contribution Rate	6.00%	6.00%	6.00%	7.00%	\$120 Yr
(2) Contribution Rate	8.15%	5.24% (4)	20.65%	21.27%	430 Yr
(3) Year Ended June 30, 1996					
(4) Average					

DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

Accounts as of December 31, 1996



Account Activity for the
Twelve Month Period Ended December 31, 1996



**DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION**

**Membership Activity Summary
Year Ended December 31, 1996**

	<u>TSERS</u>	<u>LGERS</u>	<u>FRSWPF(1)</u>	<u>CJRS</u>	<u>LRS</u>	<u>TOTAL</u>
Beginning Active Members	256,904	101,341	28,099	438	167	386,949
Beginning Beneficiaries	85,036	22,825	6,613	330	163	114,967
New Members	28,325	13,057	2,338	12	4	43,736
Retirements	5,953	1,892	408	13	5	8,271
Withdrawals (2)	7,675	5,191	3,790	3	2	16,661
Deaths - Active	699	205	32	0	1	937
Deaths - Beneficiaries	2,199	585	182	9	7	2,982
Ending Active Members	270,902	107,110	26,207	434	163	404,816
Ending Beneficiaries (3)	88,790	24,132	6,839	334	161	120,256

(1) Data for the year ended June 30, 1996

(2) An additional 26,225 inactive accounts were transferred to pension accumulation funds.

(3) An additional 6,246 beneficiaries are in receipt of monthly benefits from the National Guard Pension Fund, Legislative Retirement Fund, Register of Deeds Supplemental Pension Fund, Disability Income Plan of North Carolina.

**DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION**

FUNDED RATIOS

Year Ended December 31, 1995
(Dollars in Thousands)

<u>Retirement System</u>	<u>Actuarial Liabilities</u>	<u>Assets</u>	<u>Unfunded Liabilities</u>	<u>Percentage Funded</u>
Teachers' and State Employees'	\$22,663,750	\$ 22,178,592	\$ 485,158	97.9%
Local Governmental Employees'	5,472,970	5,411,167	61,803	98.9%
Firemen's and Rescue Squad Workers' *	160,233	123,265	36,968	76.9%
Consolidated Judicial	175,127	164,359	10,768	93.8%
Legislative	12,685	12,883	(198)	101.6%

* Data for the year ended June 30, 1996

CONTRIBUTION RATES

Year Ended June 30, 1997

<u>Retirement System</u>	<u>Member Contribution</u>	<u>Employer Contribution</u>
Teachers' and State Employees'	6%	8.15%
Local Governmental Employees'	6%	5.24%*
Fireman's and Rescue Squad Workers'	\$120 a year	\$450 a year
Consolidated Judicial	6%	20.65%
Legislative	7%	22.58%

* Average

SUMMARY OF ACTUARIAL GAINS AND LOSSES¹ FOR PRESENTATION TO THE 1997 GENERAL ASSEMBLY

<u>Retirement System</u>	<u>Present Value Gain or (Loss)²</u>	<u>Alternatives</u>		
		<u>Employer Contributions</u>	<u>Unfunded Accrued Liability Period</u>	<u>Enhance Benefits</u>
Teachers' and State Employees'	\$409,257,000	Decrease Unfunded Rate ³ by 0.94% for a Savings to the General Fund of \$51,653,000 and to the Highway Fund of \$4,192,000	N/A ⁴	Increases Equal to 0.94% of Members Covered Payroll
Local Governmental Employees'	\$ 81,732,000	Decrease Normal Rate ⁵ by 0.30% for a Savings to Employers of \$9,000,000	N/A	Increases Equal to 0.30% of Members Covered Payroll
Consolidated Judicial	\$ 2,271,000	Decrease Unfunded Rate ⁶ by 0.87% for a Savings to the General Fund of \$339,000	Decrease Liquidation from 9 Years to 7 Years from December 31, 1995	Increases Equal to 0.87% of Members Covered Payroll
Disability Income Plan	(\$ 33,666,000) ⁷	N/A	N/A	N/A

FOOTNOTES:

¹Gains and losses are a result of the actuarial valuation of assets and liabilities for the year ended December 31, 1995.

²Amounts are the present value of future employer contributions.

³The total employer contribution rate for 1996-97 is 8.15%. The estimated payrolls are \$5,495,000,000 for the General Fund and \$446,000,000 for the Highway Fund.

⁴The liquidation period for unfunded accrued liabilities is frozen at nine years for the 1995-97 biennium.

⁵The current normal employer contribution rates are 4.63% for General Employees and 5.10% for Law Enforcement Officers. The total estimated payroll is \$3,000,000,000.

⁶The total employer contribution rate for 1996-97 is 20.65%. The estimated payroll is \$39,000,000.

⁷The employer contribution rate for 1996-97 is 0.52%. The total estimated General Fund payroll is \$5,865,000,000 and the estimated Highway Fund payroll is \$446,000,000.

GASB 25/27 ASSETS AT MARKET-RELATED VALUE SUMMARY OF ACTUARIAL GAINS¹ FOR PRESENTATION TO THE 1997 GENERAL ASSEMBLY

Alternatives

<u>Retirement System</u>	<u>Present Value²</u>	<u>Employer Contributions</u>	<u>Unfunded Accrued Liability Period</u>	<u>Enhance Benefits</u>
Teachers' and State Employees'	\$927,500,000	Decrease Unfunded Rate ³ by 2.13% for a Savings to the General Fund of \$117,044,000 and to the Highway Fund of \$9,500,000	N/A	Increases Equal to 2.13% of Members Covered Payroll
Local Governmental Employees'	\$ 219,700,000	Decrease Normal Rate ⁴ by 0.81% for a Savings to Employers of \$24,300,000	N/A	Increases Equal to 0.81% of Members Covered Payroll
Consolidated Judicial	\$ 6,700,000	Decrease Unfunded Rate ⁵ by 2.57% for a Savings to the General Fund of \$1,002,000	Decrease Liquidation from 9 Years to 4 Years from December 31, 1995	Increases Equal to 2.57% of Members Covered Payroll

FOOTNOTES:

¹Gains would be the result of the recognition of an actuarial (market-related) valuation of assets for the year ended December 31, 1995, under Governmental Accounting Standards Board Statements Number 25 and 27.

²Amounts are the present value of future employer contributions.

³The total employer contribution rate for 1996-97 is 8.15%. The estimated payrolls are \$5,495,000,000 for the General Fund and \$446,000,000 for the Highway Fund.

⁴The current normal employer contribution rates are 4.63% for General Employees and 5.10% for Law Enforcement Officers. The total estimated payroll is \$3,000,000,000.

⁵The total employer contribution rate for 1996-97 is 20.65%. The estimated payroll is \$39,000,000.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

March 5, 1997
Room 612
Legislative Office Building
12:00 Noon

AGENDA

1. Opening Remarks

Representative Barbee, Chairman

2. Bills to be Considered

House Bill 126 - Increase Pensions Benefits

Sponsor: Representative Daughtry

~~House Bill 264 - Fire/Rescue Open Enrollment~~

~~Sponsor: Representative Redwine~~ *Withdrawn*

3. Adjournment

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
March 5, 1997

The House Committee on Pensions and Retirement met in Room 612 of the Legislative Office Building on March 5, 1997 at 12:00 noon. Representative Bobby Barbee, Sr., Chairman, presided at the meeting and the following members were present: Representatives Beall, Carpenter, Goodwin, Grady, Gray, Hardy, Justus, McCrary, Mercer, Oldham, Ramsey, G. Wilson, Yongue, and Daughtry.

Chairman Barbee welcomed the members and guests and asked those who had not been present at the last meeting to tell the committee something about themselves. Visitor Registration Sheet is attached. (Attachment I)

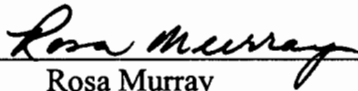
Chairman Barbee recognized Representative Daughtry, bill sponsor, to explain House Bill 126, AN ACT TO INCREASE THE MONTHLY BENEFITS FROM THE NORTH CAROLINA FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND, which amends GS58-86-55 to raise the monthly pensions of workers named in title from \$135 to \$141. Karen Cochrane-Brown submitted for distribution to members a copy of memorandum explaining the effect of the bill. (Attachment II).

Representative Mercer sent forward an Amendment (Attachment III) and moved that the Amendment be adopted. Dennis Ducker, Director of the Retirement Systems Division, was called on to comment on the bill. After some discussion Chairman Barbee called for the vote and the Amendment was adopted unanimously. Representative Ramsey moved that the Amendment be rolled over into a Committee Substitute with a favorable report before going to the floor of the House and an unfavorable report for the original bill.

Chairman Barbee recognized the Pages, Anna Sweeting of Johnson County and P. J. Vincent, Jr. of Northampton County. Sherrill Coats from the Sergeant-at-Arms office was introduced, and Joyce Bulluck was thanked for assisting with the meeting.

The meeting was adjourned at 12:25 P.M.


Representative Bobby H. Barbee, Sr.
Chairman


Rosa Murray
Clerk

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) Barbee for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

H.B. 126 A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY
BENEFITS FROM THE NORTH CAROLINA FIREMEN'S AND RESCUE SQUAD
WORKERS' PENSION FUND.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐

☒ With a favorable report as to committee substitute bill (#), ☐ which changes the title,
unfavorable as to original bill (~~Committee Substitute Bill #~~), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on Appropriations.

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 126

Short Title: Increase Pension Benefits.

(Public)

Sponsors: Representatives Daughtry; Allred, Beall, Bowie, Capps, Davis, Dedmon, Easterling, Hall, Insko, Miller, Moore, Morris, Mosley, Sexton, Shubert, Smith, Thompson, and Yongue.

Referred to: Pension and Retirement, if favorable, Appropriations.

February 13, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE MONTHLY BENEFITS FROM THE NORTH
3 CAROLINA FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION
4 FUND.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 58-86-55 reads as rewritten:

7 "**§ 58-86-55. Monthly pensions upon retirement.**

8 Any member who has served 20 years as an 'eligible fireman' or 'eligible rescue
9 squad worker' in the State of North Carolina, as provided in G.S. 58-86-25 and G.S.
10 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
11 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
12 ~~thirty-five dollars (\$135.00)~~ one hundred forty-one dollars (\$141.00) per month. Any
13 retired fireman receiving a pension of ~~one hundred ten dollars (\$110.00)~~ per month
14 shall, effective July 1, ~~1995, 1997~~, receive a pension of ~~one hundred thirty-five dollars~~
15 ~~(\$135.00)~~ one hundred forty-one dollars (\$141.00) per month.

16 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35
17 and G.S. 58-86-40 for a period of no longer than 20 years. No 'eligible rescue squad
18 member' shall receive a pension prior to July 1, 1983. No member shall be entitled to
19 a pension hereunder until the member's official duties as a fireman or rescue squad
20 worker for which the member is paid compensation shall have been terminated and
21 the member shall have retired as such according to standards or rules fixed by the
22 board of trustees.

1 A member who is totally and permanently disabled while in the discharge of the
2 member's official duties as a result of bodily injuries sustained or as a result of
3 extreme exercise or extreme activity experienced in the course and scope of those
4 official duties and who leaves the fire or rescue squad service because of this
5 disability shall be entitled to be paid from the fund a monthly benefit in an amount
6 of ~~one hundred thirty-five dollars (\$135.00)~~ one hundred forty-one dollars (\$141.00)
7 per month beginning the first month after the member's fifty-fifth birthday. All
8 applications for disability are subject to the approval of the board who may appoint
9 physicians to examine and evaluate the disabled member prior to approval of the
10 application, and annually thereafter. Any disabled member shall not be required to
11 make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and
12 G.S. 58-86-40.

13 A member who is totally and permanently disabled for any cause, other than line
14 of duty, who leaves the fire or rescue squad service because of this disability and who
15 has at least 10 years of service with the pension fund, may be permitted to continue
16 making a monthly contribution of ten dollars (\$10.00) to the fund until the member
17 has made contributions for a total of 240 months. The member shall upon attaining
18 the age of 55 years be entitled to receive a pension as provided by this section. All
19 applications for disability are subject to the approval of the board who may appoint
20 physicians to examine and evaluate the disabled member prior to approval of the
21 application and annually thereafter.

22 A member who, because his residence is annexed by a city under Part 2 or Part 3
23 of Article 4 of Chapter 160A of the General Statutes, or whose department is closed
24 because of an annexation by a city under Part 2 or Part 3 of Article 4 of Chapter
25 160A of the General Statutes, and because of such annexation is unable to perform as
26 a fireman of any status, and if the member has at least 10 years of service with the
27 pension fund, may be permitted to continue making a monthly contribution of ten
28 dollars (\$10.00) to the fund until the member has made contributions for a total of
29 240 months. The member upon attaining the age of 55 years and completion of such
30 contributions shall be entitled to receive a pension as provided by this section. Any
31 application to make monthly contributions under this section shall be subject to a
32 finding of eligibility by the Board of Trustees upon application of the member.

33 The pensions provided shall be in addition to all other pensions or benefits under
34 any other statutes of the State of North Carolina or the United States,
35 notwithstanding any exclusionary provisions of other pensions or retirement systems
36 provided by law."

37 Section 2. This act becomes effective July 1, 1997.



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

Ernest W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

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Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

March 4, 1997

MEMORANDUM

TO: Representative Leo Daughtry

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note (House Bill 126)

Re: Increases the monthly benefit to members and retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$135 to \$141 effective July 1, 1997.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, February 26, 1997
- (3) Actuarial Note. Dilts, Umstead & Dunn, February 25, 1997

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 126

SHORT TITLE: Increase Pension Benefits

SPONSOR(S): Representative Daughtry

SYSTEM OR PROGRAM AFFECTED: North Carolina Firemen's and Rescue Squad Workers' Pension Fund

FUNDS AFFECTED: General Fund

BILL SUMMARY: Increases the monthly benefit to members and retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$135 to \$141.

EFFECTIVE DATE: July 1, 1997

ESTIMATED IMPACT ON STATE:

SYSTEM ACTUARY

	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02
GENERAL FUND	\$1,690,944	\$1,690,944	\$1,690,944	\$1,690,944	\$1,690,944

GENERAL ASSEMBLY ACTUARY

	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02
GENERAL FUND	\$1,794,000	\$1,794,000	\$1,794,000	\$1,794,000	\$1,794,000

ASSUMPTIONS AND METHODOLOGY: The cost estimates of the System's Actuary are based on the membership data, actuarial assumptions and actuarial methods used to prepare the June 30, 1996 actuarial valuation of the fund. The data included 26,071 active members and 6,949 retired members in receipt of annual pensions totaling \$11.1 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Dilts, Umstead & Dunn

TECHNICAL CONSIDERATIONS: Based on the June 30, 1996 actuarial valuation, the Fund's actuary recommended an appropriation of \$10,529,354 in order to maintain the present level of benefits. The appropriation in past years has been \$11,735,187 and the Governor's continuation budget reflects an appropriation of \$11,735,187 which is \$1,205,833 more than needed to maintain the present level of benefits. Also as a result of method of reporting a market related value of assets rather than book value, the actuary's valuation for year ending June 30, 1996 would produce a difference of \$737,062 in appropriations for 1997-98. The \$1,205,833 difference in needed appropriation and recommended appropriation plus \$737,062 gives a total of \$1,942,895 that the State's General Fund appropriation to the Firemen's and Rescue Squad Workers' Pension Fund could be reduced without having any negative impact on the actuarial soundness of the System, or the General Assembly could increase retirement benefits for members of the Fund.

FISCAL RESEARCH DIVISION The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: March 3, 1997



**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

February 26, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1388

Dear Mr. Ducker:

Re: **House Bill 126**

We have received your letter of February 13 regarding House Bill 126 which affects the Firemen's and Rescue Squad Workers' Pension Fund.

This legislation appears to provide, effective on and after July 1, 1997, for a six dollar (\$6.00) increase in the monthly pensions payable to current and future pensioners from this Pension Fund. The current monthly pension payment is \$135.00 and the increase provided under this legislation would cause the monthly pension payment to be \$141.00.

Our cost estimate is based on the Fund's valuation as of June 30, 1996, including a funding basis of six years for unfunded accrued liabilities. The funding mechanism for this legislation would be to utilize (i) the Pension Fund's unencumbered actuarial gains as of June 30, 1996, and (ii) additional gains by recognizing the market-related value of the Fund's assets under the parameters of Governmental Accounting Standards Board Statements number 25 and 27.

Under the assumption that the current annual contribution amount of \$11,735,072 is continued in the 1997-98 fiscal year, there is \$1,205,718 available from actuarial gains as of June 30, 1996, to offset the required contributions for benefit improvements. An additional \$737,062 from utilizing the market-related value of assets is also available to offset the required contributions for benefit improvements. The total available contribution is \$1,942,780. The annual cost of this proposed legislation is \$1,690,944. Therefore, this legislation would not require additional appropriations. The following table shows the required annual contribution for this legislation and the offsetting use of gains.

Mr. Dennis Ducker
February 26, 1997
Page 2

**- ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR A \$6.00 INCREASE IN PENSION FOR
CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution for \$6.00 increase:	
Normal	\$ 187,710
Accrued liability	<u>1,503,234</u>
Total	\$ 1,690,944
Available contribution due to actuarial gains:	
6-30-96 valuation	\$ 1,205,718
Recognizing MRV assets	<u>737,062</u>
Total	\$ 1,942,780
Additional appropriation required	\$ (251,836)

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

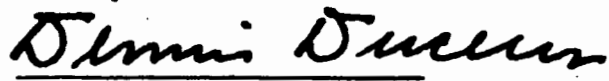
Sincerely,



Donald M. Overholser
Principal and Consulting Actuary

DMO:jg
H:\HOME\ACT\NC\97.DOC

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



DILTS, UMSTEAD & DUNN

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (704) 731-4038
Fax: (910) 731-2583

668 Link Road
Lexington, NC 27295

February 25, 1997

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 126: An Act to Increase the Monthly Benefits from
the NC Firemen's and Rescue Squad Workers' Pension Fund

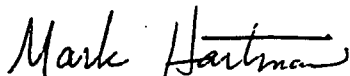
Dear Mr. Moore:

This bill would rewrite G.S. 58-86-55 to increase the monthly retirement benefit for firemen and rescue workers from \$135 per month to \$141 per month, effective July 1, 1997. This increase would apply to both active plan participants and current retirees.

The estimated cost of this Act for the fiscal year beginning July 1, 1997, is \$1,794,000. This estimation is based on the data contained in the most recent actuarial valuation prepared as of June 30, 1996, and amortization of the unfunded accrued liability over a six year period.

If you have any questions, please let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 3-4-97
Legislative Fiscal Research



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Office
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

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March 4, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: **House Bill 126 - Increase Pension Benefits.**

House Bill 126 increases the monthly benefits paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from \$135.00 to \$141.00. In order to be eligible for the benefit, members must pay \$10.00 per month for a period of 20 years, be at least 55 years of age and have obtained at least 20 years of service. The benefit would be increased for those already retired and those who retire in the future. In addition, the bill makes an identical increase in the benefit paid to members who become totally and permanently disabled in the line of duty. These benefits were previously increased, effective July 1, 1995, from \$110.00 to \$135.00.

This act would become effective July 1, 1997.



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 126

H126-ALL-001

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)
Page 1 of _____



Date _____, 1997

Comm. Sub. ☐
Amends Title ☐

Representative Mercer

- 1 moves to amend the bill on page 2, lines 36-37,
- 2 by inserting between those lines a new section to read:
- 3
- 4 "Section 2. It is the intent of the General Assembly to
- 5 provide cost-of-living increases to members and retirees of the
- 6 Firemen's and Rescue Squad Workers' Pension Fund at a rate equal to
- 7 any cost-of-living increases provided to beneficiaries of the
- 8 Teachers' and State Employees' Retirement System, to the extent that
- 9 funds are available."
- 10
- 11 and by renumbering the subsequent section accordingly.
- 12

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

D

HOUSE BILL 126

Proposed Committee Substitute H126-PCSA195

Short Title: Increase Pension Benefits.

(Public)

Sponsors:

Referred to:

February 13, 1997

A BILL TO BE ENTITLED

1 AN ACT TO INCREASE THE MONTHLY BENEFITS FROM THE NORTH
2 CAROLINA FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION
3 FUND.
4

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 58-86-55 reads as rewritten:

7 "**§ 58-86-55. Monthly pensions upon retirement.**

8 Any member who has served 20 years as an 'eligible fireman' or 'eligible rescue
9 squad worker' in the State of North Carolina, as provided in G.S. 58-86-25 and G.S.
10 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
11 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
12 ~~thirty-five dollars (\$135.00)~~ one hundred forty-one dollars (\$141.00) per month. Any
13 retired fireman receiving a pension of ~~one hundred ten dollars (\$110.00)~~ per month
14 shall, effective July 1, ~~1995, 1997~~, receive a pension of ~~one hundred thirty-five dollars~~
15 ~~(\$135.00)~~ one hundred forty-one dollars (\$141.00) per month.

16 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35
17 and G.S. 58-86-40 for a period of no longer than 20 years. No 'eligible rescue squad
18 member' shall receive a pension prior to July 1, 1983. No member shall be entitled
19 to a pension hereunder until the member's official duties as a fireman or rescue
20 squad worker for which the member is paid compensation shall have been terminated
21 and the member shall have retired as such according to standards or rules fixed by
22 the board of trustees.

1 A member who is totally and permanently disabled while in the discharge of the
2 member's official duties as a result of bodily injuries sustained or as a result of
3 extreme exercise or extreme activity experienced in the course and scope of those
4 official duties and who leaves the fire or rescue squad service because of this
5 disability shall be entitled to be paid from the fund a monthly benefit in an amount
6 of ~~one hundred thirty-five dollars (\$135.00)~~ one hundred forty-one dollars (\$141.00)
7 per month beginning the first month after the member's fifty-fifth birthday. All
8 applications for disability are subject to the approval of the board who may appoint
9 physicians to examine and evaluate the disabled member prior to approval of the
10 application, and annually thereafter. Any disabled member shall not be required to
11 make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and
12 G.S. 58-86-40.

13 A member who is totally and permanently disabled for any cause, other than line
14 of duty, who leaves the fire or rescue squad service because of this disability and who
15 has at least 10 years of service with the pension fund, may be permitted to continue
16 making a monthly contribution of ten dollars (\$10.00) to the fund until the member
17 has made contributions for a total of 240 months. The member shall upon attaining
18 the age of 55 years be entitled to receive a pension as provided by this section. All
19 applications for disability are subject to the approval of the board who may appoint
20 physicians to examine and evaluate the disabled member prior to approval of the
21 application and annually thereafter.

22 A member who, because his residence is annexed by a city under Part 2 or Part 3
23 of Article 4 of Chapter 160A of the General Statutes, or whose department is closed
24 because of an annexation by a city under Part 2 or Part 3 of Article 4 of Chapter
25 160A of the General Statutes, and because of such annexation is unable to perform as
26 a fireman of any status, and if the member has at least 10 years of service with the
27 pension fund, may be permitted to continue making a monthly contribution of ten
28 dollars (\$10.00) to the fund until the member has made contributions for a total of
29 240 months. The member upon attaining the age of 55 years and completion of such
30 contributions shall be entitled to receive a pension as provided by this section. Any
31 application to make monthly contributions under this section shall be subject to a
32 finding of eligibility by the Board of Trustees upon application of the member.

33 The pensions provided shall be in addition to all other pensions or benefits under
34 any other statutes of the State of North Carolina or the United States,
35 notwithstanding any exclusionary provisions of other pensions or retirement systems
36 provided by law."

37 Section 2. It is the intent of the General Assembly to provide cost-of-
38 living increases to members and retirees of the Firemen's and Rescue Squad
39 Workers' Pension Fund at a rate equal to any cost-of-living increases provided to
40 beneficiaries of the Teachers' and State Employees' Retirement System, to the extent
41 that funds are available.

42 Section 3. This act becomes effective July 1, 1997.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

March 12, 1997
Room 1425
12:00 Noon

AGENDA

1. Opening Remarks

Representative Barbee, Chairman

2. Bills to be Considered

House Bill 264 - Fire/Rescue Open Enrollment
Sponsor: Representative Redwine

House Bill 97 - Gastonia Supplemental Funds
Sponsor: Representative Dickson

3. Adjournment

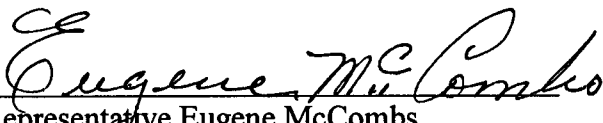
MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
March 12, 1997

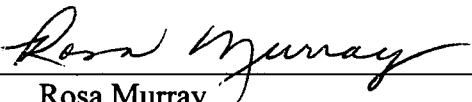
The House Committee on Pensions and Retirement met in Room 1425 of the Legislative Building on March 12, 1997 at 12:00 noon. Representative Eugene McCombs, Vice Chairman, presided at the meeting in the absence of Chairman Barbee who was called away due to the death of a friend. Members present were: Representatives Rogers, Beall, Brawley, Carpenter, Goodwin, Grady, Hardy, Justus, McCrary, Mercer, Oldham, Ramsey, and G. Wilson. There were visitors at the meeting as recorded on the attached Visitor's Registration Sheet. Vice Chairman McCombs introduced assisting Page, Catherine Kimberly of Wake County, and Sergeant-at-Arms, Billy Crocker.

Representative Dickson, bill sponsor for House Bill 97, was called on to explain the bill which amends the Charter of the City of Gastonia to exempt the Gastonia Firemen's Supplemental Retirement Fund and the Gastonia Policemen's Supplemental Retirement Fund from the Local Government Budget and Fiscal Control Act. Karen Cochrane-Brown, Staff Attorney, was recognized to comment on the bill and her Memorandum (Attachment I). After much discussion Representative Goodwin made motion for a favorable report and the motion carried unanimously.

Vice Chairman McCombs recognized Representative Redwine, bill sponsor, to explain House Bill 264 which amends the law governing the North Carolina Firemen's and Rescue Squad Workers' Pension Fund to allow additional retroactive membership in the Fund. Karen Cochrane-Brown was called on to add to the explanation of the bill and her Memorandum (Attachment II). Stanley Moore, Fiscal Analyst, and Dennis Ducker, Director of Retirement Systems Division, spoke on the fiscal aspects of the bill. Mr. Ducker advised that the bill would require additional appropriations. Mrs. Virginia Parnell of Holden Beach, N. C., a member of the Coastline Rescue Squad, was recognized to speak, and she asked that the committee approve the bill. Representative Ramsey moved for a favorable report. There was much discussion. Vice Chairman McCombs called for a vote and the motion carried. The bill was re-referred to the Appropriations Committee.

The meeting was adjourned at 12:45 P.M.


Representative Eugene McCombs
Vice Chairman


Rosa Murray
Clerk

VISITOR REGISTRATION SHEET

HOUSE PENSIONS AND RETIREMENT

MARCH 12, 1997

Name of Committee

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

[illegible]

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 97 A BILL TO BE ENTITLED AN ACT TO EXEMPT THE ADMINISTRATION OF THE GASTONIA POLICEMEN'S SUPPLEMENTAL RETIREMENT FUND AND THE GASTONIA FIREMEN'S SUPPLEMENTAL RETIREMENT FUND FROM THE LOCAL GOVERNMENT BUDGET AND FISCAL CONTROL ACT.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

2

HOUSE BILL 97
Committee Substitute Favorable 2/27/97

Short Title: Gastonia Supplemental Funds.

(Local)

Sponsors:

Referred to:

February 11, 1997

1 A BILL TO BE ENTITLED

2 AN ACT TO EXEMPT THE ADMINISTRATION OF THE GASTONIA
3 POLICEMEN'S SUPPLEMENTAL RETIREMENT FUND AND THE
4 GASTONIA FIREMEN'S SUPPLEMENTAL RETIREMENT FUND FROM THE
5 LOCAL GOVERNMENT BUDGET AND FISCAL CONTROL ACT.

6 The General Assembly of North Carolina enacts:

7 Section 1. Article VIII of the Charter of the City of Gastonia, being
8 Chapter 557 of the 1991 Session Laws, reads as rewritten:

9 "ARTICLE VIII. RETIREMENT.

10 "Sec. 8.1. **Gastonia Firemen's Supplemental Retirement Fund.** The Gastonia
11 Firemen's Supplemental Retirement Fund shall continue as authorized by Chapter
12 537, Session Laws of 1949, as amended by Chapter 111, Session Laws of 1957;
13 Chapter 51, Session Laws of 1975; and Chapter 1016, Session Laws of 1983 (Reg.
14 Sess. 1984). The Gastonia Firemen's Supplemental Retirement Fund is not subject to
15 Article 3 of Chapter 159 of the General Statutes.

16 "Sec. 8.2. **Gastonia Policemen's Supplemental Retirement Fund.** The Gastonia
17 Policemen's Supplemental Retirement Fund shall continue as authorized by Chapter
18 946, Session Laws of 1955, as amended by Chapter 112, Session Laws of 1957;
19 Chapter 301, Session Laws of 1959; Chapter 198, Session Laws of 1965; Chapter 979,
20 Session Laws of 1965; and Chapter 809, Session Laws of 1983. The Gastonia
21 Policemen's Supplemental Retirement Fund is not subject to Article 3 of Chapter 159
22 of the General Statutes."

23 Section 2. This act is effective when it becomes law.

H 97. GASTONIA RETIREMENT FUND. TO EXEMPT THE ADMINISTRATION OF THE GASTONIA POLICEMEN'S SUPPLEMENTAL RETIREMENT FUND AND THE GASTONIA FIREMEN'S SUPPLEMENTAL RETIREMENT FUND FROM THE LOCAL GOVERNMENT BUDGET AND FISCAL CONTROL ACT. As title indicates.

Intro. by Dickson.

Ref. to Local Gov't II

GASTON

Daily Bulletin 02/27/97

H 97. GASTONIA RETIREMENT FUND. Intro. 2/11/97. House committee substitute replaces 1st edition. Makes technical change only.



**North Carolina General Assembly
Legislative Services Office**

Attachment I

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
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Thomas L. Covington, Director
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Suite 619, LOB
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(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

March 12, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: **House Bill 97 - Gastonia Supplemental Funds. (2d Ed.)**

House Bill 97 amends the Charter of the City of Gastonia (Chapter 557 of the 1991 Session Laws) to exempt the Gastonia Firemen's Supplemental Retirement Fund and the Gastonia Policemen's Supplemental Retirement Fund from the Local Government Budget and Fiscal Control Act (Article 3 of Chapter 159).

The Firemen's Supplemental Retirement Fund was established in 1949 and the Policemen's Fund was established in 1955. Each Fund is administered by a board of trustees composed of the Chief and Assistant Chief of the respective Departments and a third person. The custodian and treasurer of the Firemen's Fund is the Chief of the Fire Department. The law provides that the custodian shall pay benefits, and invest the funds under the same conditions as applied to trust funds or the funds of guardians. The Police Fund has an almost identical provision, however, the City Accountant is the treasurer and custodian of the funds. In both cases the law requires the custodian to post a bond. Neither statute suggests that the Funds are subject to the Local Government Budget and Fiscal Control Act.

This act would become effective when it becomes law.

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 264 A BILL TO BE ENTITLED AN ACT TO ALLOW ADDITIONAL
RETROACTIVE MEMBERSHIP IN THE NORTH CAROLINA FIREMEN'S AND
RESCUE SQUAD WORKERS' PENSION FUND

☐ With a favorable report.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on

☒ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title,
unfavorable as to original bill (Committee Substitute Bill #), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 264

Short Title: Fire/Rescue Open Enrollment.

(Public)

Sponsors: Representatives Redwine; Baddour, Cole, Goodwin, Mercer, Moore, Mosley, Saunders, Tolson, and Yongue.

Referred to: Pensions and Retirement, if favorable, Finance.

February 18, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW ADDITIONAL RETROACTIVE MEMBERSHIP IN THE
3 NORTH CAROLINA FIREMEN'S AND RESCUE SQUAD WORKERS'
4 PENSION FUND.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 58-86-45(a) reads as rewritten:
7 "(a) Any fireman or rescue squad worker who is now eligible and is a member of
8 a fire department or rescue squad chartered by the State of North Carolina and who
9 has not previously elected to become a member may make application through the
10 board of trustees for membership in the fund on or before March 31, ~~1987~~ 1998.
11 The person shall make a lump sum payment of ~~five dollars (\$5.00)~~ ten dollars
12 (\$10.00) per month retroactively to the time he first became eligible to become a
13 member, plus interest at an annual rate of eight percent (8%), for each year of his
14 retroactive payments. Upon making the lump sum payment, the person shall be given
15 credit for all prior service in the same manner as if he had made application for
16 membership at the time he first became eligible. Any member who made application
17 for membership subsequent to the time he was first eligible and did not receive credit
18 for prior service may receive credit for this prior service upon lump sum payment of
19 ~~five dollars (\$5.00)~~ ten dollars (\$10.00) per month retroactively to the time he first
20 became eligible, plus interest at an annual rate of eight percent (8%), for each year of
21 his retroactive payments. Upon making this lump sum payment, the date of
22 membership shall be the same as if he had made application for membership at the
23 time he was first eligible. Any fireman or rescue squad worker who has applied for

1 prior service under this subsection shall have until ~~October 1, 1989~~, June 30, 1998, to
2 pay for this prior service and, if this payment is not made by ~~October 1, 1989~~, June
3 30, 1998, he shall not receive credit for this service, except as provided in subsection
4 (a1) of this section."

5 Section 2. This act becomes effective October 1, 1997.

H 264. FIRE/RESCUE OPEN ENROLLMENT. TO ALLOW ADDITIONAL RETROACTIVE MEMBERSHIP IN THE NORTH CAROLINA FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND. Amends GS 58-86-45(a), regarding membership in Firemen's and Rescue Squad Workers' Pension Fund, to allow eligible persons until June 30, 1998 (now, Oct. 1, 1989) to apply for membership in fund. Raises from \$5 to \$10 per month the payment amount for such membership retroactive to date person first became eligible. Effective Oct. 1, 1997.

Intro. by Redwine.

Ref. to Pensions & Retirement

GS 58



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

March 4, 1997

MEMORANDUM

TO: Representative David Redwine

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note (House Bill 264)

Re: Allow open-door for purposes of gaining retroactive membership service in the Firemen's and Rescue Squad Workers' Pension Fund.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, March 3, 1997
- (3) Actuarial Note. Dilts, Umstead & Dunn, February 27, 1997

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 264

SHORT TITLE: Fire/Rescue Open Enrollment

SPONSOR(S): Representative David Redwine

SYSTEM OR PROGRAM AFFECTED: Firemen's and Rescue Squad Workers' Pension Fund

FUNDS AFFECTED: General Fund

BILL SUMMARY: : Allows a open-door enrollment period from October 1, 1997 to March 31, 1998 for purposes of gaining retroactive membership service based on payment of \$10 per month of service plus interest.

EFFECTIVE DATE: October 1, 1997 to March 31, 1998

ESTIMATED IMPACT ON STATE: SYSTEM ACTUARY

	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02
GENERAL FUND	\$3.5m-\$5.3m	\$3.5m-\$5.3m	\$3.5m-\$5.3m	\$3.5m-\$5.3m	\$3.5m-\$5.3m

GENERAL ASSEMBLY ACTUARY

	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02
GENERAL FUND	\$3.3m-\$4.9m	\$3.3m-\$4.9m	\$3.3m-\$4.9m	\$3.3m-\$4.9m	\$3.3m-\$4.9m

ASSUMPTIONS AND METHODOLOGY: The cost range is based on an estimate of a low of 4,000 participants and a high of 6,000 participates who would elect to become members and purchase prior service or current members who would purchase service rendered prior to joining.

The cost estimates of the System's Actuary are based on the membership data, actuarial assumptions and actuarial methods used to prepare the June 30, 1996 actuarial valuation of the fund. The data included 26,071 active members and 6,949 retired members in receipt of annual pensions totaling \$11.1 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Dilts, Umstead & Dunn

TECHNICAL CONSIDERATIONS: Based on the June 30, 1996 actuarial valuation, the Fund's actuary recommended an appropriation of \$10,529,354 in order to maintain the present level of benefits. The appropriation in past years has been \$11,735,187 and the Governor's continuation budget for 1997-98 reflects a recommended appropriation of \$11,735,187. The Governor's recommended appropriation is \$1,205,833 more than is needed to maintain the present level of benefits. Also, as a result of method of reporting a market related value of assets rather than book value, based on the actuary's valuation for year ending June 30, 1996, the Governor's recommended appropriation could also be reduced by \$737,062 for 1997-98. The \$1,205,833 plus \$737,062 equals a total of \$1,942,895 that the State's General Fund appropriation to the Firemen's and Rescue Squad Workers' Pension Fund could be reduced without having any negative impact on the actuarial soundness of the System, or the General Assembly could increase retirement benefits for members of the Fund.

FISCAL RESEARCH DIVISION The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: March 4, 1997

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

March 3, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1388

Dear Mr. Ducker:

Re: House Bill 264

We have received your letter of February 27 regarding House Bill 264 which affects the Firemen's and Rescue Squad Workers' Pension Fund.

This legislation appears to allow, for a period of time commencing October 1, 1997 and ending March 31, 1998, firemen and rescue squad workers who are eligible for membership in the Fund to join if they have not already done so. Further, this legislation appears to allow, for a period of time commencing October 1, 1997 and ending June 30, 1998, both new and current members to receive credit for service completed prior to membership in the Fund. Persons who elect to become members and current members electing to purchase additional service credit would be required to make a lump-sum payment of \$10.00 per month representing contributions they should have made for all prior service plus interest at the rate of 8% annually.

We estimate the annual cost of this legislation to be \$885.00 for each member who elects purchase of prior service. Assuming between 4,000 and 6,000 members participate, the additional annual cost to the State's General Fund commencing with the 1997-98 fiscal year would be between \$3,540,000 and \$5,310,000. The cost estimate is based on a monthly benefit of \$135 and a funding period of 6 years for amortization of the additional unfunded liability.

If we can be of further assistance with regard to this proposal, please do not hesitate to contact us.

Sincerely,



Donald M. Overholser
Principal and Consulting Actuary

DMO:jg
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THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE.



DILTS, UMSTEAD & DUNN

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (704) 731-4038
Fax: (910) 731-2583

668 Link Road
Lexington, NC 27295

February 27, 1997

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 264: An Act to Allow Retroactive Membership in
the NC Firemen's and Rescue Squad Workers' Pension Fund

Dear Mr. Moore:

This bill would rewrite G.S. 58-86-45(a) to provide certain retroactive credits to eligible firemen and rescue squad workers. The bill provides that eligible workers who have not previously elected to become members of the Fund may do so on or before March 31, 1998. Further, the bill allows both new and current members to receive credit for service completed prior to becoming a member in the fund. Persons electing to become members or members electing to receive credit for prior service would be required to make a lump sum payment equal to \$10 per month of retroactive service credit, plus interest at an annual rate 8.0%.

The estimated annual cost of this bill for each member who elects to purchase prior credit is, on average, \$815. Assuming between 4,000 and 6,000 workers elect to receive prior credits, the estimated cost of this Act for the fiscal year beginning July 1, 1997, is between \$3,260,000 and \$4,890,000. This estimation is based on the data contained in the most recent actuarial valuation prepared as of June 30, 1996, and amortization of the unfunded accrued liability over a six year period.

If you have any questions, please let me know.

Sincerely,

Mark Hartman

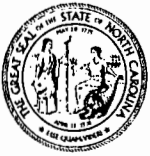
Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By Stanley Moore Date: 3-4-97
Legislative Fiscal Research



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

March 10, 1997

DENNIS DUCKER
DEPUTY TREASURER

HARLAN E. BOYLES
TREASURER

The Honorable Bobby H. Barbee, Sr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1025 of the State Legislative Building
Raleigh, North Carolina

Re: Actuarial Note/House Bill 264

Dear Representative Barbee:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 264 which affects the North Carolina Firemen's and Rescue Squad Workers' Pension Fund. While the cited law does not permit an actuarial note to speak to the merits of legislation, we offer the following comments.

We have serious reservations about House Bill 264, unless it is funded by additional General Fund appropriations. The philosophy of the Pension Fund's Board of Trustees is to support legislation that benefits the maximum number of members and pensioners. Thus, the Board has made only one recommendation to the 1997 Session of the General Assembly. That recommendation is to increase the monthly pension payable to current and future pensioners in an amount equal to the Fund's actuarial gains as of the year ended June 30, 1996. By first using the Pension Fund's gains to enhance the benefits for all current pensioners and all members who become pensioners in the future, additional General Fund appropriations would, of course, be required for House Bill 264.

Please let me know if you have any questions with regard to this actuarial note. Also, please let me know when you wish us to appear before your Committee with regard to this note.

Sincerely yours,

Dennis Ducker
Director

DD/dsp

Enclosure



**North Carolina General Assembly
Legislative Services Office**

Attachment II

George R. Hall, Legislative Services Officer
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
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Suite 619, LOB
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(919) 733-6834

Terrence D. Sullivan
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

March 5, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee

FROM: Karen Cochrane Brown, Committee Counsel *ACB*

RE: **House Bill 264 - Fire/Rescue Open Enrollment.**

House Bill 264 amends the law governing the North Carolina Firemen's and Rescue Squad Workers' Pension Fund to allow additional retroactive membership in the Fund.

The bill provides that any person who is now eligible and a member of a State chartered fire department or rescue squad and who has not previously elected to join the Pension Fund, may apply for membership in the Fund on or before March 31, 1998. The person must make a lump sum payment of ten dollars per month retroactively to the time the person first became eligible to become a member, plus interest at eight percent for each year of retroactive payment. Any person taking advantage of this provision would be required to make the payment no later than June 30, 1998.

In 1993, the General Assembly amended this law to allow anyone to join the Pension Fund who is a current or former member of a State chartered fire department or rescue squad by making a payment to the Annuity Savings Fund equal to the full actuarial liability of the service credit being purchased. This provision was designed to eliminate the need for temporary open enrollment periods such as the one proposed in this bill.

Furthermore, this issue was considered in 1994, by the Firefighter and Rescue Worker Pension Fund Study Commission. The Commission learned that there have been five open enrollment periods since the Fund was created in 1959. During the last open enrollment, which ended in October, 1989, 6,000 people purchased prior service and almost 2,000 of those purchased 20 years at age 55 and began drawing a check immediately. The Commission found that there were serious questions about whether all eligible individuals received adequate notice of the opportunity to join the Fund and purchase past service credit during the last open enrollment. The Commission further found that this is an issue that still needs to be addressed, but declined to recommend legislation at that time.

This act would become effective October 1, 1997.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

April 2, 1997

Room 415

12:00 Noon

AGENDA

1. Opening Remarks

Representative Barbee, Chairman

2. Bill to be Considered

House Bill 544 - Local Retire/Employee Payment

Sponsor: Representative Sherrill

3. Adjournment

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
April 2, 1997

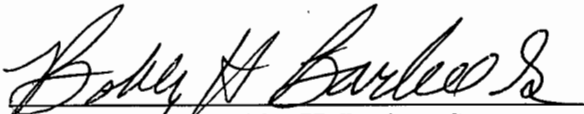
The House Committee on Pensions and Retirement met in Room 415 of the Legislative Office Building on April 2, 1997 at 12:00 noon. Representative Bobby H. Barbee, Sr., Chairman, presided at the meeting and the following members were present: Representatives Rogers, Beall, Goodwin, Hardy, Justus, McCrary, Oldham, Ramsey, G. Wilson and Yongue.

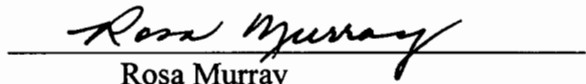
Representative Barbee welcomed the members and guests and introduced the Pages assigned to committee, Shana Reece of Watauga County and Daniel Shronce of Catawba County. Billy Crocker was recognized from the Sergeant-at-Arms staff. The Visitors Registration Sheet is attached.

Representative Wilma Sherrill, bill sponsor, was called on to explain House Bill 544, LOCAL RETIRE/EMPLOYER PAYMENT, which amends GS 128-30 to authorize employers to pay all or part of an employee's contribution under the Local Governmental Employee's Retirement System. It also provides that if an employer elects to make the additional contribution, the contribution may not later be reduced. This bill would be effective July 1, 1997 and applies to contributions payable to employment services rendered on or after that date. Karen Cochran-Brown, Committee Counsel, had distributed to members a memorandum explaining the bill (Attachment I). There was much discussion.

Representative Justus made motion for a favorable report. Representative Barbee recognized Dennis Ducker, Director of the Retirement Systems Division, and Jim Blackburn of the North Carolina Association of County Commissioners to speak. The chairman called for the vote, and the motion carried unanimously.

The meeting was adjourned at 12:30 P.M.


Representative Bobby H. Barbee, Sr.
Chairman


Rosa Murray
Clerk

VISITOR REGISTRATION SHEET

HOUSE PENSIONS AND RETIREMENT

APRIL 2., 1997

Name of Committee

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS[illegible]

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 544 A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR THE PARTIAL
PAYMENT OF EMPLOYEE CONTRIBUTIONS BY EMPLOYERS UNDER THE LOCAL
GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title,
unfavorable as to original bill (Committee Substitute Bill #), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 544

Short Title: Local Retire/Employer Payment.

(Public)

Sponsors: Representatives Sherrill; Nesbitt and H. Hunter.

Referred to: Pensions and Retirement.

March 19, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR THE PARTIAL PAYMENT OF EMPLOYEE
3 CONTRIBUTIONS BY EMPLOYERS UNDER THE LOCAL
4 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 128-30 is amended by adding a new subsection to read:

7 "(b2) Partial Payment of Employee Contributions. -- Notwithstanding any other
8 provisions of this section, effective July 1, 1997, an employer may make an
9 irrevocable election to pay all or any specified portion of the contributions which
10 would be payable by the employees as members under subsection (b) of this section
11 with respect to the service of employees on or after July 1, 1997, and have those
12 contributions treated under the provisions of this subsection in lieu of the provisions
13 of subsection (b1) of this section. An election made under this subsection is
14 irrevocable, and the portion of the contributions to be paid by the employer cannot
15 be reduced; however, an employer who has made an election under this subsection
16 may increase the portion paid at any time.

17 The members' contributions paid by an employer pursuant to this subsection shall
18 be credited to the annuity savings fund and accumulated within that fund in a
19 member's account that shall be separately established for the purpose of accounting
20 for contributions made pursuant to the provisions of subsection (b1) of this section
21 and the provisions of this subsection.

22 The contributions paid by an employer pursuant to this subsection shall be paid
23 directly by the employer and shall not be deducted from the member's compensation
24 or be included in the member's compensation as defined in G.S. 128-21(7a).

1 Contributions made under this subsection shall be transmitted to the System
2 monthly for the preceding month by means of a warrant drawn by the employer and
3 payable to the Local Governmental Employees' Retirement System and shall be
4 accompanied by a schedule of the contributions on forms to be prescribed. In the
5 case of a failure to fulfill these conditions, the provisions of subdivision (g)(3) of this
6 section shall apply.

7 The contributions paid by an employer pursuant to this subsection shall for all
8 purposes, except as otherwise provided in this subsection, be treated as picked-up
9 contributions made pursuant to the provisions of subsection (b1) of this section."

10 Section 2. This act becomes effective July 1, 1997, and applies to
11 contributions payable with respect to service of employees on or after that date.

H 544. LOCAL RETIRE/EMPLOYER PAYMENT. TO PROVIDE FOR THE PARTIAL PAYMENT OF EMPLOYEE CONTRIBUTIONS BY EMPLOYERS UNDER THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM. Amends GS 128-30 to authorize employers to pay all or part of an employee's contribution under the Local Governmental Employee's Retirement System. Provides that if an employer elects to make the additional contribution, the contribution may not later be reduced. Effective July 1, 1997. Applies to contributions payable for employment services rendered on or after that date.

Intro. by Sherrill.

Ref. to Pensions

GS 128



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

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Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

March 31, 1997

MEMORANDUM

TO: Representative Wilma Sherrill

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note (House Bill 544)

Re: An Act to allow the partial payment of employee contributions by any employer in the Local Governmental Employees' Retirement System.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, March 28, 1997
- (3) Actuarial Note. Dilts, Umstead & Dunn, March 26, 1997

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 544

SHORT TITLE: Local Retire/Employer Payment.

SPONSOR(S): Representative Sherrill

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Funds

BILL SUMMARY: The bill allows the local employer to make an irrevocable election to pay all or any portion of the required employee's contributions of 6% of salary to the Local Governmental Employees' Retirement System.

EFFECTIVE DATE: July 1, 1997

ESTIMATED IMPACT: Both actuaries agree that the payment of employee contributions by the employer would provide greater "take home pay" to the employee if the payment of employee contributions were made in lieu of a salary increase. Also, the employer would realize some saving as a result of lower payments into the Local Retirement System and Social Security. If any local employer elects to make the employee contribution, the long term effect would be a lower salary base on which retirement benefits would be calculated for those employees affected. This also would produce a lower salary base on which to fund benefits if any local employer elects to pay the employee contributions. The fiscal impact of this bill should be neutral.

ASSUMPTIONS AND METHODOLOGY: Local Governmental Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 101341 active members with an annual payroll of \$2.429 billion and 22,732 retired members in receipt of annual pensions totaling \$201.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.
(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: March 31, 1997

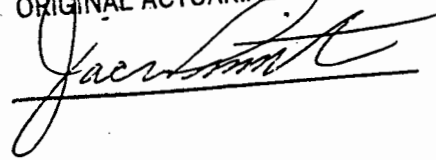
**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

March 28, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



Re: **House Bill 544**

Dear Mr. Ducker:

We have received your letter of March 27 regarding House Bill 544 which affects the Local Governmental Employees' Retirement System.

This legislation appears to amend G.S. 128-30 by adding a new provision (b2) entitled "Partial Payment of Employee Contributions." The effect of this legislation is to allow a participating employer, at its option, to elect to pay all or any portion of its employees' statutory contributions to the Retirement System. The employee contribution rate is currently 6% of gross compensation. The election, which would be irrevocable, could be made effective on or after July 1, 1997, and could be modified from time-to-time so as to allow an employer to increase the portion of the employees' contributions that it pays, but it could not be modified so as to allow an employer to decrease the portion that it pays. This legislation further provides that employee contributions paid by an employer shall be treated as "picked-up" contributions.

The apparent reason for this legislation is to permit an employer to exercise this option in lieu of granting salary increases. The affected employees would receive slightly greater "take home pay" under this arrangement as opposed to a traditional pay increase of the same percentage. A cost savings would accrue to the employers on account of lesser employer contributions to the Retirement System and Social Security taxes. Although some initial employee and employer savings would accrue under the provisions of this legislation, the ultimate effect would be a depression of employees' Average Final Compensation, thus resulting in depressed retirement benefit allowances for employees. The affect of this legislation on the Retirement System would probably be neutral.

Mr. Dennis Ducker
March 28, 1997
Page 2

If we can be of further assistance, please do not hesitate to call.

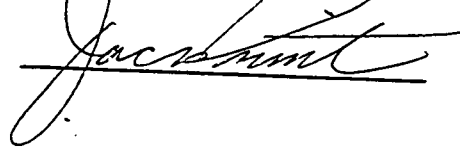
Sincerely,



Donald M. Overholser
Principal and Consulting Actuary

DMO:jq
H:\HOME\ACT\NC\82-97.DOC

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



DILTS, UMSTEAD & DUNN

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (910) 731-4038
Fax: (910) 731-2583

668 Link Road
Lexington, NC 27295

March 26, 1997

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 544: An Act to Allow Partial Payment of Employee Contributions by an Employer in the LGERS

Dear Mr. Moore:

This bill would amend G.S. 128-30 by adding a new subsection entitled "Partial Payment of Employee Contributions". This subsection would allow an employer in the Local Governmental Employees' Retirement System to make an irrevocable election to pay all or part of the employee contributions due under this retirement system.

The employee contributions paid by the employer would be credited to the annuity savings fund and accumulated in that fund in the individual member's account. The contributions paid by an employer would neither be deducted from the member's compensation nor included in the member's gross income. These contributions are to be treated as picked-up contributions as provided in subsection (b1) of G.S. 128-30. The Act would be effective July 1, 1997 and would apply to service of employees on or after that date.

It is anticipated that employers may use the provisions of this act to pick-up employee contributions in lieu of providing a salary increase. Since under the current Internal Revenue Code these amounts would not be included in the employee's gross income, this would provide a tax benefit to the employee. The employer would also recognize a savings on payroll related taxes. The impact on the retirement plan would be an experience gain due to salaries increasing less than expected, which would produce lower retirement benefits. The effect of this gain on plan funding would likely be negligible.

Mr. Stanley Moore
March 26, 1997

Page 2

If the picked-up contributions are not offset by foregone salary increases, there should be no effect on retirement plan benefits. The cost to the employer would be the portion of the employee contribution rate which is picked-up. This should not impact the employer contribution rate otherwise payable to the plan. Thus, in either case the financial impact of this bill on plan funding rates should be negligible.

If you have any questions, please let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By *Stanley Moore* Date: *3-31-97*
Legislative Fiscal Research



North Carolina General Assembly Legislative Services Office

George R. Hall, Legislative Services Office
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
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Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 2, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: **House Bill 544 - Local Retire/Employer Payment.**

House Bill 544 adds a new provision to the law governing the Local Governmental Employees' Retirement System to allow employers under the Plan to make an irrevocable election to pay all or any specified portion of the *employees'* contributions. Employers may make the election at any time on or after July 1, 1997, when the bill becomes effective; however, the bill does not state how the election is to be made.

Under present law, employees are required to pay 6% of their compensation into the annuity savings fund of the Retirement System to help fund their retirement allowances. This amount is deducted from their salary by the employer and forwarded to the Retirement System.

This bill would allow local government employers to choose to pay all or any part of the 6% contributions on behalf of its employees, but not by deducting the amount from the employees' compensation. The contributions paid by the employer would be credited to the annuity savings fund and would be treated as 'picked-up' or before tax contributions.

The bill is made effective July 1, 1997 and is applicable to contributions payable with respect to service of employees on or after that date.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

April 16, 1997
Room 415, Legislative Office Building
12:00 Noon

AGENDA

1. Opening Remarks

Representative Barbee, Chairman

2. Bills to be Considered

House Bill 391 - High Point Firemen's Pension
Sponsor: Representative Mary Jarrell

House Bill 642 - 1997 Retirement Benefits Act
Sponsor: Representative Bobby Barbee

3. Adjournment

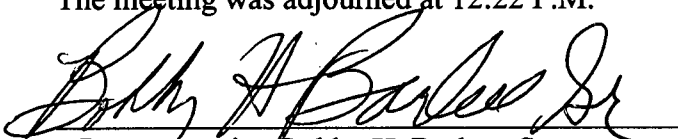
MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
April 16, 1997

The House Committee on Pensions and Retirement met in Room 415 of the Legislative Office Building on April 16, 1997 at 12:00 noon. Representative Bobby H. Barbee, Sr., Chairman, opened the meeting with greetings to the members and visitors (Registration Sheet attached). Representative Barbee recognized the Pages assisting with the meeting. They were Emily Smoot of Randolph County and Elise Hewett of Columbus County. Billy Crocker was assigned to the committee from the Sergeant-at-Arms office. Members present were Representatives McCombs, Rogers, Beall, Brawley, Carpenter, Grady, Gray, Justus, McCrary, Mercer, Oldham, Ramsey, G. Wilson, and Yongue. Karen Cochrane-Brown, Committee Counsel, distributed memorandums explaining bills to be presented. (Attachment I and II)

Representative Mary Jarrell, bill sponsor, was called on to explain House Bill 391, HIGH POINT FIREMEN'S PENSION, which provides that any former full time member of City of High Point Fire Department who receives retirement benefits under Local Governmental Employees' Retirement System is entitled to receive pension benefits under 1957 SL, Ch. 877. Representative Lyons Gray made motion for a favorable report and the motion carried unanimously.

Chairman Barbee recognized Representative McCombs, Vice Chairman, and turned the gavel over to him in order for Representative Barbee to present his House Bill 642, 1997 RETIREMENT BENEFITS ACT. Representative Barbee introduced Dennis Ducker, Director of the Retirement Systems Division, to explain the bill which enhances the retirement benefits payable from the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, and the Local Governmental Employees' Retirement System. He advised that this legislation has the universal support of the North Carolina Association of Educators, the State Employees Association of North Carolina, the Retired Governmental Employees Association, the Retired School Personnel, the League of Municipalities Association and County Commissioners. No opposition to the bill is known. Mr. Ducker referred the committee to attached memorandum from Stanley Moore, Fiscal Research Division, which includes (1) Actuarial Note, (2) Actuarial Note, Buck Consultants, April 2, 1997, and (3) Actuarial Note, Dilts, Unstead & Dunn, April 3, 1997.(Attachment III). At Representative McComb's request, Mr. Ducker explained the difference between the Local Government System and State Retirement System. After some discussion Representative Yongue moved for a favorable report; the motion carried unanimously. Vice Chairman McCombs re-referred the bill to the Appropriations Committee.

The meeting was adjourned at 12:22 P.M.


Representative Bobby H. Barbee, Sr.
Chairman


Rosa Murray
Clerk

VISITOR REGISTRATION SHEET

HOUSE PENSIONS AND RETIREMENT

APRIL 16, 1997

Name of Committee

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

[illegible]

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

- ☐ Committee Substitute for
H.B. 391 A BILL TO BE ENTITLED AN ACT TO ALLOW ALL RETIRED HIGH POINT
FIREMEN TO RECEIVE PENSION BENEFITS.
- ☒ With a favorable report.
- ☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐
- ☐ With a favorable report, as amended.
- ☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐
- ☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title,
unfavorable as to original bill (Committee Substitute Bill #), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on .)
- ☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.
- ☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
- ☐ With an unfavorable report.
- ☐ With recommendation that the House concur.
- ☐ With recommendation that the House do not concur.
- ☐ With recommendation that the House do not concur; request conferees.
- ☐ With recommendation that the House concur; committee believes bill to be material.
- ☐ With an unfavorable report, with a Minority Report attached.
- ☐ Without prejudice.
- ☐ With an indefinite postponement report.
- ☐ With an indefinite postponement report, with a Minority Report attached.
- ☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

2

HOUSE BILL 391
Corrected Copy 3/5/97

Short Title: High Point Firemen's Pension.

(Local)

Sponsors: Representatives Jarrell, Bowie (Cosponsors); Boyd-McIntyre, Wood, Adams, and Goodwin.

Referred to: Local and Regional Government II.

March 4, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW ALL RETIRED HIGH POINT FIREMEN TO RECEIVE
3 PENSION BENEFITS.
4 The General Assembly of North Carolina enacts:
5 Section 1. The first sentence of Section 3 of Chapter 877 of the 1957
6 Session Laws is rewritten to read:
7 "Any former full time member of the City of High Point Fire Department who
8 receives retirement benefits pursuant to the provisions of the Local Governmental
9 Employees' Retirement System is entitled to receive benefits under this Act."
10 Section 2. This act applies only to the City of High Point.
11 Section 3. This act is effective when it becomes law.

H 391. HIGH POINT FIREMEN'S PENSION. TO ALLOW ALL RETIRED HIGH POINT FIREMEN TO RECEIVE PENSION BENEFITS. Provides that any former full time member of City of High Point Fire Dep't who receives retirement benefits under Local Governmental Employees' Retirement System is entitled to receive pension benefits under 1957 SL, Ch. 877.

Intro. by Jarrell and Bowie.

Ref. to Local Gov't II

GUILFORD



North Carolina General Assembly Legislative Services Office

George R. Hall, Legislative Services Office
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 16, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: **House Bill 391 - High Point Firemen's Pension.**

House Bill 391 amends Chapter 877 of the 1957 Session Laws which created the High Point Firemen's Pension and Disability Fund.

The amendment contained in this bill relates to the provision defining who is eligible for benefits from the fund. The new language being substituted by this bill provides that any former full time member of the City of High Point Fire Department who receives retirement benefits from the Local Governmental Employees' Retirement System is entitled to receive benefits from the High Point Fund.

This act is effective when it becomes law.



**North Carolina General Assembly
Legislative Services Office**

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(919) 733-7044

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(919) 733-2578

March 31, 1997

MEMORANDUM

TO: Representative Mary Jarrell
Representative Joanne Bowie

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note (House Bill 391)
City of High Point Firemen's Pension and Disability Fund

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial/fiscal note on the above subject as prepared by the General Assembly's Consulting Actuary and this Division.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

(1) Actuarial/Fiscal Note, House Bill 391, March 31, 1997



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

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Raleigh, NC 27603-5925
(919) 733-2578

March 31, 1997

The Honorable Mary Jarrell and Joanne Bowie
North Carolina House of Representatives
Legislative Building
Raleigh, North Carolina 27601-1096

Re: Actuarial/Fiscal Note (House Bill 391)
City of High Point Firemen's Pension and Disability Fund

Dear Representatives Jarrell and Bowie:

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, we hereby submit an Actuarial/Fiscal Note on the following: The present law provides that any full time paid member of the City of High Point Fire Department must have reached the age of 60 in order to receive a monthly benefit from the City of High Point Firemen's Pension and Disability Fund. This change would allow any member of the City of High Point Fire Department to receive a monthly benefit from the City of High Point Firemen's Pension and Disability Fund, regardless of age, if they are retired from the Local Governmental Employees' Retirement System.

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: The City of High Point Firemen's Pension and Disability Fund is financed by the transfer of funds including investment income in excess of \$15,000 from the Firemen's Local Relief Fund on a annual money-purchase basis. Since the total amount of benefits payable from the Fund each year is limited to the amount of its assets, the Fund is supported on a pay-as-you-go basis.

Actuarial Endorsement:

Charles W. Dunn
Consulting Actuary
Dilts, Umstead & Dunn
Durham, North Carolina

Sincerely,

Stanley Moore
Fiscal Analyst
Fiscal Research Division

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By Stanley Moore Date: 3-31-97
Legislative Fiscal Research

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 642 A BILL TO BE ENTITLED AN ACT TO ENHANCE THE RETIREMENT BENEFITS PAYABLE FROM THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☐ With a favorable report.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on
☒ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 642*

Short Title: 1997 Retirement Benefits Act.

(Public)

Sponsors: Representatives Barbee; Culp, Davis, Hardy, and Thompson.

Referred to: Pensions and Retirement.

March 27, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO ENHANCE THE RETIREMENT BENEFITS PAYABLE FROM THE
3 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE
4 CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE
5 RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL
6 EMPLOYEES' RETIREMENT SYSTEM.

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 135-5(b16) reads as rewritten:

9 "(b16) Service Retirement Allowance of Members Retiring on or After July 1,
10 ~~1995. 1995, but Before July 1, 1997.~~ -- Upon retirement from service in accordance
11 with subsection (a) or (a1) above, on or after July 1, 1995, but before July 1, 1997, a
12 member shall receive the following service retirement allowance:

13 (1) A member who is a law enforcement officer or an eligible former
14 law enforcement officer shall receive a service retirement
15 allowance computed as follows:

16 a. If the member's service retirement date occurs on or after
17 his 55th birthday, and completion of five years of creditable
18 service as a law enforcement officer, or after the completion
19 of 30 years of creditable service, the allowance shall be
20 equal to one and seventy-five hundredths percent (1.75%) of
21 his average final compensation, multiplied by the number of
22 years of his creditable service.

23 b. If the member's service retirement date occurs on or after
24 his 50th birthday and before his 55th birthday with 15 or

more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 135-5(b16)(1)a. reduced by one-third of one percent ($\frac{1}{3}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 135-5(b16)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-five hundredths percent (1.75%) of his average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after his 60th and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b16)(2)a. but shall be reduced by one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.
- c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under G.S. 135-5(b16)(2)a. but reduced by the sum of five-twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%)

thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b16)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b16)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1963, shall not receive less than the benefit provided by G.S. 135-5(b)."

Section 2. G.S. 135-5 is amended by adding a new subsection to read:

"(b17) Service Retirement Allowance of Members Retiring on or After July 1, 1997. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1997, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-one hundredths percent (1.81%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 135-5(b17)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b17)(1)a. reduced by five percent (5%)

times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-one hundredths percent (1.81%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b17)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 135-5(b17)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b17)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance

1 payable at the age of 60 years as computed in G.S.
2 135-5(b17)(2)b.

3 d. Notwithstanding the foregoing provisions, any member
4 whose creditable service commenced prior to July 1, 1963,
5 shall not receive less than the benefit provided by G.S. 135-
6 5(b)."

7 Section 3. G.S. 135-5(m) reads as rewritten:

8 "(m) Survivor's Alternate Benefit. -- Upon the death of a member in service, the
9 principal beneficiary designated to receive a return of accumulated contributions shall
10 have the right to elect to receive in lieu thereof the reduced retirement allowance
11 provided by Option 2 of subsection (g) above computed by assuming that the
12 member had retired on the first day of the month following the date of his death,
13 provided that the following conditions apply:

- 14 (1) a. The member had attained such age and/or creditable service
15 to be eligible to commence retirement with an early or
16 service retirement allowance, or
17 b. The member had obtained 20 years of creditable service in
18 which case the retirement allowance shall be computed in
19 accordance with ~~G.S. 135-5(b16)(1)b.~~ G.S. 135-5(b17)(1)b.
20 or ~~G.S. 135-5(b16)(2)e.,~~ G.S. 135-5(b17)(2)c.,
21 notwithstanding the requirement of obtaining age 50.
22 (2) The member had designated as the principal beneficiary to receive
23 a return of his accumulated contributions one and only one person
24 who was living at the time of his death.
25 (3) The member had not instructed the Board of Trustees in writing
26 that he did not wish the provisions of this subsection to apply.

27 For the purpose of this benefit, a member is considered to be in service at the date
28 of his death if his death occurs within 180 days from the last day of his actual service.
29 The last day of actual service shall be determined as provided in subsection (l) of this
30 section. Upon the death of a member in service, the surviving spouse may make all
31 purchases for creditable service as provided for under this Chapter for which the
32 member had made application in writing prior to the date of death, provided that the
33 date of death occurred prior to or within 60 days after notification of the cost to
34 make the purchase. The term "in service" as used in this subsection includes a
35 member in receipt of a benefit under the Disability Income Plan as provided in
36 Article 6 of this Chapter."

37 Section 4. G.S. 135-5 is amended by adding two new subsections to read:

38 "(ccc) From and after July 1, 1997, the retirement allowance to or on account of
39 beneficiaries whose retirement commenced on or before July 1, 1996, shall be
40 increased by three percent (3%) of the allowance payable on June 1, 1997, in
41 accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1997, the
42 retirement allowance to or on account of beneficiaries whose retirement commenced
43 after July 1, 1996, but before June 30, 1997, shall be increased by a prorated amount
44 of three percent (3%) of the allowance payable as determined by the Board of

1 Trustees based upon the number of months that a retirement allowance was paid
2 between July 1, 1996, and June 30, 1997.

3 (ddd) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1997.
4 -- From and after July 1, 1997, the retirement allowance to or on account of
5 beneficiaries on the retirement rolls as of June 1, 1997, shall be increased by three
6 and four-tenths percent (3.4 %) of the allowance payable on June 1, 1997. This
7 allowance shall be calculated on the allowance payable and in effect on June 30,
8 1997, so as not to be compounded on any other increase granted by act of the 1997
9 General Assembly."

10 Section 5. G.S. 135-65 is amended by adding a new subsection to read:

11 "(r) From and after July 1, 1997, the retirement allowance to or on account of
12 beneficiaries whose retirement commenced on or before July 1, 1996, shall be
13 increased by three percent (3%) of the allowance payable on June 1, 1997.
14 Furthermore, from and after July 1, 1997, the retirement allowance to or on account
15 of beneficiaries whose retirement commenced after July 1, 1996, but before June 30,
16 1997, shall be increased by a prorated amount of three percent (3%) of the allowance
17 payable as determined by the Board of Trustees based upon the number of months
18 that a retirement allowance was paid between July 1, 1996, and June 30, 1997."

19 Section 6. G.S. 120-4.22A is amended by adding a new subsection to
20 read:

21 "(l) In accordance with subsection (a) of this section, from and after July 1, 1997,
22 the retirement allowance to or on account of beneficiaries whose retirement
23 commenced on or before January 1, 1997, shall be increased by three percent (3%) of
24 the allowance payable on June 1, 1997. Furthermore, from and after July 1, 1997, the
25 retirement allowance to or on account of beneficiaries whose retirement commenced
26 after January 1, 1997, but before June 30, 1997, shall be increased by a prorated
27 amount of three percent (3%) of the allowance payable as determined by the Board
28 of Trustees based upon the number of months that a retirement allowance was paid
29 between January 1, 1997, and June 30, 1997."

30 Section 7. Required employer salary-related contributions for employees
31 whose salaries are paid from department, office, institution, or agency receipts shall
32 be paid from the same source as the source of the employees' salary. If an
33 employee's salary is paid in part from the General Fund or Highway Fund and in
34 part from department, office, institution, or agency receipts, required employer salary-
35 related contributions may be paid from the General Fund or Highway Fund only to
36 the extent of the proportionate part paid from the General Fund or Highway Fund in
37 support of the salary of the employee, and the remainder of the employer's
38 requirements shall be paid from the source that supplies the remainder of the
39 employee's salary. The requirements of this section as to source of payment are also
40 applicable to payments on behalf of the employee for hospital-medical benefits,
41 longevity pay, unemployment compensation, accumulated leave, workers'
42 compensation, severance pay, separation allowances, and applicable disability income
43 and disability salary continuation benefits.

Section 8. Effective July 1, 1997, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 1997-98 fiscal year are (i) ten and eighty-three hundredths percent (10.83%) - Teachers and State Employees; (ii) fifteen and eighty-three hundredths percent (15.83%) - State Law Enforcement Officers; (iii) nine and eighteen hundredths percent (9.18%) - University Employees' Optional Retirement Program; (iv) twenty-two and sixty-five hundredths percent (22.65%) - Consolidated Judicial Retirement System; and (v) twenty-four and fifty-eight hundredths percent (24.58%) - Legislative Retirement System. Each of the foregoing contribution rates includes two percent (2%) for hospital and medical benefits. The rate for State Law Enforcement Officers includes five percent (5%) for the Supplemental Retirement Income Plan. The rates for Teachers and State Employees, State Law Enforcement Officers, and for the University Employees' Optional Retirement Program include fifty-two hundredths percent (0.52%) for the Disability Income Plan.

Section 9. G.S. 128-27(b15) reads as rewritten:

"(b15) Service Retirement Allowance of Members Retiring on or after July 1, ~~1995~~ 1995, but before July 1, 1997. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1995, but before July 1, 1997, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and seventy-two hundredths percent (1.72%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b15)(1)a. reduced by one-third of one percent ($\frac{1}{3}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 128-27(b15)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-two hundredths percent (1.72%) of his average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after his 60th and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b15)(2)a. but shall be reduced by one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.
- c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under G.S. 128-27(b15)(2)a. but reduced by the sum of five-twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or
 2. The service retirement allowance as computed under G.S. 128-27(b15)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or
 3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b15)(2)b.

- d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

Section 10. G.S. 128-27 is amended by adding a new subsection to read:

"(b16) Service Retirement Allowance of Members Retiring on or After July 1, 1997. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1997, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and seventy-six hundredths percent (1.76%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b16)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b16)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-six hundredths percent

(1.76%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b16)(2)a, but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 128-27(b16)(2)a, but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b16)(2)a, reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b16)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

Section 11. G.S. 128-27 is amended by adding two new subsections to

read:

"(ss) From and after July 1, 1997, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1996, shall be increased by three percent (3%) of the allowance payable on June 1, 1997, in accordance with G.S. 128-27(k). Furthermore, from and after July 1, 1997, the

1 retirement allowance to or on account of beneficiaries whose retirement commenced
2 after July 1, 1996, but before June 30, 1997, shall be increased by a prorated amount
3 of three percent (3%) of the allowance payable as determined by the Board of
4 Trustees based upon the number of months that a retirement allowance was paid
5 between July 1, 1996, and June 30, 1997.

6 (tt) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1997. --
7 From and after July 1, 1997, the retirement allowance to or on account of
8 beneficiaries on the retirement rolls as of June 1, 1997, shall be increased by two and
9 three-tenths percent (2.3 %) of the allowance payable on June 1, 1997. This
10 allowance shall be calculated on the allowance payable and in effect on June 30,
11 1997, so as not to be compounded on any other increase payable under subsection (k)
12 of this section or otherwise granted by act of the 1997 General Assembly."

13 Section 12. G.S 128-27(m) reads as rewritten:

14 "(m) Survivor's Alternate Benefit. -- Upon the death of a member in service, the
15 principal beneficiary designated to receive a return of accumulated contributions shall
16 have the right to elect to receive in lieu thereof the reduced retirement allowance
17 provided by Option two of subsection (g) above computed by assuming that the
18 member had retired on the first day of the month following the date of his death,
19 provided that all three of the following conditions apply:

- 20 (1) a. The member had attained such age and/or creditable service
21 to be eligible to commence retirement with an early or
22 service retirement allowance, or
23 b. The member had obtained 20 years of creditable service in
24 which case the retirement allowance shall be computed in
25 accordance with ~~G.S. 128-27(b15)(1)b.~~ G.S. 128-27(b16)(1)b.
26 or ~~G.S. 128-27(b15)(2)c.~~ G.S. 128-27(b16)(2)c.
27 notwithstanding the requirement of obtaining age 50.
28 (2) The member had designated as the principal beneficiary to receive
29 a return of his accumulated contributions one and only one person
30 who is living at the time of his death.
31 (3) The member had not instructed the Board of Trustees in writing
32 that he did not wish the provisions of this subsection apply.

33 For the purpose of this benefit, a member is considered to be in service at the date
34 of his death if his death occurs within 180 days from the last day of his actual service.
35 The last day of actual service shall be determined as provided in subsection (l) of this
36 section. Upon the death of a member in service, the surviving spouse may make all
37 purchases for creditable service as provided for under this Chapter for which the
38 member had made application in writing prior to the date of death, provided that the
39 date of death occurred prior to or within 60 days after notification of the cost to
40 make the purchase."

41 Section 13. This act becomes effective July 1, 1997.

H 642. 1997 RETIREMENT BENEFITS ACT. TO ENHANCE THE RETIREMENT BENEFITS PAYABLE FROM THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM. Amends GS 135-5 to increase retirement allowance for persons in the State Employees' and Teachers' Retirement System to 1.81% (now, 1.75%) of average final compensation times number of years service, and amends GS 128-27 to increase retirement allowance for persons in the Local Government Retirement System to 1.76% (now, 1.72%) of average final compensation times number of years service. Amends State Employees' and Teachers' Retirement System, Local Government Retirement System, Judicial Retirement System, and Legislative Retirement System to provide 3% increase in retirement benefits of persons who retired on or before July 1, 1996, and to increase retirement benefits for those retiring after July 1, 1996 but before July 1, 1997 by prorated amount of 3%. Amends State Employees' and Teachers' Retirement System (GS 135-5(ddd)) to provide 3.4% increase in retirement benefits effective June 1, 1997, to provide 2.3% increase in benefits for retirees receiving benefits under Local Government Retirement System (GS 128-27(tt)) to persons on that system as of June 1, 1997. Adjusts rates for state's employer contribution rates for retirement and related benefits. Effective July 1, 1997.

Intro. by Barbee.

Ref. to Pensions

GS 135,120,128



North Carolina General Assembly Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 16, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: House Bill 642- 1997 Retirement Benefits Act.

House Bill 642 amends various laws to enhance benefits payable from the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Legislative Retirement System, and the Consolidated Judicial Retirement System. This bill contains the recommendations of the Board of Trustees of the Retirement Systems.

Sections 1 through 4 of the bill apply to members and beneficiaries of the Teachers' and State Employees' Retirement System. Section 1 of the bill sets the ending date of July 1, 1997 for members whose service retirement benefit is computed using the accrual rate of 1.75%. Section 2 increases the accrual rate for members retiring on or after July 1, 1997 to 1.81% of average final compensation times the member's years of creditable service. Section 3 of the bill amends the provision relating to the survivor's alternate benefit to conform to the new formula set forth in section 2 of the bill. Finally, section 4 provides a cost of living adjustment of 3% to beneficiaries who retired on or before July 1, 1996, effective July 1, 1997, and an increase of 3.4% to retirees who retired on or before July 1, 1996. This second increase also will be effective beginning July 1, 1997, and adjusts the benefit to account for the increase in the accrual rate for active members. This section also provides for prorated amount of the 3% increase for those who retired between July 1, 1996 and June 30 1997.

Section 5 of the bill applies to retirees of the Consolidated Judicial Retirement System and grants a 3% cost of living increase to beneficiaries of that System who retired on or before July 1, 1996, effective July 1, 1997. In addition, beneficiaries who retired between July 1, 1996 and June 30, 1997 will receive a prorated amount of the 3% increase.

Section 6 applies to the Legislative Retirement System and grants a 3% increase to beneficiaries of that System who retired on or before January 1, 1997, also effective July 1, 1997.

Those who retire between January 1 and June 30 1997, will receive a prorated portion of the 3% increase.

Section 7 is an uncodified section which requires that employer contributions for employee benefits be paid from the same source as the employee's salary.

Section 8 sets forth the State's employer contribution rates for retirement and related benefits for the 1997-98 fiscal year.

Sections 9 through 12 apply to members and beneficiaries of the Local Governmental Employees' Retirement System. Section 9 closes the class of members whose benefit is computed using an accrual rate of 1.72%, effective July 1, 1997. Section 10 adds a new subsection relating to the service retirement allowance of members retiring on or after July 1, 1997. The amendment increases the accrual rate to 1.76% of the member's average final compensation times the number of years of creditable service. Section 11 provides a 3% cost of living increase to beneficiaries who retired on or before July 1, 1996. Beneficiaries who retired after July 1, 1996 and before June 30, 1997, will receive a prorated increase. It also provides an additional increase of 2.3%, corresponding to the increase in the benefit accrual rate. Both increases are effective July 1, 1997. Section 12 amends the provision relating to the survivor's alternate benefit to conform to the new formula set forth in section 10 of the bill.

Section 13 makes the act effective July 1, 1997.



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

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Administrative Division
Room 5, Legislative Building
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Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 11, 1997

MEMORANDUM

TO: Representative Bobby Barbee

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note (House Bill 642)

Re: **Teachers' and State Employees' Retirement System** - Increases the accrual rate for active members from 1.75% to 1.81% for each year of service, grants an adjusting increase of 3.4% to retirees as a result of the accrual rate change and provides a post-retirement increase of three percent (3%) in the benefits of retirees. The bill also set the State's employer contribution rates as a percent of covered salaries for 1997-98. **Consolidated Judicial Retirement System** - Provides a post-retirement increase of three percent (3%) in the benefits of retirees. **Legislative Retirement System** - Provides a post-retirement increase of three percent (3%) in the benefits of retirees. **Local Governmental Employees' Retirement System** - Increases the accrual rate for active members from 1.72% to 1.76% for each year of service, grants an adjusting increase of 2.3% to retirees as a result of the accrual rate change and provides a post-retirement increase of three percent (3%) in the benefits of retirees.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: House Principal Clerk

Attachment(s): (1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, April 2, 1997
(3) Actuarial Note. Dilts, Umstead & Dunn, April 3, 1997

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 642

SHORT TITLE: 1997 Retirement Benefits Act

SPONSOR(S): Representative Barbee

SYSTEM OR PROGRAM AFFECTED: Teacher's & State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System and Local Governmental Employees' Retirement System

FUNDS AFFECTED: General Fund, Highway Fund, Receipt Fund and Local Funds

BILL SUMMARY: **Teachers' and State Employees' Retirement System** - Increases the accrual rate for active members from 1.75% to 1.81% for each year of service, grants an adjusting increase of 3.4% to retirees as a result of the accrual rate change and provides a post-retirement increase of three percent (3%) in the benefits of retirees. The bill also set the State's employer contribution rates as a percent of covered salaries for 1997-98. **Consolidated Judicial Retirement System** - Provides a post-retirement increase of three percent (3%) in the benefits of retirees. **Legislative Retirement System** - Provides a post-retirement increase of three percent (3%) in the benefits of retirees. **Local Governmental Employees' Retirement System** - Increases the accrual rate for active members from 1.72% to 1.76% for each year of service, grants an adjusting increase of 2.3% to retirees as a result of the accrual rate change and provides a post-retirement increase of three percent (3%) in the benefits of retirees.

EFFECTIVE DATE: July 1, 1997

ESTIMATED IMPACT ON STATE:

Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 2.92% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$160.5m	\$167.4m	\$174.5m	\$182.1m	\$189.9m
Highway Fund	\$ 13.0m	\$ 13.6m	\$ 14.2m	\$ 14.8m	\$ 15.4m
Receipt Funds	\$ 37.2m	\$ 38.8m	\$ 40.5m	\$ 42.2m	\$ 44.0m

General Assembly Actuary: Dilts, Umstead & Dunn estimates the cost to be 2.89% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$158.8m	\$165.7m	\$172.8m	\$180.2m	\$188.0m
Highway Fund	\$ 12.9m	\$ 13.4m	\$ 14.0m	\$ 14.6m	\$ 15.3m
Receipt Funds	\$ 36.8m	\$ 38.4m	\$ 40.1m	\$ 41.8m	\$ 43.6m

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 0.99% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$386,100	\$405,173	\$425,189	\$446,193	\$468,235

General Assembly Actuary: Dilts, Umstead & Dunn estimates the cost to be 1.04% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$386,100	\$405,173	\$425,189	\$446,193	\$468,235

Legislative Retirement System

Retirement System Actuary: Dilts, Umstead & Dunn estimates the cost to be 1.23% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$44,280	\$44,280	\$44,280	\$44,280	\$44,280

General Assembly Actuary: Dilts, Umstead & Dunn estimates the cost to be 1.23% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$44,280	\$44,280	\$44,280	\$44,280	\$44,280

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 0.96% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
Local Funds	\$28.8m	\$30.8m	\$32.8m	\$35.1m	\$37m

General Assembly Actuary: Dilts, Umstead & Dunn estimates the cost to be 0.97% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
Local Funds	\$29.1m	\$31.1m	\$33.2m	\$35.4m	\$37.8m

ASSUMPTIONS AND METHODOLOGY:

Teacher's & State Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 256,904 active members with an annual payroll of \$6.596 billion and 84,915 retired members in receipt of annual pensions totaling \$986.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

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The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 167 active members with an annual payroll of \$3.6 million and 161 retired members in receipt of annual pensions totaling \$740,097. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1971 Group Annuity Mortality Tables for deaths in service and after retirement and (c) 100% vesting after five years of service with no assumptions for terminations other than death and disability. The actuarial cost method used was the projected unit credit cost method with service prorata. The actuarial liability is computed by using member service to date and attributing an equal benefit amount to each year of credited and expected future service. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

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The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 101341 active members with an annual payroll of \$2.429 billion and 22,732 retired members in receipt of annual pensions totaling \$201.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives. The above cost estimates are based on the salary base as of July 1, 1997 projected at the average annual increase in compensation base for each system over the last five years.

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: April 11, 1997

April 2, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Divisions
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1388

Dear Mr. Ducker:

Re: **House Bill 642**

We have received your letter of March 31 regarding House Bill 642 which affects the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System and the Consolidated Judicial Retirement System. This legislation also affects the Legislative Retirement System and the Optional Retirement Program, which we will not address because we are not the consulting actuaries for those systems.

This legislation appears to provide benefit enhancements to members and beneficiaries of the several retirement systems. The changes and enhancements in the legislation for each affected retirement system are as follows.

Teachers' and State Employees' Retirement System

This legislation appears to change the calculation of service and early retirement allowances by increasing the defined benefit formula accrual rate from 1.75% for each year of a member's creditable service to 1.81% effective as of July 1, 1997.

In addition, this legislation appears to amend the provisions of the Survivor's Alternate Benefit to conform with the increase in the defined benefit formula accrual rate from 1.75% to 1.81% for the calculation of monthly allowances to surviving beneficiaries.

This legislation also appears to grant post-retirement increases in the allowances of retirees and other beneficiaries equal to (i) 3.4% for all those in receipt of retirement allowances on June 1, 1997 and (ii) 3.0% for those who commenced retirement on or before July 1, 1996, and a prorated portion of the 3.0% post-retirement increase for those who commenced retirement after July 1, 1996 and before June 30, 1997, with all increases payable on and after July 1, 1997.

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This legislation appears to grant post-retirement increases in the allowances of retirees and other beneficiaries equal to 3.0% for all those who commenced retirement on or before July 1, 1996, and a prorated portion of the 3.0% post-retirement increase for those who commenced retirement after July 1, 1996 and before June 30, 1997, with all increases payable on and after July 1, 1997.

State's Employer Contribution Rates

This legislation appears to establish the State's employer contribution rates payable for retirement systems and related benefit programs, as a percentage of covered payroll for the fiscal year beginning July 1, 1997 and ending June 30, 1998, as follows:

	Retirement System	Retirees' Health	Death Benefit	Disability Income	401(k) Plan	Total
Teachers and State Employees	8.15%	2.00%	0.16%	0.52%	-0-	10.83%
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Mr. Dennis Ducker
April 2, 1997
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Fiscal Results of the Benefit Enhancements

The attached schedule reflects the fiscal results of the benefit enhancements contained in this legislation on the various retirement systems. The results are based on the latest actuarial valuations of the retirement systems, with the equivalent appropriation amounts based on the estimated covered payrolls agreed to among the Legislative Fiscal Research Division, the Office of State Budget and the Department of State Treasurer.

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

Sincerely,



Donald M. Overholser
Principal and Consulting Actuary



Edward A. Macdonald
Principal and Consulting Actuary

DMO/EAM:jq
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THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



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CONSULTANTS

HOUSE BILL 642

System	GAINS					HOUSE BILL 642				
	As a % of Payroll			Equivalent Appropriations		Cost As % Payroll	Equivalent Appropriations		Additional Appropriations	
	Actuarial	GASB 25/27	Total	General Fund	Highway Fund		General Fund	Highway Fund	General Fund	Highway Fund
Teachers' and State Employees' Retirement System	0.94%	2.13%	3.07%	\$168,697,000	\$13,692,000	2.92%	\$160,454,000	\$13,023,000	(\$8,243,000)	(\$669,000)
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Local Governmental Employees' Retirement System	0.30	0.81	1.11	33,300,000*	N/A	0.96	28,800,000*	N/A	(4,500,000)*	N/A

* Equivalent local funding

April 2, 1997

DILTS, UMSTEAD & DUNN

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (910) 731-4038

Fax: (910) 731-2583

668 Link Road
Lexington, NC 27295

April 3, 1997

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 642: An Act to Enhance Retirement Benefits in
the TSERS, CJRS, LRS, and LGERS Systems

Dear Mr. Moore:

This bill would amend the North Carolina General Statutes to enhance retirement benefits payable from the Teachers and State Employees Retirement System (TSERS), the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), and the Local Governmental Employees Retirement System (LGERS). The benefit increases provided by this bill are as follows:

1. In the TSERS, the bill would

- increase the annual accrual rate from 1.75% to 1.81% for members retiring on or after July 1, 1997
- increase the retirement allowance by 3.4% for all beneficiaries on the retirement rolls as of June 1, 1997
- increase the retirement allowance an additional 3% for all beneficiaries who retired on or before July 1, 1996, with a prorated increase for retirements between July 1, 1996 and June 30, 1997.

2. In the CJRS, the bill would provide a 3% increase in the retirement allowances payable to beneficiaries whose retirement began on or before July 1, 1996, with a prorated increase for retirements between July 1, 1996 and June 30, 1997.

Mr. Stanley Moore
April 3, 1997

Page 2

3. In the LRS, the bill would provide a 3% increase in the retirement allowances payable to beneficiaries whose retirement began on or before January 1, 1997, with a prorated increase for retirements after January 1, 1997 and before June 30, 1997.
4. In the LGERS, the bill would
 - increase the annual accrual rate from 1.72% to 1.76% for members retiring on or after July 1, 1997
 - increase the retirement allowance by 2.3% for all beneficiaries on the retirement rolls as of June 1, 1997
 - increase the retirement allowance an additional 3% for all beneficiaries who retired on or before July 1, 1996, with a prorated increase for retirements between July 1, 1996 and June 30, 1997.

All provisions of this act are effective July 1, 1997. The estimated cost of this act for the fiscal year beginning July 1, 1997, expressed as a percent of payroll, is shown below. The cost is shown separately for the 3.0% COLA and the formula accrual rate adjustments (including adjustments to current beneficiaries).

<u>System</u>	<u>3.0% COLA</u>	<u>Increase in Accrual Rate</u>	<u>Amort. Period for Unfunded Liability</u>
TSERS	0.68%	2.21%	9 years
CJRS	1.04	n/a	9 years
LRS	1.23	n/a	5 years
LGERS	0.24	0.73	n/a

This estimation is based on the data contained in the most recent actuarial valuations prepared as of December 31, 1995.

If you have any questions, please let me know.

Sincerely,

Mark

Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 4-11-97
Legislative Fiscal Research



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 11, 1997

MEMORANDUM

TO: Representative Bobby Barbee

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note (House Bill 642)

Re: **Teachers' and State Employees' Retirement System** - Increases the accrual rate for active members from 1.75% to 1.81% for each year of service, grants an adjusting increase of 3.4% to retirees as a result of the accrual rate change and provides a post-retirement increase of three percent (3%) in the benefits of retirees. The bill also set the State's employer contribution rates as a percent of covered salaries for 1997-98. **Consolidated Judicial Retirement System** - Provides a post-retirement increase of three percent (3%) in the benefits of retirees. **Legislative Retirement System** - Provides a post-retirement increase of three percent (3%) in the benefits of retirees. **Local Governmental Employees' Retirement System** - Increases the accrual rate for active members from 1.72% to 1.76% for each year of service, grants an adjusting increase of 2.3% to retirees as a result of the accrual rate change and provides a post-retirement increase of three percent (3%) in the benefits of retirees.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: House Principal Clerk

Attachment(s): (1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, April 2, 1997
(3) Actuarial Note. Dilts, Umstead & Dunn, April 3, 1997

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 642

SHORT TITLE: 1997 Retirement Benefits Act

SPONSOR(S): Representative Barbee

SYSTEM OR PROGRAM AFFECTED: Teacher's & State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System and Local Governmental Employees' Retirement System

FUNDS AFFECTED: General Fund, Highway Fund, Receipt Fund and Local Funds

BILL SUMMARY: **Teachers' and State Employees' Retirement System** - Increases the accrual rate for active members from 1.75% to 1.81% for each year of service, grants an adjusting increase of 3.4% to retirees as a result of the accrual rate change and provides a post-retirement increase of three percent (3%) in the benefits of retirees. The bill also set the State's employer contribution rates as a percent of covered salaries for 1997-98. **Consolidated Judicial Retirement System** - Provides a post-retirement increase of three percent (3%) in the benefits of retirees. **Legislative Retirement System** - Provides a post-retirement increase of three percent (3%) in the benefits of retirees. **Local Governmental Employees' Retirement System** - Increases the accrual rate for active members from 1.72% to 1.76% for each year of service, grants an adjusting increase of 2.3% to retirees as a result of the accrual rate change and provides a post-retirement increase of three percent (3%) in the benefits of retirees.

EFFECTIVE DATE: July 1, 1997

ESTIMATED IMPACT ON STATE:

Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 2.92% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$160.5m	\$167.4m	\$174.5m	\$182.1m	\$189.9m
Highway Fund	\$ 13.0m	\$ 13.6m	\$ 14.2m	\$ 14.8m	\$ 15.4m
Receipt Funds	\$ 37.2m	\$ 38.8m	\$ 40.5m	\$ 42.2m	\$ 44.0m

General Assembly Actuary: Dilts, Umstead & Dunn estimates the cost to be 2.89% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$158.8m	\$165.7m	\$172.8m	\$180.2m	\$188.0m
Highway Fund	\$ 12.9m	\$ 13.4m	\$ 14.0m	\$ 14.6m	\$ 15.3m
Receipt Funds	\$ 36.8m	\$ 38.4m	\$ 40.1m	\$ 41.8m	\$ 43.6m

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 0.99% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$386,100	\$405,173	\$425,189	\$446,193	\$468,235

General Assembly Actuary: Dilts, Umstead & Dunn estimates the cost to be 1.04% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$386,100	\$405,173	\$425,189	\$446,193	\$468,235

Legislative Retirement System

Retirement System Actuary: Dilts, Umstead & Dunn estimates the cost to be 1.23% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$44,280	\$44,280	\$44,280	\$44,280	\$44,280

General Assembly Actuary: Dilts, Umstead & Dunn estimates the cost to be 1.23% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
General Fund	\$44,280	\$44,280	\$44,280	\$44,280	\$44,280

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost to be 0.96% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
Local Funds	\$28.8m	\$30.8m	\$32.8m	\$35.1m	\$37m

General Assembly Actuary: Dilts, Umstead & Dunn estimates the cost to be 0.97% of payroll.

	1997-98	1998-99	1999-2000	2000-01	2001-02
Local Funds	\$29.1m	\$31.1m	\$33.2m	\$35.4m	\$37.8m

ASSUMPTIONS AND METHODOLOGY:

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(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: April 11, 1997

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

April 2, 1997

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Deputy Treasurer and Director
Retirement Systems Divisions
Department of State Treasurer
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HOUSE BILL 642

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April 2, 1997

DILTS, UMSTEAD & DUNN

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April 3, 1997

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Mr. Stanley Moore
April 3, 1997

Page 2

3. In the LRS, the bill would provide a 3% increase in the retirement allowances payable to beneficiaries whose retirement began on or before January 1, 1997, with a prorated increase for retirements after January 1, 1997 and before June 30, 1997.
4. In the LGERS, the bill would
 - increase the annual accrual rate from 1.72% to 1.76% for members retiring on or after July 1, 1997
 - increase the retirement allowance by 2.3% for all beneficiaries on the retirement rolls as of June 1, 1997
 - increase the retirement allowance an additional 3% for all beneficiaries who retired on or before July 1, 1996, with a prorated increase for retirements between July 1, 1996 and June 30, 1997.

All provisions of this act are effective July 1, 1997. The estimated cost of this act for the fiscal year beginning July 1, 1997, expressed as a percent of payroll, is shown below. The cost is shown separately for the 3.0% COLA and the formula accrual rate adjustments (including adjustments to current beneficiaries).

<u>System</u>	<u>3.0% COLA</u>	<u>Increase in Accrual Rate</u>	<u>Amort. Period for Unfunded Liability</u>
TSERS	0.68%	2.21%	9 years
CJRS	1.04	n/a	9 years
LRS	1.23	n/a	5 years
LGERS	0.24	0.73	n/a

This estimation is based on the data contained in the most recent actuarial valuations prepared as of December 31, 1995.

If you have any questions, please let me know.

Sincerely,

Mark

Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 4-11-97
Legislative Fiscal Research

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

April 28, 1997
Room 1425
Fifteen Minutes After Session

AGENDA

1. Opening Remarks

Representative Barbee, Chairman

2. Bills to be considered

House Bill 1111- Amend LEO Retirement Definition-2
Sponsor: Representative McMahan

House Bill 458 - Charter School Amendments, AB
Sponsor: Representative Barbee

House Bill 544 - Local Retire/Employer Payment
Sponsor: Representative Sherrill

3. Adjournment

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
April 28, 1997

The House Committee on Pensions and Retirement met in Room 1425 of the Legislative Building on April 28, 1997 at 9:00 P.M. Representative Bobby Barbee, Chairman, presided at the meeting and the following members were present: Representatives McCombs, Rogers, Brawley, Carpenter, McCrary, Mercer and G. Wilson. Visitor's Registration Sheet is attached.

The chairman recognized Representative McMahan, bill sponsor, to explain House Bill 1111, AMEND LEO RETIREMENT DEFINITION-2, which amends the definition of law enforcement officer for purposes of eligibility for benefits under the Local Governmental Employees' Retirement System including sheriffs and deputy sheriffs. It also provides that the number of paid personnel employed as law enforcement officers may not exceed the number of law enforcement positions approved by the applicable local governing board. Karen Cochrane Brown distributed Memorandum explaining House Bill 1111 (Attachment I). Representative Carpenter made motion for a favorable report. The motion carried.

Representative Barbee recognized Representative McCombs, Vice Chairman, to preside while the committee considered a bill he sponsored, House Bill 458, CHARTER SCHOOL AMENDMENTS, AB, which allows charter schools to be operated by a private nonprofit corporation or by a board of directors, the membership of which shall be approved by the local board of education. It also provides that when school is operated by a board of directors, all employment decisions must be approved by the local board of education. Karen Cochrane-Brown distributed a memorandum explaining the bill (Attachment II) and House Committee Substitute for House Bill 458 which provides for operation by a private nonprofit board of directors approved by the chartering entity. It also provides that termination of charter operated by such a board of directors terminates that board of directors. The substitute bill specifies size and terms of office of the board of directors and provides that charter schools receiving final approval by March 31, 1997 be provided the opportunity to operate under a board approved by the chartering entity. Representative Mercer moved for a favorable report. The motion carried unanimously.

House Bill 544 was not taken up at this meeting.

The meeting was adjourned at 9:35 P.M.


Rep. Bobby H. Barbee, Sr., Chairman


Rosa Murray, Clerk

VISITOR REGISTRATION SHEET

HOUSE PENSIONS AND RETIREMENT *APRIL 28*, 1997

Name of Committee

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS[illegible]

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 1111 A BILL TO BE ENTITLED AN ACT TO AMEND THE DEFINITION OF LAW ENFORCEMENT OFFICER FOR PURPOSES OF ELIGIBILITY FOR BENEFITS UNDER THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐ .

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1111

Short Title: Amend LEO Retirement Def'n.

(Public)

Sponsors: Representatives McMahan; Berry, Black, Buchanan, Creech, Culp, Cunningham, Dockham, Earle, Easterling, Gulley, Kiser, McCombs, Mitchell, Rayfield, Saunders, Sexton, Starnes, and Tallent.

Referred to: Pensions and Retirement, if favorable, Appropriations.

April 21, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE DEFINITION OF LAW ENFORCEMENT OFFICER
3 FOR PURPOSES OF ELIGIBILITY FOR BENEFITS UNDER THE LOCAL
4 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 128-21(11b) reads as rewritten:

7 "(11b) 'Law Enforcement Officer' means a full-time paid employee of an
8 ~~employer who is actively serving in a position with assigned~~
9 ~~primary duties and responsibilities for prevention and detection of~~
10 ~~crime or for the general enforcement of the criminal laws of the~~
11 ~~State or for serving civil processes, and who possesses the power~~
12 ~~of arrest by virtue of an oath administered under the authority of~~
13 ~~the State.~~ employer, who possesses the power of arrest, who has
14 taken the law enforcement oath administered under the authority
15 of the State as prescribed by G.S. 11-11, and who is certified as a
16 law enforcement officer under the provisions of Chapter 17C of
17 the General Statutes or certified as a deputy sheriff under the
18 provisions of Chapter 17E of the General Statutes. 'Law
19 enforcement officer' also means the sheriff of the county. The
20 number of paid personnel employed as law enforcement officers by
21 a law enforcement agency may not exceed the number of law

1 enforcement positions approved by the applicable local governing
2 board."

3 Section 2. G.S. 143-166.50(a)(3) reads as rewritten:

4 "(3) 'Law-enforcement officer' means a full-time paid employee of an
5 employer, who ~~is actively serving in a position with assigned~~
6 ~~primary duties and responsibilities for prevention and detection of~~
7 ~~crime or the general enforcement of the criminal laws of the State~~
8 ~~or serving civil processes, and who possesses the power of arrest by~~
9 ~~virtue of an oath administered under the authority of the State.~~
10 possesses the power of arrest, who has taken the law enforcement
11 oath administered under the authority of the State as prescribed by
12 G.S. 11-11, and who is certified as a law enforcement officer
13 under the provisions of Chapter 17C of the General Statutes or
14 certified as a deputy sheriff under the provisions of Chapter 17E of
15 the General Statutes. 'Law enforcement officer' also means the
16 sheriff of the county. The number of paid personnel employed as
17 law enforcement officers by a law enforcement agency may not
18 exceed the number of law enforcement positions approved by the
19 applicable local governing board."

20 Section 3. This act becomes effective July 1, 1997, and applies to all
21 persons enrolled in the Local Governmental Employees' Retirement System on or
22 after that date.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

Elizabeth Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 24, 1997

MEMORANDUM

TO: Representative William Edwin McMahan.

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1111

Re: Changes the definition of a law enforcement officer in the Local Governmental Employees retirement System.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, April 23, 1997
- (3) Actuarial Note. Dilts, Umstead & Dunn, April 23, 1997

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1111

SHORT TITLE: Amend LEO Retirement Def'n.

SPONSOR(S): Representative McMahan

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Funds

BILL SUMMARY: : Changes the definition of a law enforcement officer in the Local Governmental Employees' Retirement System by omitting the requirement that the employee is serving in a position with assigned primary duties and responsibilities for prevention and detection of crime and the general enforcement of the criminal laws of the State. The new definition of a law enforcement officer would be any employees who possesses the power of arrest, taken an oath, certified as a law enforcement officer under G. S. 17C or as a deputy sheriff under G. S. 17E. Law enforcement officer also means the sheriff. The bill also provides that the number of law enforcement officers can not exceed the number authorized by the local governing board.

EFFECTIVE DATE: July 1, 1997

ESTIMATED IMPACT ON LOCAL EMPLOYERS: The number of employees who are now being reported as General employees but, with the passage of this bill, will be reported as law enforcement officers is unknown. The employer contribution rate would increase from 4.63%, which is the normal rate for General employees, to 5.10% for law enforcement officers and contributions of 5% of salary to the 401(k) Plan would be required for any employees who would now fit the new definition of a law enforcement officer. The normal rate of 5.10% should be adequate to fund the benefit as a law enforcement officer.

ASSUMPTIONS AND METHODOLOGY: **Local Governmental Employees' Retirement System** The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 101,341 active members with an annual payroll of \$2.429 billion and 22,732 retired members in receipt of annual pensions totaling \$201.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore *Stanley Moore*

APPROVED BY: Tom Covington

DATE: April 24, 1997

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

April 23, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Re: **House Bill 1111**

Dear Mr. Ducker:

We have received your letter of April 23 regarding House Bill 1111 which affects the Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan.

This legislation appears to change the definition of "Law Enforcement Officer" by repealing the current duty tests of "prevention and detection of crime or for the general enforcement of the criminal laws of the State or for serving civil processes", and substituting therefore the requirements of certification as a law enforcement officer or as a deputy sheriff under Chapters 17C and 17E, respectively, of the General Statutes. This legislation further provides that the number of paid law enforcement officers may not exceed the number of positions approved as "law enforcement positions" by governing boards of the affected local governmental employers.

This legislation further appears to liberalize the eligibility requirements for law enforcement officers in that, on and after July 1, 1997, all full-time, paid employees, including jailers, office assistants, dispatchers, etc., who (i) have the power of arrest; (ii) have taken the prescribed oath; and (iii) are certified under the referenced statutes, may be treated as law enforcement officers for retirement benefit purposes.

Treatment as a law enforcement officer would provide any affected employee with earlier retirement privileges as a member of the Local Governmental Employees' Retirement System, in addition to employer contributions and court-cost receipts being deposited to the account of that employee in the Supplemental Retirement Income Plan [I.R.C. Section 401(k) plan]. The impact on the Retirement System, and the employing units of government, would depend on the number of employees who will in the future be reported

Mr. Dennis Ducker
April 23, 1997
Page 2

as law enforcement officers in lieu of as general employees. As to the Supplemental Retirement Income Plan, there should be no impact because any additional liabilities would equal additional assets; however the impact on local governments would, once again, depend on the number of employees who will in the future be reported as law enforcement officers in lieu of as general employees. We have no data as to how many employees would be affected.

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

Sincerely,



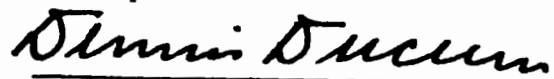
Edward A. Macdonald
Principal and Consulting Actuary

EAM:jg

Enc.

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JC 751 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



BUCK
CONSULTANTS

DILTS, UMSTEAD & DUNN

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (910) 731-4038
Fax: (910) 731-2583

668 Link Road
Lexington, NC 27295

April 23, 1997

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 1111: An Act to Amend the Definition of Law Enforcement Officer for Purposes of Eligibility for Benefits under the LGERS

Dear Mr. Moore:

This bill would rewrite the definition of Law Enforcement Officer in G.S. 128-21(11b) and G.S. 143-166.50(a)(3). The revised definition includes as law enforcement officers employees who possess the power of arrest, have taken the law enforcement oath, and are certified as a law enforcement officer or deputy sheriff or county sheriff. This bill removes the requirement that the employee be assigned primary duties for prevention and detection of crime, general enforcement of criminal laws, or serving civil processes. The bill becomes effective July 1, 1997.

This revised definition would classify additional employees as law enforcement officers which would allow them to retire at an earlier age than general employees. The number of effected members is currently unknown. The financial impact to the retirement plan would be an increase in the normal rate for these employees from 4.63% to 5.10%, an increase of 0.47% of their pay. These employees would also become eligible for a 5% 401(k) contribution.

If you have any questions, please let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By: *Shirley M. [Signature]* Date: *4-24-97*
Legislative Fiscal Research



**North Carolina General Assembly
Legislative Services Office**

Attachment I
George R. Hall, Legislative Services Office
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

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(919) 733-2578

April 28, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: House Bill 1111 - Amend LEO Retirement Definition.

House Bill 1111 amends provisions relating to the Local Governmental Employees' Retirement System to change the definition of a law enforcement officer. Under present law, a law enforcement officer is one whose "primary duties and responsibilities are the prevention and detection of crime, the general enforcement of the criminal laws of the State and the serving civil process". They also possess the power of arrest.

This bill amends the definition to provide that a law enforcement officer would be any employee who possesses the power of arrest, who has taken an oath, and been certified as a law enforcement officer by the North Carolina Justice Education and Training Standards Commission under the Chapter 17C or certified as a deputy sheriff by the North Carolina Sheriff's Education and Training Standards Commission under Chapter 17E. Law enforcement officer also includes the sheriff of a county.

The bill also provides that the number of law enforcement officers cannot exceed the number authorized by the local governing board.

This act becomes effective July 1, 1997, and applies to all persons enrolled in the Local Governmental Employees' Retirement System on or after that date.

HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☒ Committee Substitute for

H.B. 458 A BILL TO BE ENTITLED AN ACT TO AMEND THE CHARTER SCHOOL ACT OF 1996 TO ELIMINATE THE REQUIREMENT THAT CHARTER SCHOOLS BE OPERATED BY PRIVATE NONPROFIT CORPORATIONS AND TO MAKE SUCH OPERATION OPTIONAL.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐ .

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 458

Short Title: Charter School Amendments/AB.

(Public)

Sponsors: Representative Barbee.

Referred to: Education.

March 10, 1997

1 A BILL TO BE ENTITLED

2 AN ACT TO AMEND THE CHARTER SCHOOL ACT OF 1996 TO ELIMINATE
3 THE REQUIREMENT THAT CHARTER SCHOOLS BE OPERATED BY
4 PRIVATE NONPROFIT CORPORATIONS AND TO MAKE SUCH
5 OPERATION OPTIONAL.

6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 115C-238.29B reads as rewritten:

8 "§ 115C-238.29B. Eligible applicants; contents of applications; submission of
9 applications for approval.

10 (a) Any person, group of persons, or nonprofit corporation seeking to establish a
11 charter school within a local school administrative unit may apply to establish a
12 charter ~~school on behalf of a private nonprofit corporation.~~ school. If the applicant
13 seeks to convert a public school to a charter school, the application shall include a
14 statement signed by a majority of the teachers and instructional support personnel
15 currently employed at the school indicating that they favor the conversion and
16 evidence that a significant number of parents of children enrolled in the school favor
17 conversion.

18 (b) The application shall contain at least the following information:

- 19 (1) A description of a program that implements one or more of the
20 purposes in G.S. 115C-238.29A.
21 (2) A description of student achievement goals for the school's
22 educational program and the method of demonstrating that
23 students have attained the skills and knowledge specified for those
24 student achievement goals.

- (3) The governance structure of the school including the process to be followed by the school to ensure parental involvement.
- (4) Admission policies and procedures.
- (5) A proposed budget for the school and evidence that the plan for the school is economically sound.
- (6) Requirements and procedures for program and financial audits.
- (7) A description of how the school will comply with G.S. 115C-238.29F.
- (8) Types and amounts of insurance coverage, including bonding insurance for the principal officers of the school, to be obtained by the charter school.
- (9) The term of the contract.
- (10) The qualifications required for individuals employed by the school.
- (11) The procedures by which students can be excluded from the charter school and returned to a public school. Notwithstanding any law to the contrary, any local board may refuse to admit any student who is suspended or expelled from a charter school due to actions that would lead to suspension or expulsion from a public school under G.S. 115C-391 until the period of suspension or expulsion has expired.
- (12) The number of students to be served, which number shall be at least 65, and the minimum number of teachers to be employed at the school, which number shall be at least three. However, the charter school may serve fewer than 65 students or employ fewer than three teachers if the application contains a compelling reason, such as the school would serve a geographically remote and small student population.
- (13) Information regarding the facilities to be used by the school and the manner in which administrative services of the school are to be provided.
- (14) A description of whether the school will ~~operate~~ be operated by a private nonprofit corporation independently of the local board of education or whether it ~~agrees to be subject to some supervision and control of its administrative operations by the local board of education.~~ will be operated by a board of directors, the membership of which shall be approved by the local board of education. In the event the charter school elects to operate independently of the local board of education, the application must specify which employee benefits will be offered to its employees and how the benefits will be funded.

(c) An applicant shall submit the application to a chartering entity for preliminary approval. A chartering entity may be:

- (1) The local board of education of the local school administrative unit in which the charter school will be located;

- 1 (2) The board of trustees of a constituent institution of The University
2 of North Carolina, so long as the constituent institution is involved
3 in the planning, operation, or evaluation of the charter school; or
4 (3) The State Board of Education.

5 Regardless of which chartering entity receives the application for preliminary
6 approval, the State Board of Education shall have final approval of the charter
7 school."

8 Section 2. G.S. 115C-238.29E(b) reads as rewritten:

9 "(b) A charter school shall be operated either (i) by a private nonprofit
10 corporation that shall have received federal tax-exempt status no later than 24 months
11 following final approval of the ~~application~~ application, or (ii) by a board of directors,
12 the membership of which shall be approved by the local board of education."

13 Section 3. G.S. 115C-238.29F reads as rewritten:

14 "**§ 115C-238.29F. General requirements.**

15 (a) Health and Safety Standards. -- A charter school shall meet the same health
16 and safety requirements required of a local school administrative unit.

17 (b) School Nonsectarian. -- A charter school shall be nonsectarian in its programs,
18 admission policies, employment practices, and all other operations and shall not
19 charge tuition. A charter school shall not be affiliated with a nonpublic sectarian
20 school or a religious institution.

21 (c) Civil Liability and Insurance. --

22 (1) The board of directors of a charter school may sue and be sued.
23 The board of directors shall obtain at least the amount of and types
24 of insurance required by the contract.

25 (2) No civil liability shall attach to any chartering entity, to the State
26 Board of Education, or to any of their members or employees,
27 individually or collectively, for any acts or omissions of the charter
28 school. In the event a charter school ~~has not elected total~~
29 ~~independence from the local board of education under subsection~~
30 ~~(e) of this section,~~ is operated by a board of directors approved by
31 the local board of education, the immunity established by this
32 subsection shall be deemed to have been waived to the extent of
33 indemnification by insurance, indemnification under Articles 31A
34 and 31B of Chapter 143 of the General Statutes, and to the extent
35 sovereign immunity is waived under the Tort Claims Act, as set
36 forth in Article 31 of Chapter 143 of the General Statutes.

37 (d) Instructional Program. --

38 (1) The school shall provide instruction each year for at least 180 days.

39 (2) The school shall design its programs to at least meet the student
40 performance standards adopted by the State Board of Education
41 and the student performance standards contained in the contract
42 with the local board of education.

43 (3) A charter school shall conduct the student assessments required for
44 charter schools by the State Board of Education.

(4) The school shall comply with policies adopted by the State Board of Education for charter schools relating to the education of children with special needs.

(5) The school is subject to and shall comply with Article 27 of Chapter 115C of the General Statutes; except that a charter school may also exclude a student from the charter school and return that student to another school in the local school administrative unit in accordance with the terms of its contract.

(e) Employees. --

(1) An employee of a charter school is not an employee of the local school administrative unit in which the charter school is located. The charter school's board of directors shall employ and contract with necessary teachers to perform the particular service for which they are employed in the school; at least seventy-five percent (75%) of these teachers in grades kindergarten through five, at least fifty percent (50%) of these teachers in grades six through eight, and at least fifty percent (50%) of these teachers in grades nine through 12 shall hold teacher certificates. The board also may employ necessary employees who are not required to hold teacher certificates to perform duties other than teaching and may contract for other services. The board may discharge teachers and noncertificated employees. In the event a charter school is operated by a board of directors approved by the local board of education, all employment decisions, including hiring and firing of employees of the charter school, shall be approved by the local board of education upon the recommendation of the board of directors.

(2) No local board of education shall require any employee of the local school administrative unit to be employed in a charter school.

(3) If a teacher employed by a local school administrative unit makes a written request for an extended leave of absence to teach at a charter school, the local school administrative unit shall grant the leave. The local school administrative unit shall grant a leave for any number of years requested by the teacher, shall extend the leave for any number of years requested by the teacher, and shall extend the leave at the teacher's request. The local school administrative unit may require that the request for a leave or extension of leave be made up to 90 days before the teacher would otherwise have to report for duty. A teacher who has career status under G.S. 115C-325 prior to receiving an extended leave of absence to teach at a charter school may return to a public school in the local school administrative unit with career status at the end of the leave of absence or upon the end of employment at the charter school if an appropriate position is available. If an

1 appropriate position is unavailable, the teacher's name shall be
2 placed on a list of available teachers and that teacher shall have
3 priority on all positions for which that teacher is qualified in
4 accordance with G.S. 115C-325(e)(2).

- 5 (4) ~~In the event a charter school, in its application, elects total~~
6 ~~independence from the local board of education, school is~~
7 ~~operated by a private nonprofit corporation, its employees shall not~~
8 ~~be deemed to be employees of the local school administrative unit~~
9 ~~and shall not be entitled to any State-funded employee benefits,~~
10 ~~including membership in the North Carolina Teachers' and State~~
11 ~~Employees' Retirement System or the Teachers' and State~~
12 ~~Employees' Comprehensive Major Medical Plan. In the event a~~
13 ~~charter school, in its application, agrees to be subject to some~~
14 ~~supervision and control of its administrative operations by the local~~
15 ~~board of education, school is operated by a board of directors~~
16 ~~approved by the local board of education, the employees of the~~
17 ~~charter school will be deemed employees of the local school~~
18 ~~administrative unit for purposes of providing certain State-funded~~
19 ~~employee benefits, including membership in the Teachers' and~~
20 ~~State Employees' Retirement System and the Teachers' and State~~
21 ~~Employees' Comprehensive Major Medical Plan. The Board of~~
22 ~~Trustees of the Teachers' and State Employees' Retirement~~
23 ~~System, in consultation with the State Board of Education, shall~~
24 ~~determine the degree of supervision and control necessary to~~
25 ~~qualify the employees of the applicant for membership in the~~
26 ~~Retirement System. In no event shall anything contained in this~~
27 ~~Part require the North Carolina Teachers' and State Employees'~~
28 ~~Retirement System to accept employees of a private employer as~~
29 ~~members or participants of the System.~~

30 (f) Accountability. --

- 31 (1) The school is subject to the financial audits, the audit procedures,
32 and the audit requirements adopted by the State Board of
33 Education for charter schools.
34 (2) The school shall comply with the reporting requirements
35 established by the State Board of Education in the Uniform
36 Education Reporting System.
37 (3) The school shall report at least annually to the chartering entity
38 and the State Board of Education the information required by the
39 chartering entity or the State Board.

40 (g) Admission Requirements. --

- 41 (1) Any child who is qualified under the laws of this State for
42 admission to a public school is qualified for admission to a charter
43 school.

(2) No local board of education shall require any student enrolled in the local school administrative unit to attend a charter school.

(3) Admission to a charter school shall not be determined according to the school attendance area in which a student resides, except that any local school administrative unit in which a public school converts to a charter school shall give admission preference to students who reside within the former attendance area of that school.

(4) Admission to a charter school shall not be determined according to the local school administrative unit in which a student resides, except that the provisions of G.S. 115C-366(d) shall apply to a student who wishes to attend a charter school in a county other than the county in which the student resides.

(5) A charter school shall not discriminate against any student on the basis of ethnicity, national origin, gender, or disability. Except as otherwise provided by law or the mission of the school as set out in the contract, the school shall not limit admission to students on the basis of intellectual ability, measures of achievement or aptitude, athletic ability, disability, race, creed, gender, national origin, religion, or ancestry. Within one year after the charter school begins operation, the population of the school shall reasonably reflect the racial and ethnic composition of the general population residing within the local school administrative unit in which the school is located or the racial and ethnic composition of the special population that the school seeks to serve residing within the local school administrative unit in which the school is located. The school shall be subject to any court-ordered desegregation plan in effect for the local school administrative unit.

(6) The school shall enroll an eligible student who submits a timely application, unless the number of applications exceeds the capacity of a program, class, grade level, or building. In this case, students shall be accepted by lot.

(7) Notwithstanding any law to the contrary, a charter school may refuse admission to any student who has been expelled or suspended from a public school under G.S. 115C-391 until the period of suspension or expulsion has expired.

(h) Transportation. -- The charter school shall provide transportation for students enrolled at the school who reside in the local school administrative unit in which the school is located. The charter school may provide transportation for students enrolled at the school who reside in different local school administrative units.

(i) Assets. -- Upon dissolution of the charter school or upon the nonrenewal of the charter, all assets of the charter school shall be deemed the property of the local school administrative unit in which the charter school is located."

Section 4. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

2

HOUSE BILL 458
Committee Substitute Favorable 4/24/97

Short Title: Charter School Amendments/AB.

(Public)

Sponsors:

Referred to:

March 10, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE CHARTER SCHOOL ACT OF 1996 TO ELIMINATE
3 THE REQUIREMENT THAT CHARTER SCHOOLS BE OPERATED BY
4 PRIVATE NONPROFIT CORPORATIONS AND TO MAKE THAT
5 OPERATION OPTIONAL.

6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 115C-238.29B reads as rewritten:

8 "**§ 115C-238.29B. Eligible applicants; contents of applications; submission of**
9 **applications for approval.**

10 (a) Any person, group of persons, or nonprofit corporation seeking to establish a
11 charter school within a local school administrative unit may apply to establish a
12 charter ~~school on behalf of a private nonprofit corporation.~~ school. If the applicant
13 seeks to convert a public school to a charter school, the application shall include a
14 statement signed by a majority of the teachers and instructional support personnel
15 currently employed at the school indicating that they favor the conversion and
16 evidence that a significant number of parents of children enrolled in the school favor
17 conversion.

18 (b) The application shall contain at least the following information:

19 (1) A description of a program that implements one or more of the
20 purposes in G.S. 115C-238.29A.

21 (2) A description of student achievement goals for the school's
22 educational program and the method of demonstrating that

- 1 students have attained the skills and knowledge specified for those
2 student achievement goals.
- 3 (3) The governance structure of the school including the process to be
4 followed by the school to ensure parental involvement.
- 5 (4) Admission policies and procedures.
- 6 (5) A proposed budget for the school and evidence that the plan for
7 the school is economically sound.
- 8 (6) Requirements and procedures for program and financial audits.
- 9 (7) A description of how the school will comply with G.S. 115C-
10 238.29F.
- 11 (8) Types and amounts of insurance coverage, including bonding
12 insurance for the principal officers of the school, to be obtained by
13 the charter school.
- 14 (9) The term of the contract.
- 15 (10) The qualifications required for individuals employed by the school.
- 16 (11) The procedures by which students can be excluded from the
17 charter school and returned to a public school. Notwithstanding
18 any law to the contrary, any local board may refuse to admit any
19 student who is suspended or expelled from a charter school due to
20 actions that would lead to suspension or expulsion from a public
21 school under G.S. 115C-391 until the period of suspension or
22 expulsion has expired.
- 23 (12) The number of students to be served, which number shall be at
24 least 65, and the minimum number of teachers to be employed at
25 the school, which number shall be at least three. However, the
26 charter school may serve fewer than 65 students or employ fewer
27 than three teachers if the application contains a compelling reason,
28 such as the school would serve a geographically remote and small
29 student population.
- 30 (13) Information regarding the facilities to be used by the school and
31 the manner in which administrative services of the school are to be
32 provided.
- 33 (14) A description of whether the school will ~~operate~~ be operated by a
34 private nonprofit corporation independently of the local board of
35 education or whether it ~~agrees to be subject to some supervision~~
36 ~~and control of its administrative operations by the local board of~~
37 ~~education.~~ will be operated by a board of directors, the
38 membership of which shall be approved by the chartering entity. In
39 the event the charter school elects to operate independently of the
40 local board of education, the application must specify which
41 employee benefits will be offered to its employees and how the
42 benefits will be funded.

43 (c) An applicant shall submit the application to a chartering entity for preliminary
44 approval. A chartering entity may be:

- 1 (1) The local board of education of the local school administrative
- 2 unit in which the charter school will be located;
- 3 (2) The board of trustees of a constituent institution of The University
- 4 of North Carolina, so long as the constituent institution is involved
- 5 in the planning, operation, or evaluation of the charter school; or
- 6 (3) The State Board of Education.

7 Regardless of which chartering entity receives the application for preliminary
8 approval, the State Board of Education shall have final approval of the charter
9 school."

10 Section 2. G.S. 115C-238.29D(d) reads as rewritten:

11 "(d) The State Board of Education may grant a charter for a period not to exceed
12 five years and may renew the charter upon the request of the chartering entity for
13 subsequent periods not to exceed five years each. A material revision of the
14 provisions of a charter application shall be made only upon the approval of the State
15 Board of Education. Nonrenewal of a charter operated by a board of directors whose
16 members are approved by the chartering entity shall constitute a termination of that
17 board of directors."

18 Section 3. G.S. 115C-238.29E(b) reads as rewritten:

19 "(b) A charter school shall be operated ~~by a private nonprofit corporation that~~
20 ~~shall have received federal tax-exempt status no later than 24 months following final~~
21 ~~approval of the application.~~ in one of the following ways:

- 22 (1) By a private, nonprofit corporation that receives federal tax-exempt
23 status no later than 24 months after final approval of the
24 application; or
- 25 (2) By a board of directors whose members are approved by the
26 chartering entity. The board of directors shall be composed of no
27 more than 25 members. The initially proposed members shall
28 serve terms no longer than the length of the charter granted by the
29 State Board. Subsequently proposed members shall serve terms no
30 longer than five years. No member may serve more than two full
31 terms. Appointments to the board of directors, including those
32 necessary to fill vacancies, shall be recommended by the current
33 board of directors and approved by the chartering entity.

34 In the event a charter school receives final approval from the State Board of
35 Education by March 31, 1997, the State Board shall provide the opportunity for the
36 school to be operated by a board of directors whose members are approved by the
37 chartering entity."

38 Section 4. G.S. 115C-238.29F reads as rewritten:

39 "**§ 115C-238.29F. General requirements.**

40 (a) Health and Safety Standards. -- A charter school shall meet the same health
41 and safety requirements required of a local school administrative unit.

42 (b) School Nonsectarian. -- A charter school shall be nonsectarian in its programs,
43 admission policies, employment practices, and all other operations and shall not

1 charge tuition. A charter school shall not be affiliated with a nonpublic sectarian
2 school or a religious institution.

3 (c) Civil Liability and Insurance. --

4 (1) The board of directors of a charter school may sue and be sued.
5 The board of directors shall obtain at least the amount of and types
6 of insurance required by the contract.

7 (2) No civil liability shall attach to any chartering entity, to the State
8 Board of Education, or to any of their members or employees,
9 individually or collectively, for any acts or omissions of the charter
10 school. In the event a charter school ~~has not elected total~~
11 ~~independence from the local board of education under subsection~~
12 ~~(e) of this section, is operated by a board of directors approved by~~
13 ~~the chartering entity,~~ the immunity established by this subsection
14 shall be deemed to have been waived to the extent of
15 indemnification by insurance, indemnification under Articles 31A
16 and 31B of Chapter 143 of the General Statutes, and to the extent
17 sovereign immunity is waived under the Tort Claims Act, as set
18 forth in Article 31 of Chapter 143 of the General Statutes.

19 (d) Instructional Program. --

20 (1) The school shall provide instruction each year for at least 180 days.

21 (2) The school shall design its programs to at least meet the student
22 performance standards adopted by the State Board of Education
23 and the student performance standards contained in the contract
24 with the local board of education.

25 (3) A charter school shall conduct the student assessments required for
26 charter schools by the State Board of Education.

27 (4) The school shall comply with policies adopted by the State Board
28 of Education for charter schools relating to the education of
29 children with special needs.

30 (5) The school is subject to and shall comply with Article 27 of
31 Chapter 115C of the General Statutes; except that a charter school
32 may also exclude a student from the charter school and return that
33 student to another school in the local school administrative unit in
34 accordance with the terms of its contract.

35 (e) Employees. --

36 (1) An employee of a charter school is not an employee of the local
37 school administrative unit in which the charter school is located.
38 The charter school's board of directors shall employ and contract
39 with necessary teachers to perform the particular service for which
40 they are employed in the school; at least seventy-five percent
41 (75%) of these teachers in grades kindergarten through five, at
42 least fifty percent (50%) of these teachers in grades six through
43 eight, and at least fifty percent (50%) of these teachers in grades
44 nine through 12 shall hold teacher certificates. The board also may

1 employ necessary employees who are not required to hold teacher
2 certificates to perform duties other than teaching and may contract
3 for other services. The board may discharge teachers and
4 noncertificated employees. In the event a charter school is
5 operated by a board of directors approved by the chartering entity,
6 all employment decisions, including hiring and firing of
7 employees of the charter school, shall be approved by the
8 chartering entity upon the recommendation of the board of
9 directors.

10 (2) No local board of education shall require any employee of the
11 local school administrative unit to be employed in a charter school.

12 (3) If a teacher employed by a local school administrative unit makes a
13 written request for an extended leave of absence to teach at a
14 charter school, the local school administrative unit shall grant the
15 leave. The local school administrative unit shall grant a leave for
16 any number of years requested by the teacher, shall extend the
17 leave for any number of years requested by the teacher, and shall
18 extend the leave at the teacher's request. The local school
19 administrative unit may require that the request for a leave or
20 extension of leave be made up to 90 days before the teacher would
21 otherwise have to report for duty. A teacher who has career status
22 under G.S. 115C-325 prior to receiving an extended leave of
23 absence to teach at a charter school may return to a public school
24 in the local school administrative unit with career status at the end
25 of the leave of absence or upon the end of employment at the
26 charter school if an appropriate position is available. If an
27 appropriate position is unavailable, the teacher's name shall be
28 placed on a list of available teachers and that teacher shall have
29 priority on all positions for which that teacher is qualified in
30 accordance with G.S. 115C-325(e)(2).

31 (4) ~~In the event a charter school, in its application, elects total~~
32 ~~independence from the local board of education, school is~~
33 ~~operated by a private nonprofit corporation,~~ its employees shall not
34 be deemed to be employees of the local school administrative unit
35 and shall not be entitled to any State-funded employee benefits,
36 including membership in the North Carolina Teachers' and State
37 Employees' Retirement System or the Teachers' and State
38 Employees' Comprehensive Major Medical Plan. ~~In the event a~~
39 ~~charter school, in its application, agrees to be subject to some~~
40 ~~supervision and control of its administrative operations by the local~~
41 ~~board of education, school is operated by a board of directors~~
42 ~~approved by the chartering entity,~~ the employees of the charter
43 school will be deemed employees of the local school administrative
44 unit for purposes of providing certain State-funded employee

benefits, including membership in the Teachers' and State Employees' Retirement System and the Teachers' and State Employees' Comprehensive Major Medical Plan. ~~The Board of Trustees of the Teachers' and State Employees' Retirement System, in consultation with the State Board of Education, shall determine the degree of supervision and control necessary to qualify the employees of the applicant for membership in the Retirement System.~~ In no event shall anything contained in this Part require the North Carolina Teachers' and State Employees' Retirement System to accept employees of a private employer as members or participants of the System.

(f) Accountability. --

- (1) The school is subject to the financial audits, the audit procedures, and the audit requirements adopted by the State Board of Education for charter schools.
- (2) The school shall comply with the reporting requirements established by the State Board of Education in the Uniform Education Reporting System.
- (3) The school shall report at least annually to the chartering entity and the State Board of Education the information required by the chartering entity or the State Board.

(g) Admission Requirements. --

- (1) Any child who is qualified under the laws of this State for admission to a public school is qualified for admission to a charter school.
- (2) No local board of education shall require any student enrolled in the local school administrative unit to attend a charter school.
- (3) Admission to a charter school shall not be determined according to the school attendance area in which a student resides, except that any local school administrative unit in which a public school converts to a charter school shall give admission preference to students who reside within the former attendance area of that school.
- (4) Admission to a charter school shall not be determined according to the local school administrative unit in which a student resides, except that the provisions of G.S. 115C-366(d) shall apply to a student who wishes to attend a charter school in a county other than the county in which the student resides.
- (5) A charter school shall not discriminate against any student on the basis of ethnicity, national origin, gender, or disability. Except as otherwise provided by law or the mission of the school as set out in the contract, the school shall not limit admission to students on the basis of intellectual ability, measures of achievement or aptitude, athletic ability, disability, race, creed, gender, national

1 origin, religion, or ancestry. Within one year after the charter
2 school begins operation, the population of the school shall
3 reasonably reflect the racial and ethnic composition of the general
4 population residing within the local school administrative unit in
5 which the school is located or the racial and ethnic composition of
6 the special population that the school seeks to serve residing within
7 the local school administrative unit in which the school is located.
8 The school shall be subject to any court-ordered desegregation
9 plan in effect for the local school administrative unit.

10 (6) The school shall enroll an eligible student who submits a timely
11 application, unless the number of applications exceeds the capacity
12 of a program, class, grade level, or building. In this case, students
13 shall be accepted by lot.

14 (7) Notwithstanding any law to the contrary, a charter school may
15 refuse admission to any student who has been expelled or
16 suspended from a public school under G.S. 115C-391 until the
17 period of suspension or expulsion has expired.

18 (h) Transportation. -- The charter school shall provide transportation for students
19 enrolled at the school who reside in the local school administrative unit in which the
20 school is located. The charter school may provide transportation for students enrolled
21 at the school who reside in different local school administrative units.

22 (i) Assets. -- Upon dissolution of the charter school or upon the nonrenewal of the
23 charter, all assets of the charter school shall be deemed the property of the local
24 school administrative unit in which the charter school is located."

25 Section 5. This act is effective when it becomes law.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

March 19, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note (House Bill 458)

Re: Eliminates the requirement that charter schools be non-profit corporation and to make the operation of the schools optional.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, March 17, 1997
- (3) Actuarial Note. Dilts, Umstead & Dunn, March 14, 1997

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 458

SHORT TITLE: Charter School Amendments/AB

SPONSOR(S): Representative Barbee

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System

FUNDS AFFECTED: General Fund

BILL SUMMARY: : The bill allows charter schools to be operated by either (1) a private non-profit corporation whose employees would not be members of the Teachers' and State Employees' Retirement System or (2) by a board of directors approved by the local board of education whose employees would be members of the Teachers' and State Employees' Retirement System.

EFFECTIVE DATE: When it become law.

ESTIMATED IMPACT ON STATE: Both actuaries agree that the normal employer and employee contribution rates would be sufficient if the law allowed for the inclusion of employees of charter school operated by board of directors approved by the local board of education to be members of the Teachers' and State Employees' Retirement System.

ASSUMPTIONS AND METHODOLOGY: Teacher's & State Employees' Retirement System: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 256,904 active members with an annual payroll of \$6.596 billion and 84,915 retired members in receipt of annual pensions totaling \$986.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

FISCAL RESEARCH DIVISION

(919) 733-4910

PREPARED BY: Stanley Moore 

APPROVED BY: Tom Covington

DATE: March 19, 1997

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

March 17, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Re: House Bill 458

Dear Mr. Ducker:

We have received your letter of March 13 regarding House Bill 458 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to amend the existing law, enacted in 1996, which created and governs charter schools. The 1996 act provides that the Retirement Systems' Board of Trustees shall determine the degree of supervision and control necessary to qualify the employees of applicant charter schools for membership in the Retirement System. The 1996 act further provides that nothing contained therein would require the Retirement System to accept employees of a private employer as members. Inasmuch as the 1996 act requires all charter schools to be operated by private nonprofit corporations, the membership of such charter schools' employees in the Retirement System, which is a "governmental plan" under the Internal Revenue Code, is problematic.

House Bill 458 appears to provide for the establishment of two types of charter schools. One type would be "operated by a private nonprofit corporation." Another type would be "operated by a board of directors approved by the local board of education." This legislation further appears to provide that employees of charter schools operated by nonprofit corporations shall not be entitled to membership in the Retirement System; but, employees of charter schools operated by a board of directors approved by the local board of education shall be deemed employees of the local school administrative unit and included in the membership of the Retirement System. Thus, this legislation appears to resolve the issues surrounding the membership of charter schools' employees in a "governmental plan" by restricting membership in the Retirement System to the employees of charter schools operated by boards of directors approved by the local board of education.

Mr. Dennis Ducker

March 17, 1997

Page 2

There is no data or projected data with regard to the number or composition of current members who would discontinue membership on account of employment with nonprofit corporate charter schools or current members and future members who would be included in membership on account of employment with charter schools operated by boards approved by the local board of education. Therefore, we are unable to determine the impact of this legislation. However, the employer and employee contributions payable generally to the Retirement System would apply, and would be remitted through the local school administration units to the Retirement System.

If we can be of further assistance, please do not hesitate to call.

Sincerely,



Donald M. Overholser
Principal and Consulting Actuary

DMO:jg
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THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



BUCK
CONSULTANTS

DILTS, UMSTEAD & DUNN

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (910) 731-4038

Fax: (910) 731-2583

668 Link Road
Lexington, NC 27295

March 14, 1997

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 458: An Act to Make the Operation of Charter
Schools by Private Nonprofit Corporation Optional

Dear Mr. Moore:

This bill would rewrite portions of G.S. 115C-238.29 governing the creation and operation of charter schools. Currently, charter schools may be established by a private nonprofit corporation. This bill provides that a charter school may be established and operated either by a private nonprofit corporation or by a board of directors approved by the local board of education.

HB458 provides that employees of a charter school operated by a board of directors approved by the local board of education will be members of the Teachers' and State Employees' Retirement System and the Teachers' and State Employees' Comprehensive Major Medical Plan. The bill also provides that employees of a charter school operated by a private nonprofit corporation are not eligible to participate in these benefit programs.

The inclusion of charter school employees in the Teachers' and State Employees' Retirement System is not expected to significantly alter the funding requirements of that system as a percentage of payroll. Thus, the estimated cost of this bill for retirement, death, disability, and retiree health benefits, is 10.83% of the covered payroll of employees of charter schools operated by a board of directors approved by a local board of education.

If you have any questions, please let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By: *Stanley Moore* Date: *3-19-97*
Legislative Fiscal Research

MVH/jj



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

Attachment II

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 28, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee

FROM: Karen Cochrane Brown, Committee Co-Counsel *KCB*

RE: **House Bill 458 - Charter School Amendments/AB**

An agency bill, House Bill 458, would make amendments to the laws governing charter schools to enable certain employees of charter schools to participate in the State Teachers' and State Employees' Retirement System.

Under current law, charter schools are to be operated by private, nonprofit corporations. However, if they want their teachers to be eligible for participation in the State Teachers' and State Employees' Retirement System, then the application for a charter must include a description of whether the school agrees to be subject to some supervision and control of its administrative operations by the local board. For federal tax purposes, participants in governmental retirement plans must be public employees. There is concern that a "private, nonprofit corporation" cannot be made into a public entity, and, therefore, no charter school will be able to have its employees eligible for participation.

The bill would allow charter schools that wish their employees to be covered in the Retirement System to be operated by a board of directors, the membership of which would be approved by the chartering entity. For these schools, either the local board of education, a constituent institution of the University of North Carolina, or the State Board of Education would be required to approve all employment decisions upon the recommendation of the board of directors. Charter schools that wish to remain more independent may still opt to be operated by private, nonprofit corporations.

The bill would take effect when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 544

Short Title: Local Retire/Employer Payment.

(Public)

Sponsors: Representatives Sherrill; Nesbitt and H. Hunter.

Referred to: Pensions and Retirement.

March 19, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR THE PARTIAL PAYMENT OF EMPLOYEE
3 CONTRIBUTIONS BY EMPLOYERS UNDER THE LOCAL
4 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 128-30 is amended by adding a new subsection to read:
7 "(b2) Partial Payment of Employee Contributions. -- Notwithstanding any other
8 provisions of this section, effective July 1, 1997, an employer may make an
9 irrevocable election to pay all or any specified portion of the contributions which
10 would be payable by the employees as members under subsection (b) of this section
11 with respect to the service of employees on or after July 1, 1997, and have those
12 contributions treated under the provisions of this subsection in lieu of the provisions
13 of subsection (b1) of this section. An election made under this subsection is
14 irrevocable, and the portion of the contributions to be paid by the employer cannot
15 be reduced; however, an employer who has made an election under this subsection
16 may increase the portion paid at any time.
17 The members' contributions paid by an employer pursuant to this subsection shall
18 be credited to the annuity savings fund and accumulated within that fund in a
19 member's account that shall be separately established for the purpose of accounting
20 for contributions made pursuant to the provisions of subsection (b1) of this section
21 and the provisions of this subsection.
22 The contributions paid by an employer pursuant to this subsection shall be paid
23 directly by the employer and shall not be deducted from the member's compensation
24 or be included in the member's compensation as defined in G.S. 128-21(7a).

1 Contributions made under this subsection shall be transmitted to the System
2 monthly for the preceding month by means of a warrant drawn by the employer and
3 payable to the Local Governmental Employees' Retirement System and shall be
4 accompanied by a schedule of the contributions on forms to be prescribed. In the
5 case of a failure to fulfill these conditions, the provisions of subdivision (g)(3) of this
6 section shall apply.

7 The contributions paid by an employer pursuant to this subsection shall for all
8 purposes, except as otherwise provided in this subsection, be treated as picked-up
9 contributions made pursuant to the provisions of subsection (b1) of this section."

10 Section 2. This act becomes effective July 1, 1997, and applies to
11 contributions payable with respect to service of employees on or after that date.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

March 31, 1997

MEMORANDUM

TO: Representative Wilma Sherrill

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note (House Bill 544)

Re: An Act to allow the partial payment of employee contributions by any employer in the Local Governmental Employees' Retirement System.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, March 28, 1997
- (3) Actuarial Note. Dilts, Umstead & Dunn, March 26, 1997

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 544

SHORT TITLE: Local Retire/Employer Payment.

SPONSOR(S): Representative Sherrill

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Funds

BILL SUMMARY: The bill allows the local employer to make an irrevocable election to pay all or any portion of the required employee's contributions of 6% of salary to the Local Governmental Employees' Retirement System.

EFFECTIVE DATE: July 1, 1997

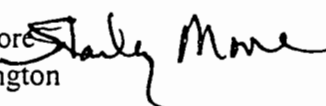
ESTIMATED IMPACT: Both actuaries agree that the payment of employee contributions by the employer would provide greater "take home pay" to the employee if the payment of employee contributions were made in lieu of a salary increase. Also, the employer would realize some saving as a result of lower payments into the Local Retirement System and Social Security. If any local employer elects to make the employee contribution, the long term effect would be a lower salary base on which retirement benefits would be calculated for those employees affected. This also would produce a lower salary base on which to fund benefits if any local employer elects to pay the employee contributions. The fiscal impact of this bill should be neutral.

ASSUMPTIONS AND METHODOLOGY: Local Governmental Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 101341 active members with an annual payroll of \$2.429 billion and 22,732 retired members in receipt of annual pensions totaling \$201.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.
(919) 733-4910

PREPARED BY: Stanley Moore 

APPROVED BY: Tom Covington

DATE: March 31, 1997

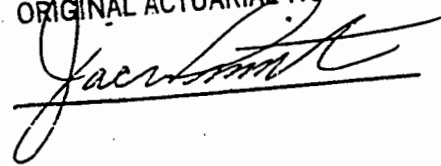
**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

March 28, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



Re: **House Bill 544**

Dear Mr. Ducker:

We have received your letter of March 27 regarding House Bill 544 which affects the Local Governmental Employees' Retirement System.

This legislation appears to amend G.S. 128-30 by adding a new provision (b2) entitled "Partial Payment of Employee Contributions." The effect of this legislation is to allow a participating employer, at its option, to elect to pay all or any portion of its employees' statutory contributions to the Retirement System. The employee contribution rate is currently 6% of gross compensation. The election, which would be irrevocable, could be made effective on or after July 1, 1997, and could be modified from time-to-time so as to allow an employer to increase the portion of the employees' contributions that it pays, but it could not be modified so as to allow an employer to decrease the portion that it pays. This legislation further provides that employee contributions paid by an employer shall be treated as "picked-up" contributions.

The apparent reason for this legislation is to permit an employer to exercise this option in lieu of granting salary increases. The affected employees would receive slightly greater "take home pay" under this arrangement as opposed to a traditional pay increase of the same percentage. A cost savings would accrue to the employers on account of lesser employer contributions to the Retirement System and Social Security taxes. Although some initial employee and employer savings would accrue under the provisions of this legislation, the ultimate effect would be a depression of employees' Average Final Compensation, thus resulting in depressed retirement benefit allowances for employees. The affect of this legislation on the Retirement System would probably be neutral.

Mr. Dennis Ducker
March 28, 1997
Page 2

If we can be of further assistance, please do not hesitate to call.

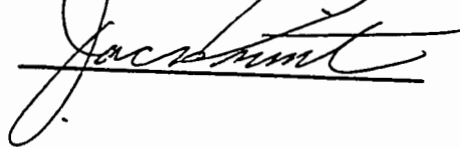
Sincerely,



Donald M. Overholser
Principal and Consulting Actuary

DMO:jg
H:\HOME\ACT\NC\82-97.DOC

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



Mr. Stanley Moore
March 26, 1997

Page 2

If the picked-up contributions are not offset by foregone salary increases, there should be no effect on retirement plan benefits. The cost to the employer would be the portion of the employee contribution rate which is picked-up. This should not impact the employer contribution rate otherwise payable to the plan. Thus, in either case the financial impact of this bill on plan funding rates should be negligible.

If you have any questions, please let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By Stanley Moore Date: 3-31-97
Legislative Fiscal Research



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Office
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
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Suite 401, LOB
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300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 2, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: House Bill 544 - Local Retire/Employer Payment.

House Bill 544 adds a new provision to the law governing the Local Governmental Employees' Retirement System to allow employers under the Plan to make an irrevocable election to pay all or any specified portion of the *employees'* contributions. Employers may make the election at any time on or after July 1, 1997, when the bill becomes effective; however, the bill does not state how the election is to be made.

Under present law, employees are required to pay 6% of their compensation into the annuity savings fund of the Retirement System to help fund their retirement allowances. This amount is deducted from their salary by the employer and forwarded to the Retirement System.

This bill would allow local government employers to choose to pay all or any part of the 6% contributions on behalf of its employees, but not by deducting the amount from the employees' compensation. The contributions paid by the employer would be credited to the annuity savings fund and would be treated as 'picked-up' or before tax contributions.

The bill is made effective July 1, 1997 and is applicable to contributions payable with respect to service of employees on or after that date.

Rosa Murray (Rep. Barbee)

From: Carolyn Bowden (House Sgt. at Arms Office)
Sent: Tuesday, April 22, 1997 11:07 AM
To: Rosa Murray (Rep. Barbee)
Cc: Mike Minshew (Security, Chief); Jean Eury (Supply Room); Robert Branch
Subject: Committee Room Booking 4-30-97

We have reserved Room 415 for Rep. Barbee on Wednesday, 4/30/97, at 12:00 noon, for Pension and Retirement meeting.

Housekeeping is being notified.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

April 30, 1997

Room 415

Legislative Office Building

12:00 Noon

AGENDA

1. Opening Remarks

Representative Barbee, Chairman

2. Bills to be considered

House Bill 1031 - Retirement Incentive

Sponsor: Representative Grady

3. Adjournment

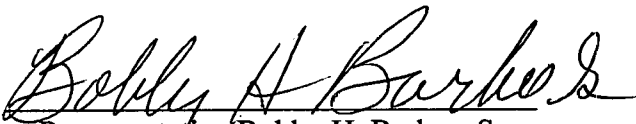
MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
April 30, 1997

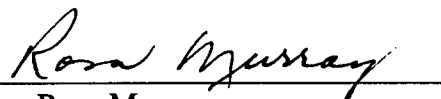
The House Committee on Pensions and Retirement met in Room 415 of the Legislative Office Building on April 30, 1997 at 12:00 noon. Representative Barbee, Chairman, presided at the meeting and the following members were present: Representative Rogers, Beall, Brawley, Carpenter, Goodwin, Grady, Hardy, Justus, McCrary, Oldham, Preston, Ramsey, G. Wilson, and Yongue. The chairman recognized the Page assisting with the meeting who was Jennifer White of Mecklenburg County and also Billy Crocker from the Sergeant-at-Arms office. The Visitor Registration Sheet is attached.

Representative Robert Grady, bill sponsor, was called on to explain House Bill 1031, RETIREMENT INCENTIVE, which provides an annual separation allowance equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable for each year of creditable service. To qualify the member must have completed 30 or more years of service or attained 60 years of age and completed 25 years of service and not have attained 62 years of age. This act would become effective when it becomes law and effective dates of retirement no earlier than July 1, 1997 and not later than January 1, 1998. Representative Carpenter moved to adopt the Committee Substitute for discussion. Representative Grady informed the committee that the Committee Substitute was needed for only a technical change in the time for the act to become effective. Karen Cochrane-Brown had distributed Memorandum explaining House Bill 1031 (Attachment I). A Draft of Proposed Committee Substitute for House Bill 1031 was distributed. After some discussion by members, Representative Brawley made motion that the Proposed Committee Substitute for House Bill 1031 be reported without prejudice, unfavorable to the original bill, and re-referred to Appropriations. The motion carried unanimously.

Representative Barbee recognized Representative Hardy, bill sponsor, to explain Proposed Substitute for House Bill 1035, STUDY/INCREASE LAW ENFORCEMENT RETIREMENT, which authorizes the Legislative Research Commission to study the issue of providing for retirement by law enforcement officers with unreduced benefits after twenty years of service, regardless of age. Draft copy of the bill was distributed. Representative Goodwin moved to adopt the committee substitute for discussion. Representative Carpenter moved that House Bill 1035 Proposed Committee Substitute be given a favorable report, unfavorable as to the original bill, and re-referred to the Rules Committee. The motion carried unanimously.

The meeting was adjourned at 12:40 P.M.


Representative Bobby H. Barbee, Sr.
Chairman


Rosa Murray
Clerk

VISITOR REGISTRATION SHEET

HOUSE PENSIONS AND RETIREMENT *APRIL 30* , 1997

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
<i>ERNIE SHERRELL</i>	<i>OSC 3700 WAKE FORES RD. RAL.</i>
<i>Elles B Hall</i>	<i>OSC 116 Jones Street</i>
<i>DOT Strickland</i>	<i>DAH 422 N. Blount</i>
<i>Evelyn McKenzie</i>	<i>DAH " "</i>
<i>Sandling Merritt</i>	<i>Revenue, Raleigh, N.C.</i>
<i>J. BENSON AYCOCK, SR.</i>	<i>DOR, RALEIGH NC.</i>
<i>JOHN W. FAISON, JR</i>	<i>DOR, RALEIGH NC</i>
<i>Jack Morgan</i>	<i>DOR, Raleigh, NC</i>
<i>Johnnie Myers</i>	<i>DOR, Raleigh NC</i>
<i>Marie A. B. Stancil</i>	<i>DOR, Raleigh NC</i>
<i>Mary M. Roblin</i>	<i>DOR R. NC</i>
<i>John Wester</i>	<i>DOR, Raleigh, NC</i>
<i>Bobby Ruffin</i>	<i>OSBAI</i>
<i>Dr. Q. Allen</i>	<i>D. O C</i>
<i>Bruce Colman</i>	<i>DOR</i>
<i>Alma Folan</i>	<i>DOR.</i>
<i>Linda Wood</i>	<i>DOR</i>
<i>Roy Cameron</i>	<i>Department of Revenue</i>
<i>Charles Hawks</i>	<i>DOTR</i>
<i>Earlean Stuckland</i>	<i>OSPL</i>
<i>Darney Massey</i>	<i>DOR</i>
<i>George Jones</i>	<i>DOR</i>
<i>William Ridd</i>	<i>DOR</i>
<i>Jay M. Stewart</i>	<i>Supt. Burke G. School</i>

April 30, 1997

Name	Firm or Agency: Address
Y. Monier	OSC
Henry Thier	TAP/AD
Gene Cauby	E-EBE
Supreme Court Clerk	BNC 101100
Paul Smith	PFENC
Phil Beam	Revenue
Richard Ray	Revenue
Sarah Stewart	AFT/NC
C.C. Dawson	N.C. Ret. Sch. Personnel
Ligh H. Hammond	N.C. Retired Govt Emp. Assn.
Jack Pruitt	Dept. of Treas.
Dennis Ducker	" " "
Trey Green	SEANC
Brian Washington	NCAE
Heather Gil	OCA

1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **Pensions and Retirement**.

☒ Committee Substitute for

H.B. 1031 A BILL TO BE ENTITLED AN ACT TO PROVIDE A RETIREMENT INCENTIVE BY GRANTING A SEPARATION ALLOWANCE FOR ALL ELIGIBLE MEMBES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

For/Kay Use this ->
☒ ^{without prejudice} With a favorable report as to committee substitute bill (# _____), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill # _____), (and recommendation that the committee substitute bill # _____) be re-referred to the Committee on *Appropriations*.

☐ With a favorable report as to House committee substitute bill (# _____), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar. (PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☒ ~~Without prejudice and re-referred to Appropriations~~

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

FOR JOURNAL USE ONLY

- ____ Pursuant to Rule 36(a), the bill is placed on the Calendar of _____.
- ____ The (committee substitute) bill/resolution (, as amended,) is (ordered engrossed and) re-referred to the Committee on _____.
- ____ The (committee substitute) bill/resolution (, as amended,) is placed on the Consent Calendar of _____. The original bill/resolution is placed on the Unfavorable Calendar.
- ____ The bill/resolution is re-referred to the Committee on _____.
- ____ On motion of (Rep. _____,) (the Chair,) the (committee substitute) bill/resolution is (ordered engrossed and) re-referred to the Committee on _____.
- ____ Pursuant to Rule 36(a), the (House)committee substitute bill (No. _____)/resolution is placed on the Calendar of _____. (The original bill) (House Committee Substitute Bill No. _____)/resolution is placed on the Unfavorable Calendar.
- ____ On motion of Rep. _____, (the rules are suspended) (Rule _____ is suspended) and the bill/resolution is placed on today's calendar. (for immediate consideration.)
- ____ On motion of Rep. _____, Committee Amendment No.(s) _____ is/are adopted (by EV _____).
- ____ On motion of Rep. _____, Committee Amendment No.(s) _____ is/are adopted (by EV _____).
- ____ Rep. _____ offers Amendment No. _____ which (is adopted.) (fails of adoption.) (by EV _____.) () This amendment changes the title.
- ____ The bill/resolution (, as amended,) passes its second reading (by following vote, _____ RC) (, by EV _____,) and (remains on the Calendar,) (and there being no objection is read a third time).
- ____ The bill/resolution (, as amended,) passes its third reading (by the following vote, _____ RC) (, by EV _____,) and is ordered
____ sent to the Senate.
____ without engrossment. _____ by Special message.
____ sent to the Senate for concurrence in
____ House amendment (s).
____ House committee substitute.
____ enrolled.
- ____ On motion of Rep. _____, the House concurs in the (material) Senate
____ (by the following vote, _____ RC) (, by EV _____,) and
the bill is ordered enrolled.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1031

Short Title: Retirement Incentive.

(Public)

Sponsors: Representatives Grady; Nichols, Preston, and Watson.

Referred to: Pensions & Retirement, if favorable, Appropriations.

April 21, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE A RETIREMENT INCENTIVE BY GRANTING A
3 SEPARATION ALLOWANCE FOR ALL ELIGIBLE MEMBERS OF THE
4 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. The catch line of Article 12D of Chapter 143 of the General
7 Statutes reads as rewritten:

8 "~~Separation Allowances for Law Enforcement Officers Allowances.~~"

9 Section 2. Article 12D of Chapter 143 of the General Statutes is
10 amended by adding a new section to read:

11 "§ 143-166.43. Special separation allowance.

12 (a) Notwithstanding any other provision of law, any member of the Teachers' and
13 State Employees' Retirement System who is not eligible for a special separation
14 allowance under G.S. 143-166.41 and who qualifies under this section shall receive,
15 beginning on the last day of the month in which he retires on a service retirement
16 under the provisions of G.S. 135-5(a) an annual separation allowance equal to
17 eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of
18 compensation most recently applicable to him for each year of creditable service. The
19 allowance shall be paid in 12 equal installments on the last day of each month. To
20 qualify for the allowance the member shall:

21 (1) Have (i) completed 30 or more years of creditable service or, (ii)
22 have attained 60 years of age and completed 25 or more years of
23 creditable service; and

24 (2) Not have attained 62 years of age.

1 (b) As used in this section, 'creditable service' means the service for which credit
2 is allowed under the Teachers' and State Employees' Retirement System.

3 (c) Payment to a retired member under the provisions of this section shall cease at
4 the death of the retired member or on the last day of the month in which the retired
5 member attains 62 years of age or upon the first day of reemployment, contractual or
6 otherwise, by any employer as defined in G.S. 135-1(11).

7 (d) This section does not affect the benefits to which a retired member may be
8 entitled from State, federal, or private retirement systems. The benefits payable under
9 this section shall not be subject to any increases in salary or retirement allowances
10 that may be authorized by the General Assembly.

11 (e) Each employer as defined in G.S. 135-1(11) shall determine the eligibility of
12 employees for the benefits provided herein.

13 (f) The Director of the Budget may authorize from time to time the transfer of
14 funds within the budgets of each employer necessary to carry out the purposes of this
15 section. These funds shall be taken from those appropriated to the employer for
16 salaries and related fringe benefits.

17 (g) The employer shall make the payments set forth in subsection (a) to those
18 persons certified under subsection (e) from funds available under subsection (f) of
19 this section."

20 Section 3. This act applies to persons whose effective date of retirement
21 is not earlier than July 1, 1997, and not later than January 1, 1998.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

D

HOUSE BILL 1031
Proposed Committee Substitute H1031-PCS1359

Short Title: Retirement Incentive.

(Public)

Sponsors:

Referred to:

April 21, 1997

1 A BILL TO BE ENTITLED

2 AN ACT TO PROVIDE A RETIREMENT INCENTIVE BY GRANTING A
3 SEPARATION ALLOWANCE FOR ALL ELIGIBLE MEMBERS OF THE
4 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. The catch line of Article 12D of Chapter 143 of the General
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8 "~~Separation Allowances for Law Enforcement Officers.~~ Allowances."

9 Section 2. Article 12D of Chapter 143 of the General Statutes is
10 amended by adding a new section to read:

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12 (a) Notwithstanding any other provision of law, any member of the Teachers' and
13 State Employees' Retirement System who is not eligible for a special separation
14 allowance under G.S. 143-166.41 and who qualifies under this section shall receive,
15 beginning on the last day of the month in which the member retires on a service
16 retirement under the provisions of G.S. 135-5(a) an annual separation allowance
17 equal to eighty-five-hundredths percent (0.85%) of the annual equivalent of the base
18 rate of compensation most recently applicable to the member for each year of
19 creditable service. The allowance shall be paid in 12 equal installments on the last
20 day of each month. To qualify for the allowance the member shall:

21 (1) Have (i) completed 30 or more years of creditable service, or (ii)
22 have attained 60 years of age and completed 25 or more years of
23 creditable service; and

1 (2) Not have attained 62 years of age.

2 (b) As used in this section, 'creditable service' means the service for which credit
3 is allowed under the Teachers' and State Employees' Retirement System.

4 (c) Payment to a retired member under the provisions of this section shall cease at
5 the death of the retired member or on the last day of the month in which the retired
6 member attains 62 years of age or upon the first day of reemployment, contractual or
7 otherwise, by any employer as defined in G.S. 135-1(11).

8 (d) This section does not affect the benefits to which a retired member may be
9 entitled from State, federal, or private retirement systems. The benefits payable under
10 this section shall not be subject to any increases in salary or retirement allowances
11 that may be authorized by the General Assembly.

12 (e) Each employer as defined in G.S. 135-1(11) shall determine the eligibility of
13 employees for the benefits provided herein.

14 (f) The Director of the Budget may authorize from time to time the transfer of
15 funds within the budgets of each employer necessary to carry out the purposes of this
16 section. These funds shall be taken from those appropriated to the employer for
17 salaries and related fringe benefits.

18 (g) The employer shall make the payments set forth in subsection (a) to those
19 persons certified under subsection (e) from funds available under subsection (f) of
20 this section."

21 Section 3. This act is effective when it becomes law and applies to
22 persons whose effective date of retirement is not earlier than July 1, 1997, and not
23 later than January 1, 1998.



**North Carolina General Assembly
Legislative Services Office**

Attachment I

George R. Hall, Legislative Services Office
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 29, 1997

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: **House Bill 1031 - Retirement Incentive.**

House Bill 1031 adds a new section to Chapter 143 to provide an annual separation allowance to eligible members of the Teachers' and State Employees' Retirement System. The separation allowance would be equal to .85% of the annual equivalent of the base rate of compensation most recently applicable for each year of creditable service. To qualify, the member must have completed 30 years of service or attained age 60 with 25 years of service, and be under age 62. Payments begin on the last day of the month in which the member retires and cease at death or when the member becomes reemployed. These benefits are not subject to any increases granted by the General Assembly. The employer determines who is eligible for the benefit and the Director of the Budget is authorized to transfer funds within the budgets of each employer to provide the benefits.

Under current law, the special separation allowance is provided only for law enforcement officers. This bill would provide this benefit for a limited time only to all other eligible members of the Teachers' and State Employees' Retirement System. The bill states that the benefit applies to persons whose effective date of retirement is between July 1, 1997 and January 1, 1998.

This act would become effective when it becomes law and applies to persons as indicated above.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1035

Short Title: Increase Law Enforce. Retire.

(Public)

Sponsors: Representatives Hardy; Buchanan, McComas, Morris, Mosley, Sexton, and Thompson.

Referred to: Pensions & Retirement, if favorable, Appropriations.

April 21, 1997

- 1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR RETIREMENT BY LAW ENFORCEMENT
3 OFFICERS WITH UNREDUCED BENEFITS AFTER TWENTY YEARS OF
4 SERVICE, REGARDLESS OF AGE.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 128-27(b15) reads as rewritten:
7 "(b15) Service Retirement Allowance of Members Retiring on or after July 1,
8 ~~1995~~ 1995, but before July 1, 1997. -- Upon retirement from service in accordance
9 with subsection (a) or (a1) above, on or after July 1, 1995, but before July 1, 1997, a
10 member shall receive the following service retirement allowance:
11 (1) A member who is a law enforcement officer or an eligible former
12 law enforcement officer shall receive a service retirement
13 allowance computed as follows:
14 a. If the member's service retirement date occurs on or after
15 his 55th birthday, and completion of five years of creditable
16 service as a law enforcement officer, or after the completion
17 of 30 years of creditable service, the allowance shall be
18 equal to one and seventy-two hundredths percent (1.72%) of
19 his average final compensation, multiplied by the number of
20 years of his creditable service.
21 b. If the member's service retirement date occurs on or after
22 his 50th birthday and before his 55th birthday with 15 or
23 more years of creditable service as a law enforcement officer

and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b15)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 128-27(b15)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-two hundredths percent (1.72%) of his average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after his 60th and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b15)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.
- c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under G.S. 128-27(b15)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday

- 1 precedes the first day of the month coincident with or
2 next following his 65th birthday; or
3 2. The service retirement allowance as computed under
4 G.S. 128-27(b15)(2)a. reduced by five percent (5%)
5 times the difference between 30 years and his
6 creditable service at retirement; or
7 3. If the member's creditable service commenced prior
8 to July 1, 1995, the service retirement allowance
9 equal to the actuarial equivalent of the allowance
10 payable at the age of 60 years as computed in G.S.
11 128-27(b15)(2)b.
12 d. Notwithstanding the foregoing provisions, any member
13 whose creditable service commenced prior to July 1, 1965,
14 shall not receive less than the benefit provided by G.S. 128-
15 27(b)."

16 Section 2. G.S. 128-27 is amended by adding a new subsection to read:

17 "(b16) Service Retirement Allowance of Members Retiring on or after July 1,
18 1997. -- Upon retirement from service in accordance with subsection (a) or (a1)
19 above, on or after July 1, 1997, a member shall receive the following service
20 retirement allowance:

21 (1) A member who is a law enforcement officer or an eligible former
22 law enforcement officer shall receive a service retirement
23 allowance computed as follows:

24 a. If the member's service retirement date occurs on or after
25 his 55th birthday, and completion of five years of creditable
26 service as a law enforcement officer, or after the completion
27 of 20 years of creditable service, regardless of age, the
28 allowance shall be equal to two and fifty hundredths percent
29 (2.50%) of his average final compensation, multiplied by the
30 number of years of creditable service up to and including 20
31 years, plus one and seventy-two hundredths percent (1.72%)
32 of his average final compensation, multiplied by the number
33 of years of his creditable service above 20 years.

34 b. If the member's service retirement date occurs on or after
35 his 50th birthday and before his 55th birthday with 15 or
36 more years of creditable service as a law enforcement officer
37 and prior to the completion of 20 years of creditable service,
38 his retirement allowance shall be equal to the service
39 retirement allowance payable under G.S. 128-27(b15)(1)a.
40 reduced by one-third of one percent (1/3 of 1%) thereof for
41 each month by which his retirement date precedes the first
42 day of the month coincident with or next following the
43 month the member would have attained his 55th birthday.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-two hundredths percent (1.72%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b15)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 128-27(b15)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b15)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b15)(2)b.

1 d. Notwithstanding the foregoing provisions, any member
2 whose creditable service commenced prior to July 1, 1965,
3 shall not receive less than the benefit provided by G.S. 128-
4 27(b)."

5 Section 3. G.S. 128-27(m) reads as rewritten:

6 "(m) Survivor's Alternate Benefit. -- Upon the death of a member in service, the
7 principal beneficiary designated to receive a return of accumulated contributions shall
8 have the right to elect to receive in lieu thereof the reduced retirement allowance
9 provided by Option two of subsection (g) above computed by assuming that the
10 member had retired on the first day of the month following the date of his death,
11 provided that all three of the following conditions apply:

12 (1) a. The member had attained such age and/or creditable service
13 to be eligible to commence retirement with an early or
14 service retirement allowance, or
15 b. The member had obtained 20 years of creditable service in
16 which case the retirement allowance shall be computed in
17 accordance with ~~G.S. 128-27(b15)(1)b.~~ G.S. 128-(b16)(1)b.
18 or ~~G.S. 128-27(b15)(2)e.,~~ G.S. 128-27(b15)(92)c.,
19 notwithstanding the requirement of obtaining age 50.

20 (2) The member had designated as the principal beneficiary to receive
21 a return of his accumulated contributions one and only one person
22 who is living at the time of his death.

23 (3) The member had not instructed the Board of Trustees in writing
24 that he did not wish the provisions of this subsection apply.

25 For the purpose of this benefit, a member is considered to be in service at the date
26 of his death if his death occurs within 180 days from the last day of his actual service.
27 The last day of actual service shall be determined as provided in subsection (l) of this
28 section. Upon the death of a member in service, the surviving spouse may make all
29 purchases for creditable service as provided for under this Chapter for which the
30 member had made application in writing prior to the date of death, provided that the
31 date of death occurred prior to or within 60 days after notification of the cost to
32 make the purchase."

33 Section 4. This act becomes effective July 1, 1997.

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

following report(s) from standing committee(s) is/are presented:

By Rep. Barbee for the Committee on Pensions and Retirement

☐ **Committee Substitute for**

H.B. 1035, S.B. _____ A BILL TO BE ENTITLED AN ACT

H.J.R. _____, S.J.R. _____ A JOINT RESOLUTION

H.R. _____ A HOUSE RESOLUTION

TO PROVIDE FOR RETIREMENT BY LAW ENFORCEMENT OFFICERS WITH UNREDUCED BENEFITS AFTER
TWENTY YEARS OF SERVICE, REGARDLESS OF AGE.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐ _____.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee
on ☐ Appropriations ☐ Finance ☐ _____.

☐ With a favorable report as to committee substitute bill ~~(#XXXXX)~~ (X) which changes the title, unfavorable as to
original bill ~~(Committee Substitute Bill #XXXXX)~~ (and recommendation that the committee substitute bill ~~(#XXXXX)~~
be re-referred to the Committee on Rules.)

☐ With a favorable report as to House committee substitute bill (# _____), () which changes the title, unfavorable
as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

2

HOUSE BILL 1035
Committee Substitute Favorable 4/30/97

Short Title: Study/Increase Law Enforce. Retire.

(Public)

Sponsors:

Referred to:

April 21, 1997

- 1 A. BILL TO BE ENTITLED
2 AN ACT AUTHORIZING THE LEGISLATIVE RESEARCH COMMISSION TO
3 STUDY THE ISSUE OF PROVIDING FOR RETIREMENT BY LAW
4 ENFORCEMENT OFFICERS WITH UNREDUCED BENEFITS AFTER
5 TWENTY YEARS OF SERVICE, REGARDLESS OF AGE.
6 The General Assembly of North Carolina enacts:
7 Section 1. The Legislative Research Commission is authorized to study
8 the advisability of increasing the retirement benefits of law enforcement officers,
9 including the issue of providing for retirement by law enforcement officers with
10 unreduded benefits after 20 years of service, regardless of age, and other related
11 issues.
12 Section 2. The Commission may make an interim report, including any
13 legislative proposals, to the 1997 General Assembly, 1998 Regular Session, and a final
14 report, including any legislative proposals, to the 1999 General Assembly.
15 Section 3. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

D

HOUSE BILL 1035
Proposed Committee Substitute H1035-PCS2319

Short Title: Study/Increase Law Enforce. Retire.

(Public)

Sponsors:

Referred to:

April 21, 1997

- 1 A BILL TO BE ENTITLED
2 AN ACT AUTHORIZING THE LEGISLATIVE RESEARCH COMMISSION TO
3 STUDY THE ISSUE OF PROVIDING FOR RETIREMENT BY LAW
4 ENFORCEMENT OFFICERS WITH UNREDUCED BENEFITS AFTER
5 TWENTY YEARS OF SERVICE, REGARDLESS OF AGE.
6 The General Assembly of North Carolina enacts:
7 Section 1. The Legislative Research Commission is authorized to study
8 the advisability of increasing the retirement benefits of law enforcement officers,
9 including the issue of providing for retirement by law enforcement officers with
10 unredacted benefits after 20 years of service, regardless of age, and other related
11 issues.
12 Section 2. The Commission may make an interim report, including any
13 legislative proposals, to the 1997 General Assembly, 1998 Regular Session, and a final
14 report, including any legislative proposals, to the 1999 General Assembly.
15 Section 3. This act is effective when it becomes law.

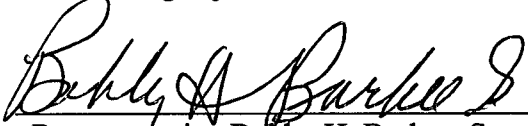
MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
May 20, 1997

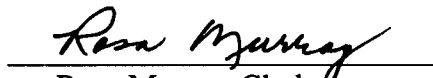
The House Committee on Pensions and Retirement met around Representative Barbee's desk in the House Chamber on May 20, 1997 at 4:00 P.M. to consider Senate Committee Substitute Bill 673. Representative Barbee, Chairman, presided and the following members were present: Representatives Beall, Goodwin, Grady, Hardy, Justus, McCrary, Oldham, Ramsey, G. Wilson and Yongue. Stanley Moore, Fiscal Analyst, was also present

The chairman recognized Representative McMahan who explained the bill which rewrites proposed amendments to definition of "law enforcement officer" in GS 128-21 ((11b) and 143-166.50 (a)(3) so that law enforcement officer means a full-time paid employee of employer who possesses power of arrest, who has taken law enforcement oath, and who is certified as officer under GS Ch. 17 or as deputy sheriff under GS Ch. 17E. It also provides that definition includes sheriff and that number of paid personnel employed as law enforcement officers by law enforcement agency may not exceed number of law enforcement positions approved by applicable governing board. Actuarial Note covering Committee Substitute for Senate Bill 673 was distributed to members. (Attachment I).

Representative McCrary made motion that Senate Bill Committee Substitute 673 be given a favorable report. The motion carried unanimously.

The meeting adjourned at 4:10 P.M.


Representative Bobby H. Barbee, Sr.


Rosa Murray, Clerk

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **Pensions and Retirement**.

☒ Committee Substitute for

S.B. 673 A BILL TO BE ENTITLED AN ACT TO AMEND THE DEFINITION OF LAW ENFORCEMENT OFFICER FOR PURPOSES OF ELIGIBILITY FOR BENEFITS UNDER THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S

2

SENATE BILL 673

Pensions & Retirement and Insurance Committee Substitute Adopted 4/28/97

Short Title: Amend LEO Retirement Def'n.

(Public)

Sponsors:

Referred to:

April 2, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE DEFINITION OF LAW ENFORCEMENT OFFICER
3 FOR PURPOSES OF ELIGIBILITY FOR BENEFITS UNDER THE LOCAL
4 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 128-21(11b) reads as rewritten:
7 "(11b) 'Law Enforcement Officer' means a full-time paid employee of an
8 ~~employer who is actively serving in a position with assigned~~
9 ~~primary duties and responsibilities for prevention and detection of~~
10 ~~crime or for the general enforcement of the criminal laws of the~~
11 ~~State or for serving civil processes, and who possesses the power~~
12 ~~of arrest by virtue of an oath administered under the authority of~~
13 ~~the State.~~ employer, who possesses the power of arrest, who has
14 taken the law enforcement oath administered under the authority
15 of the State as prescribed by G.S. 11-11, and who is certified as a
16 law enforcement officer under the provisions of Chapter 17C of
17 the General Statutes or certified as a deputy sheriff under the
18 provisions of Chapter 17E of the General Statutes. 'Law
19 enforcement officer' also means the sheriff of the county. The
20 number of paid personnel employed as law enforcement officers by
21 a law enforcement agency may not exceed the number of law
22 enforcement positions approved by the applicable local governing
23 board."

1 Section 2. G.S. 143-166.50(a)(3) reads as rewritten:

2 "(3) 'Law-enforcement officer' means a full-time paid employee of an
3 employer, who ~~is actively serving in a position with assigned~~
4 ~~primary duties and responsibilities for prevention and detection of~~
5 ~~crime or the general enforcement of the criminal laws of the State~~
6 ~~or serving civil processes, and who possesses the power of arrest by~~
7 ~~virtue of an oath administered under the authority of the State.~~
8 possesses the power of arrest, who has taken the law enforcement
9 oath administered under the authority of the State as prescribed by
10 G.S. 11-11, and who is certified as a law enforcement officer
11 under the provisions of Chapter 17C of the General Statutes or
12 certified as a deputy sheriff under the provisions of Chapter 17E of
13 the General Statutes. 'Law enforcement officer' also means the
14 sheriff of the county. The number of paid personnel employed as
15 law enforcement officers by a law enforcement agency may not
16 exceed the number of law enforcement positions approved by the
17 applicable local governing board."

18 Section 3. This act becomes effective July 1, 1997, and applies to all
19 persons enrolled in the Local Governmental Employees' Retirement System on or
20 after that date.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

Laine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
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Raleigh, NC 27603-5925
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(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 23, 1997

MEMORANDUM

TO: Senator Thomas LaFontine Odom, Sr.

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note (Committee Substitute for Senate Bill 673)

Re: : Changes the definition of a law enforcement officer in the Local Governmental Employees' Retirement System.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, Senate Committee on Pensions & Retirement
Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, April 23, 1997
- (3) Actuarial Note. Dilts, Umstead & Dunn, April 23, 1997

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Committee Substitute for Senate Bill 673

SHORT TITLE: Amend LEO Retirement Def'n.

SPONSOR(S): Senator Odom

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Funds

BILL SUMMARY: : Changes the definition of a law enforcement officer in the Local Governmental Employees' Retirement System by omitting the requirement that the employee is serving in a position with assigned primary duties and responsibilities for prevention and detection of crime and the general enforcement of the criminal laws of the State. The new definition of a law enforcement officer would be any employees who possesses the power of arrest, taken an oath, certified as a law enforcement officer under G. S. 17C or as a deputy sheriff under G. S. 17E. Law enforcement officer also means the sheriff. The bill also provides that the number of law enforcement officers can not exceed the number authorized by the local governing board.

EFFECTIVE DATE: July 1, 1997

ESTIMATED IMPACT ON LOCAL EMPLOYERS: The number of employees who are now being reported as General employees but, with the passage of this bill, will be reported as law enforcement officers is unknown. The employer contribution rate would increase from 4.63%, which is the normal rate for General employees, to 5.10% for law enforcement officers and contributions of 5% of salary to the 401(k) Plan would be required for any employees who would now fit the new definition of a law enforcement officer. The normal rate of 5.10% should be adequate to fund the benefit as a law enforcement officer.

ASSUMPTIONS AND METHODOLOGY: **Local Governmental Employees' Retirement System** The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 101,341 active members with an annual payroll of \$2.429 billion and 22,732 retired members in receipt of annual pensions totaling \$201.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore *Stanley Moore*

APPROVED BY: Tom Covington

DATE: April 23, 1997

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

April 23, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Re: Proposed Committee Substitute for Senate Bill 673

Dear Mr. Ducker:

We have received your letter of April 23 regarding the Proposed Committee Substitute for Senate Bill 673 which affects the Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan.

This legislation appears to change the definition of "Law Enforcement Officer" by repealing the current duty tests of "prevention and detection of crime or for the general enforcement of the criminal laws of the State or for serving civil processes", and substituting therefore the requirements of certification as a law enforcement officer or as a deputy sheriff under Chapters 17C and 17E, respectively, of the General Statutes. This legislation further provides that the number of paid law enforcement officers may not exceed the number of positions approved as "law enforcement positions" by governing boards of the affected local governmental employers.

This legislation further appears to liberalize the eligibility requirements for law enforcement officers in that, on and after July 1, 1997, all full-time, paid employees, including jailers, office assistants, dispatchers, etc., who (i) have the power of arrest; (ii) have taken the prescribed oath; and (iii) are certified under the referenced statutes, may be treated as law enforcement officers for retirement benefit purposes.

Treatment as a law enforcement officer would provide any affected employee with earlier retirement privileges as a member of the Local Governmental Employees' Retirement System, in addition to employer contributions and court-cost receipts being deposited to the account of that employee in the Supplemental Retirement Income Plan [I.R.C. Section 401(k) plan]. The impact on the Retirement System, and the employing units of government, would depend on the number of employees who will in the future be reported

Mr. Dennis Ducker
April 23, 1997
Page 2

as law enforcement officers in lieu of as general employees. As to the Supplemental Retirement Income Plan, there should be no impact because any additional liabilities would equal additional assets; however the impact on local governments would, once again, depend on the number of employees who will in the future be reported as law enforcement officers in lieu of as general employees. We have no data as to how many employees would be affected.

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

Sincerely,



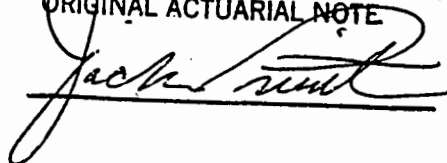
Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

Enc.

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JC 751 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



BUCK
CONSULTANTS

DILTS, UMSTEAD & DUNN**ACTUARIAL CONSULTING**

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (910) 731-4038

Fax: (910) 731-2583

668 Link Road
Lexington, NC 27295

April 23, 1997

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Senate Bill 673 - Committee Substitute: An Act to Amend the
Definition of Law Enforcement Officer for Purposes of
Eligibility for Benefits under the LCERS

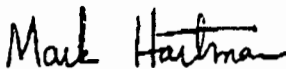
Dear Mr. Moore:

The committee substitute to this bill would rewrite the definition of Law Enforcement Officer in G.S. 128-21(11b) and G.S. 143-166.50(a)(3). The revised definition includes as law enforcement officers employees who possess the power of arrest, have taken the law enforcement oath, and are certified as a law enforcement officer or deputy sheriff or county sheriff. This bill removes the requirement that the employee be assigned primary duties for prevention and detection of crime, general enforcement of criminal laws, or serving civil processes. The bill becomes effective July 1, 1997.

This revised definition would classify additional employees as law enforcement officers which would allow them to retire at an earlier age than general employees. The number of effected members is currently unknown. The financial impact to the retirement plan would be an increase in the normal rate for these employees from 4.63% to 5.10%, an increase of 0.47% of their pay. These employees would also become eligible for a 5% 401(k) contribution.

If you have any questions, please let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By Stanley Moore Date: 4-23-97
Legislative Fiscal Research

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

June 2, 1997
Room 1425
Legislative Building
Immediately after Session

AGENDA

1. Opening Remarks

Representative Barbee, Chairman

2. Stanley Moore, Fiscal Analyst

Retirement Provisions in Appropriations Bill
SENATE BILL 352

3. Adjournment

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
June 2, 1997

The House Committee on Pensions and Retirement met in Room 1425 of the Legislative Building on June 2, 1997 at 7:45 P.M. Representative Bobby Barbee, Sr., chairman, presided at the meeting and the following members were present: Representatives McCombs, Rogers, Beall, Brawley, Carpenter, Goodwin, Grady, Gray, Hardy, Justus, McCrary, Mercer, Ramsey, G. Wilson, Yongue, Daughtry and Howard. There were many interested visitors present in the committee room (Visitor's Registration Sheet attached).

Representative Barbee welcomed those present and recognized Billy Crocker of the Sergeant at Arms staff who assisted with the meeting. The chairman called on Representative Lyons Gray to preside during the discussion on the Special Provisions to be considered that are included in the House Committee Substitute for Senate Bill 352, Current Operations & Capital Budget Act. The number of Provisions to be considered by the committee was questioned by Representative Mercer.

Stanley Moore, Fiscal Analyst, was recognized to explain the Provisions. He directed the Committee to Attachment I, copy of Pages 326 to 331 of House Committee Substitute for Senate Bill 352 containing the following Provisions.

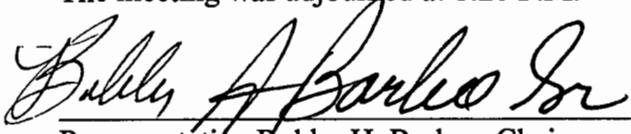
House Special Provision, Section 30.22, Page 326, Local Employees Purchase State Time/State Employees Purchase Local Time. This Provision allows members of the Teachers' and State Employees' Retirement System to purchase part-time or temporary service to a local governmental employer and allows a member of the Local Governmental Employees' Retirement System to purchase part-time or temporary service to a State employer. The members would be paying the "full actuarial cost" for any service purchases.

House Special Provision, Section 30.23, Page 328, Transfer of service to the Consolidated Judicial Retirement System. This Provision allows transfer of any creditable service in the Teachers' and State Employees Retirement System, Local Governmental Employees' Retirement System or the Legislative Retirement System to the Consolidated Judicial Retirement System to be used as membership service. The benefit based on the years transferred would be at the same accrual rate as in the State, Local or Legislative Systems but based on the final salary as a member of the Judicial System.

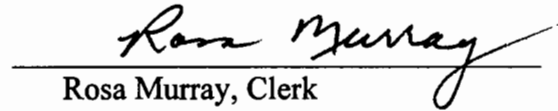
MINUTES OF MEETING - June 2, 1997 - Page 2

Representative Grady moved that the House Committee Substitute Bill be reported to the House floor without prejudice. There was much discussion. Representative Gray called for the vote and the motion carried.

The meeting was adjourned at 8:20 P.M.



Representative Bobby H. Barbee, Chairman



Rosa Murray, Clerk

VISITOR REGISTRATION SHEET

HOUSE PENSIONS AND RETIREMENT

June 2, 1997

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
Joseph H. Hammond	NC Ret. Govt Emp. Assn
Dorothy Duckert	Dep't of State Treasurer
Stephen Wilson	NC Ret. Govt. Employer Assoc.
E. C. Dawson	N.C. Ret Sch Personnel
Larry Presnell	N.C. Retired School Personnel
A. Lawrence Apple	Assn. Retired Faculty - NCSU
John V. Hammo	Assn. Retired Faculty - NCSU
Eugene J. Kamprath	Retired Faculty NCSU
Charles F. Farn	SEANC
Troy Green	SEANC
Stacy Flannery	SEANC
Daniel Arnold	SEANC
B. J. Hodges	SEANC / District 43
VIRGINIA PARKER	SEANC - District 46
Pat Brattford	SEANC Pres
Ken Crath	NCSA
David B. Marsland	Assn. Retired Faculty NCSU
Judy Bane	NC Retired School Personnel
Judy Shupch	NC Retired School Personnel
Wanda Johnson	NC Wake Educated School Personnel
Clinton C. Chesley	N.C. Retired School Principal
Ruby T. Miller - Chesley	N.C. Retired Teacher Wake Co.
Faye Price	Wake Co. Public Schools Soc. Evaluator
Carl Price	N.C. Retired Community College
Ruth Sappie	NC DOT
Ron Aycock	Assn. County Comm.
HAROLD A. Webb	XIC LEAF

(over)

DRB

you Capital City

El Adams

NC. ~~Adams~~ Englewood, Colorado

Rob Hillman

NC DSA

HOWARD MILLER

NCSU

Mike Satter

NCI

Bill Wilson

NCAE

Harriet Dill

NCAE

Gene Causby

E-EBC

1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **BARBEE** for the Committee on **PENSIONS AND RETIREMENT**.

☒ House Committee Substitute for

S.B. 352 A BILL TO BE ENTITLED AN ACT TO MAKE APPROPRIATIONS FOR
CURRENT OPERATIONS AND FOR CAPITAL IMPROVEMENTS FOR STATE
DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title,
unfavorable as to original bill (Committee Substitute Bill #), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☒ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

Requested by: Representatives Holmes, Creech, Esposito, Crawford, Miner
LOCAL EMPLOYEES PURCHASE STATE TIME/STATE EMPLOYEES PURCHASE
LOCAL TIME

Section 30.22. (a) G.S. 128-26(p)(1) reads as rewritten:

"(1) Notwithstanding any other provision of this Chapter, upon completion of five years of membership service, any member may purchase service previously rendered as a part-time employee of a participating employer as defined in ~~G.S. 128-21(11)~~, G.S. 128-21(11) or G.S. 135-1(11), except for temporary or part-time service rendered while a full-time student in pursuit of a degree or diploma in a degree-granting program. Payment shall be made in a single lump sum in an amount equal to the full actuarial cost of providing credit for the service, together with interest and an administrative fee, as determined by the Board of Trustees on the advice of the Retirement System's actuary. Notwithstanding the provisions of G.S. 128-26(b), the Board of Trustees shall fix and determine by appropriate rules and regulations how much service in any year, as based on compensation, is equivalent to one year of service in proportion to 'earnable compensation', but in no case shall more than one year of service be creditable for all service in one year. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms 'full cost', 'full liability', and 'full actuarial cost' include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance."

(b) G.S. 128-26(r) reads as rewritten:

- 1 "(r) Credit at Full Cost for Temporary ~~Local~~ Government Employment. --
2 Notwithstanding any other provisions of this Chapter, any member may purchase
3 creditable service for ~~local~~ government employment when classified as a temporary
4 employee subject to the conditions that:
- 5 (1) The member was employed by an employer as defined in ~~G.S.~~
6 ~~128-21(11); G.S. 128-21(11) or G.S. 135-1(11);~~
 - 7 (2) The member's temporary employment met all other requirements
8 of ~~G.S. 128-21(10); G.S. 128-21(10) or G.S. 135-1(10) or (25);~~
 - 9 (3) The member has completed five years or more of membership
10 service;
 - 11 (4) The member acquires from the employer such certifications of
12 temporary employment as are required by the Board of Trustees;
13 and
 - 14 (5) The member makes a lump sum payment into the Annuity Savings
15 Fund equal to the full liability of the service credits calculated on
16 the basis of the assumptions used for purposes of the actuarial
17 valuation of the retirement system's liabilities, and the calculation
18 of the amount payable shall take into account the retirement
19 allowance arising on account of the additional service credit
20 commencing at the earliest age at which the member could retire
21 on an unreduced retirement allowance, as determined by the
22 Board of Trustees upon the advice of the actuary, plus an
23 administrative fee to be determined by the Board of Trustees.
24 Notwithstanding the foregoing provisions of this subdivision that
25 provide for the purchase of service credits, the terms 'full cost',
26 'full liability', and 'full actuarial cost' include assumed annual
27 post-retirement allowance increases, as determined by the Board of
28 Trustees, from the earliest age at which a member could retire on
29 an unreduced service allowance."
- 30 (c) G.S. 135-4(p1)(1) reads as rewritten:
- 31 "(1) Notwithstanding any other provision of this Chapter, upon
32 completion of five years of membership service, any member may
33 purchase service previously rendered as a part-time teacher or
34 employee of ~~the State; an employer as defined in G.S. 135-1(11) or~~
35 G.S. 128-21(11), except for temporary or part-time service
36 rendered while a full-time student in pursuit of a degree or
37 diploma in a degree-granting program. Payment shall be made in a
38 single lump sum in an amount equal to the full actuarial cost of
39 providing credit for the service, together with interest and an
40 administrative fee, as determined by the Board of Trustees on the
41 advice of the Retirement System's actuary. Notwithstanding the
42 provisions of G.S. 135-4(b), the Board of Trustees shall fix and
43 determine by appropriate rules and regulations how much service
44 in any year, as based on compensation, is equivalent to one year of
45 service in proportion to 'earnable compensation', but in no case
46 shall more than one year of service be creditable for all service in
47 one year. Service rendered for the regular school year in any
48 district shall be equivalent to one year's service. Notwithstanding
49 the foregoing provisions of this subdivision that provide for the
50 purchase of service credits, the terms 'full cost', 'full liability', and
51 'full actuarial cost' include assumed annual post-retirement
52 allowance increases, as determined by the Board of Trustees, from

the earliest age at which a member could retire on an unreduced service allowance."

(d) G.S. 135-4(s) reads as rewritten:

"(s) Credit at Full Cost for Temporary State Employment. -- In addition to the provisions of subsection (p) above, any member may purchase creditable service for State employment when classified as a temporary teacher or employee subject to the conditions that the:

(1) Member was employed by an employer as defined in ~~G.S. 135-1(11)~~; G.S. 135-1(11) or G.S. 128-21(11);

(2) Member's temporary employment met all other requirements of G.S. 135-1(10) ~~or (25)~~; or (25), or G.S. 128-21(10);

(3) Member has completed five years or more of membership service;

(4) Member acquires from the employer such certifications of temporary employment as are required by the Board of Trustees; and

(5) Member makes a lump sum payment into the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the Retirement System's liabilities and shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the actuary, plus an administrative expense fee to be determined by the Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms 'full cost', 'full liability', and 'full actuarial cost' include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance.

The provisions of this subsection shall also apply to the purchase of creditable service for State employment when classified as a permanent hourly employee in accordance with G.S. 126-5(c4)."

Requested by: Representatives Holmes, Creech, Esposito, Crawford, Hardy
RETIREMENT SYSTEM TRANSFER/PROVIDE FOR MEMBERS OF THE
CONSOLIDATED JUDICIAL RETIREMENT SYSTEM TO TRANSFER CREDITABLE
SERVICE FROM THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT
SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, OR THE LOCAL
GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO THE
CONSOLIDATED JUDICIAL RETIREMENT SYSTEM.

Section 30.23. (a) G.S. 128-34 is amended by adding a new subsection to read:

"(d) The accumulated contributions and creditable service of any member whose service as an employee has been or is terminated other than by retirement or death and who, while still a member of this Retirement System, became or becomes a member, as defined in G.S. 135-53(11), of the Consolidated Judicial Retirement System, shall be transferred from this Retirement System to the Consolidated Judicial Retirement System. In order to effect the transfer of a member's creditable service from the Local Governmental Employees' Retirement System to the Consolidated Judicial Retirement System, there shall be transferred from the Local Governmental Employees' Retirement System to the Consolidated Judicial Retirement System the sum of (i) the accumulated contributions of the member credited in the annuity

1 savings fund; and (ii) the amount of reserve held in the Local Governmental
2 Employees' Retirement System as a result of previous contributions by the employer
3 on behalf of the transferring member."

4 (b) G.S. 135-28.1 is amended by adding a new subsection to read:

5 "(f) Notwithstanding the provisions of subsections (a), (b), (c), (d), and (e) of this
6 section, the accumulated contributions and creditable service of any member whose
7 service as a teacher or employee has been or is terminated other than by retirement
8 or death and who, while still a member of this Retirement System, became or
9 becomes a member, as defined in G.S. 135-53(11), of the Consolidated Judicial
10 Retirement System, shall be transferred from this Retirement System to the
11 Consolidated Judicial Retirement System. In order to effect the transfer of a
12 member's creditable service from the Teachers' and State Employees' Retirement
13 System to the Consolidated Judicial Retirement System, there shall be transferred
14 from the Teachers' and State Employees' Retirement System to the Consolidated
15 Judicial Retirement System the sum of (i) the accumulated contributions of the
16 member credited in the annuity savings fund; and (ii) the amount of reserve held in
17 the Teachers' and State Employees' Retirement System as a result of previous
18 contributions by the employer on behalf of the transferring member."

19 (c) Article 1A of Chapter 120 of the General Statutes is amended by
20 adding a new subsection to read:

21 **"§ 120-4.32. Transfer of members.**

22 The accumulated contributions and creditable service of any member whose
23 service as a member of the General Assembly has been or is terminated other than by
24 retirement or death and who, while still a member of this Retirement System, became
25 or becomes a member, as defined in G.S. 135-53(11), of the Consolidated Judicial
26 Retirement System, shall be transferred from this Retirement System to the
27 Consolidated Judicial Retirement System. In order to effect the transfer of a
28 member's creditable service from the Legislative Retirement System to the
29 Consolidated Judicial Retirement System, there shall be transferred from the
30 Legislative Retirement System to the Consolidated Judicial Retirement System the
31 sum of (i) the accumulated contributions of the member credited in the annuity
32 savings fund; and (ii) the amount of reserve held in the Legislative Retirement
33 System as a result of previous contributions by the General Assembly on behalf of the
34 transferring member."

35 (d) G.S. 135-56 is amended by adding a new subsection to read:

36 "(f) The creditable service of a member who was a member of the Legislative
37 Retirement System, Local Governmental Retirement System, or Teachers' and State
38 Employees' Retirement System and whose accumulated contributions and reserves
39 are transferred from that System to this System, includes service that was creditable
40 in the Legislative Retirement System, the Local Governmental Employees'
41 Retirement System, or Teachers' and State Employees' Retirement System, and
42 membership service with those Retirement Systems is membership service with this
43 Retirement System."

44 (e) G.S. 135-56.2 is repealed.

45 (f) G.S. 135-58(a1) reads as rewritten:

46 "(a1) Any member who retires under the provisions of subsection (a) or
47 subsection (c) of G.S. 135-57 on or after July 1, 1990, but before July 1, 1997, after he
48 either has attained his 65th birthday or has completed 24 years or more of creditable
49 service shall receive an annual retirement allowance, payable monthly, which shall
50 commence on the effective date of his retirement and shall be continued on the first
51 day of each month thereafter during his lifetime, the amount of which shall be
52 computed as the sum of (1), (2), and (3) following, provided that in no event shall the
53 annual allowance payable to any member be greater than an amount which, when

1 added to the allowance, if any, to which he is entitled under the Teachers' and State
2 Employees' Retirement System, the Legislative Retirement System or the North
3 Carolina Local Governmental Employees' Retirement System (prior in any case to
4 any reduction for early retirement or for an optional mode of payment) would total
5 three-fourths of his final compensation:

6 (1) Four and two-hundredths percent (4.02%) of his final
7 compensation, multiplied by the number of years of his creditable
8 service rendered as a justice of the Supreme Court or judge of the
9 Court of Appeals;

10 (2) Three and fifty-two hundredths percent (3.52%) of his final
11 compensation, multiplied by the number of years of his creditable
12 service rendered as a judge of the superior court or as
13 administrative officer of the courts;

14 (3) Three and two-hundredths percent (3.02%) of his final
15 compensation, multiplied by the number of years of his creditable
16 service rendered as a judge of the district court, district attorney,
17 or clerk of superior court."

18 (g) G.S. 135-58 is amended by adding a new subsection to read:

19 "(a2) Any member who retires under the provisions of subsection (a) or
20 subsection (c) of G.S. 135-57 on or after July 1, 1997, after he either has attained his
21 65th birthday or has completed 24 years or more of creditable service, shall receive
22 an annual retirement allowance, payable monthly, which shall commence on the
23 effective date of his retirement and shall be continued on the first day of each month
24 thereafter during his lifetime, the amount of which shall be computed as the sum of
25 the amounts in subdivisions (1), (2), (3), (4), (5), and (6) following, provided that in
26 no event shall the annual allowance payable to any member be greater than an
27 amount which, prior in any case to any reduction for early retirement or for an
28 optional mode of payment, would total three-fourths of his final compensation:

29 (1) Four and two-hundredths percent (4.02%) of his final
30 compensation, multiplied by the number of years of his creditable
31 service rendered as a justice of the Supreme Court or judge of the
32 Court of Appeals;

33 (2) Three and fifty-two hundredths percent (3.52%) of his final
34 compensation, multiplied by the number of years of his creditable
35 service rendered as a judge of the superior court or as
36 Administrative Officer of the Courts;

37 (3) Three and two-hundredths percent (3.02%) of his final
38 compensation, multiplied by the number of years of his creditable
39 service, rendered as a judge of the district court, district attorney,
40 or clerk of superior court;

41 (4) A service retirement allowance computed in accordance with the
42 service retirement provisions of Article 1A of Chapter 120 of the
43 General Statutes using final compensation and creditable service
44 equal to the number of years of the member's creditable service
45 that was transferred from the Legislative Retirement System to this
46 System as provided in G.S. 135-56;

47 (5) A service retirement allowance computed in accordance with the
48 service retirement provisions of Article 3 of Chapter 128 of the
49 General Statutes using average final compensation as defined in
50 G.S. 128-21(5) and creditable service equal to the number of years
51 of the member's creditable service that was transferred from the
52 Local Governmental Employees' Retirement System to this System
53 as provided in G.S. 135-56; and

1 (6) A service retirement allowance computed in accordance with the
2 service retirement provisions of Article 1 of Chapter 135 of the
3 General Statutes using average final compensation as defined
4 G.S. 135-53(2a) and creditable service equal to the number of
5 years of the member's creditable service that was transferred from
6 the Teachers' and State Employees' Retirement System to this
7 System as provided in G.S. 135-56."

8 (h) G.S. 135-60(a) reads as rewritten:

9 "(a) Upon retirement for disability in accordance with G.S. 135-59, a member
10 shall receive a disability retirement allowance computed and payable as provided for
11 service retirement in G.S. ~~135-58(a)~~ 135-58(a2) except that the member's creditable
12 service shall be taken as the creditable service he would have had had he continued
13 in service to the earliest date he could have retired on an unreduced service
14 retirement allowance as a member in the same division of the General Court of
15 Justice in which he was serving on his disability retirement date."

16 (i) Chapter 135 of the General Statutes is amended by adding a new
17 section to read:

18 "§ 135-70A. Transfer of members from the Legislative Retirement System, Local
19 Governmental Employees' Retirement System, or Teachers' and State Employees'
20 Retirement System.

21 (a) The accumulated contributions, creditable service, and reserves, if any, of a
22 former teacher, employee, or member of the General Assembly, as defined in G.S.
23 135-1(25), 135-1(10), 120-4.8(9), 120-4.8(12), and 128-21(10), respectively, who is a
24 member of the Consolidated Judicial Retirement System, shall be transferred from
25 the Teachers' and State Employees' Retirement System, the Legislative Retirement
26 System, or the Local Governmental Employees' Retirement System to the
27 Consolidated Judicial Retirement System. The accumulated contributions, creditable
28 service, and reserves of any member whose service as a teacher, employee, or
29 member of the General Assembly is terminated other than by retirement or death
30 and who becomes a member of the Consolidated Judicial Retirement System, shall be
31 transferred from the Teachers' and State Employees' Retirement System, the
32 Legislative Retirement System, or the Local Governmental Employees' Retirement
33 System to the Consolidated Judicial Retirement System. In order to effect the
34 transfer of a member's creditable service from the Teachers' and State Employees'
35 Retirement System, the Legislative Retirement System, or the Local Governmental
36 Employees' Retirement System to the Consolidated Judicial Retirement System, the
37 accumulated contributions of each member credited in the annuity savings fund in
38 the Teachers' and State Employees' Retirement System, the Legislative Retirement
39 System, or the Local Governmental Employees' Retirement System shall be
40 transferred and credited to the annuity savings fund in the Consolidated Judicial
41 Retirement System.

42 (b) The Board of Trustees shall effect such rules as it may deem necessary to
43 administer the preceding subsection and to prevent any duplication of service credits
44 or benefits that might otherwise occur."

45 (j) This section becomes effective July 1, 1997.
46

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Special Provision to Appropriation Bill

SHORT TITLE: Local Employees Purchase State Time/State Employees Purchase Local Time

SPONSOR(S): Representatives Holmes, Creech, Esposito, Crawford, Miner

SYSTEM OR PROGRAM AFFECTED: Teacher's & State Employees' Retirement System and Local Governmental Employees' Retirement System

BILL SUMMARY: Allows members of the Teachers' and State Employees' Retirement System to purchase part-time or temporary service to a local governmental employer and allows a member of the Local Governmental Employees' Retirement System to purchase part-time or temporary service to a State employer. The members would be paying the "full actuarial cost" for any service purchases.

EFFECTIVE DATE: July 1, 1997

ESTIMATED IMPACT: Since the members would be paying the "full actuarial cost" for any service purchases, there would be no cost to the State or local governments.

ASSUMPTIONS AND METHODOLOGY:

Teacher's & State Employees' Retirement System:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 256,904 active members with an annual payroll of \$6.596 billion and 84,915 retired members in receipt of annual pensions totaling \$986.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Local Governmental Employees' Retirement System:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 101,341 active members with an annual payroll of \$2.429 billion and 22,732 retired members in receipt of annual pensions totaling \$201.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information

concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore



APPROVED BY: Tom Covington

DATE: May 30, 1997

BUCK
CONSULTANTS

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

May 23, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Re: **Draft House Appropriations Bill**
Special Provision on Service Purchases

Dear Mr. Ducker:

We have received your letter of May 21 regarding Draft House Appropriations Bill Special Provision on Service Purchases which affects the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.

This legislation appears to permit members of the Local Governmental Employees' Retirement System, who have a minimum of five years of membership service and have not commenced retirement, to purchase creditable service for temporary and part-time employment with a North Carolina State governmental employer. Further, this legislation appears to permit members of the Teachers' and State Employees' Retirement System, who have a minimum of five years of membership service and have not commenced retirement, to purchase creditable service for temporary and part-time employment with a North Carolina Local governmental employer.

Inasmuch as the additional creditable service purchases allowed under this legislation would require payment of the full actuarial liability by members, no additional cost would appear to accrue against the Retirement Systems or the employers.

If we can be of further assistance, please do not hesitate to contact us.

Sincerely,

Donald M. Overholser by cr

Donald M. Overholser
Principal and Consulting Actuary

DMO:jq
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THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE

James Marshall Garner

DILTS, UMSTEAD & DUNN

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (910) 731-4038
Fax: (910) 731-2583

668 Link Road
Lexington, NC 27295

May 20, 1997

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Special Provision: Local Employees Purchase State
Time/State Employees Purchase Local Time

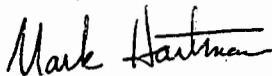
Dear Mr. Moore:

This legislation amends G.S. 128-26 and G.S. 135-4 to allow certain employees to purchase prior temporary or part-time service. The amendments to G.S. 128-26 would allow local government employees to purchase creditable service for employment as a temporary or part-time employee with a state employer as defined in G.S. 135-1(11). The amendments to G.S. 135-4 would allow a state employee to purchase creditable service for employment as a temporary or part-time employee with a local government employer as defined in G.S. 128-21(11).

The cost for purchasing this service would be the full actuarial cost of providing credit for such service, plus an administrative fee determined by the Board of Trustees. The payment must be made in a lump sum into the Annuity Savings Fund for the system of which the employee is currently a member. Based on this methodology, there should be no additional cost to either the Local Government Employees' Retirement System or the Teachers' and State Employees' Retirement System.

If you have any questions, please let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Special Provision to Appropriation Bill

SHORT TITLE: Transfer of service to the Consolidated Judicial Retirement System

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

BILL SUMMARY: : Transfers any creditable service in the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System or the Legislative Retirement System to the Consolidated Judicial Retirement System to be used as membership service. The benefit based on the years transferred would be at the same accrual rate as in the State, Local or Legislative Systems but based on the final salary as a member of the Judicial System.

EFFECTIVE DATE: July 1, 1997

ESTIMATED IMPACT ON STATE: In order to liquidating the liability that will increase in the Judicial System as a result of the transfer of service from the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System or the Legislative Retirement System at the applicable accrual rate to the Consolidated Judicial Retirement System, the actuaries estimate the cost to be 3.07% of payroll (Buck) and 3.40% of payroll (Dilts).

System Actuary: Buck Consultants estimates the cost to be 3.07% of total payroll to the Judicial System:

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	1997-98	1998-99	1999-00	2000-01	2001-02
General Fund	\$1.2m	\$1.3m	\$1.3	\$1.4m	\$1.5

General Assembly Actuary: Dilts, Umstead & Dunn estimates the cost to be 3.4% of payroll.

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	1997-98	1998-99	1999-00	2000-01	2001-02
General Fund	\$1.3m	\$1.4m	\$1.5m	\$1.5m	\$1.6

ASSUMPTIONS AND METHODOLOGY:

Consolidated Judicial Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 438 active members with an annual payroll of \$35.7 million and 329 retired members in receipt of annual pensions totaling \$9.9 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Table for deaths after retirement, and (d) rates of separation from active service based on System experience. The actuarial cost method used to determine the liabilities is the projected benefit method; however, the method used to determine the contribution rate is the projected unit credit method with an unfunded liquidation period of ten years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Teacher's & State Employees' Retirement System:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 256,904 active members with an annual payroll of \$6.596 billion and 84,915 retired members in receipt of annual pensions totaling \$986.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Local Governmental Employees' Retirement System:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 101341 active members with an annual payroll of \$2.429 billion and 22,732 retired members in receipt of annual pensions totaling \$201.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Legislative Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 167 active members with an annual payroll of \$3.6 million and 161 retired members in receipt of annual pensions totaling \$740,097. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1971 Group Annuity Mortality Tables for deaths in service and after retirement and (c) 100% vesting after five years of service with no assumptions for terminations other than death and disability. The actuarial cost method used was the projected unit credit cost method with service prorata. The actuarial liability is computed by using member service to date and attributing an equal benefit amount to each year of credited and expected future service. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
 General Assembly Actuary - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: May 23, 1997

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

May 22, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Re: Proposed Special Provision for the House Appropriations Bill

Dear Mr. Ducker:

We have received your letter of April 29 regarding the Proposed Special Provision for the House Appropriations Bill which affects the Consolidated Judicial Retirement System, Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System and the Legislative Retirement System.

This legislation appears to enhance the retirement benefits of members of the Consolidated Judicial Retirement System by transferring the creditable service of such members from the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System or the Legislative Retirement System to the Consolidated Judicial Retirement System. In order to effect the transfer of such members' creditable service to the Consolidated Judicial Retirement System, the accumulated contributions of such members and the amount of reserve held in the other retirement systems as a result of the employer contributions on behalf of the transferring member would be transferred to the Consolidated Judicial Retirement System.

This legislation further appears to amend the benefit structure of the Consolidated Judicial Retirement System. The retirement allowance that would be payable to a member would include an amount computed in accordance with the service retirement provisions of the other systems using the member's average final compensation earned while a member of the Consolidated Judicial Retirement System, and the creditable service that was transferred from the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System multiplied by the formula accrual rate for the system from which the service was transferred.

Mr. Dennis Ducker

May 22, 1997

Page 2

This legislation would increase the unfunded actuarial liability of the Judicial Retirement System by approximately \$8,011,000; the corresponding increase in employer contribution rate is 3.07% of payroll. There would be no increase in cost under the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System and the Legislative Retirement System.

If we can be of further assistance, please do not hesitate to contact us.

Sincerely,



Donald M. Overholser
Principal and Consulting Actuary

DMO:jg

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JC 2747 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



DILTS, UMSTEAD & DUNN

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (910) 731-4038
Fax: (910) 731-2583

668 Link Road
Lexington, NC 27295

May 22, 1997

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Special Provision: Provision for Members of the CJRS to
Transfer Creditable Service from the TSERS, the LRS, or the
LGERS to the CJRS

Dear Mr. Moore:

This legislation amends G.S. 120-4.32, G.S. 128-34, G.S. 135-28.1, and G.S. 135-56 to transfer creditable service from the Teachers' and State Employees' Retirement System (TSERS), the Legislative Retirement System (LRS), or the Local Governmental Employees' Retirement System (LGERS) to the Consolidated Judicial Retirement System (CJRS). Creditable service would be transferred for any member whose service in the TSERS, LRS, or LGERS terminated other than by retirement or death and who became or becomes a member of the CJRS. Any service transferred to the CJRS will be credited at the benefit accrual rate which applied to that person in the prior system. This accrual rate will apply to the members highest four year average compensation for service in both the prior system and the CJRS. In order to effect the transfer of a member's service to the CJRS, the accumulated contributions credited to that member in the prior system will be transferred to the Annuity Savings Fund in the CJRS. An additional amount approximating the balance of the present value of the members accumulated benefit from the prior system will be transferred to the CJRS Pension Accumulation Fund. This provision becomes effective July 1, 1997 and applies to retirements on and after that date.

Based on the data provided by the retirement system, this provision would affect approximately 150 employees. The transfer of service to the CJRS would produce a benefit increase for these employees because the benefit for the transferred service would be based on the member's current average salary as opposed to his salary in the prior system. This would increase the unfunded accrued liability in the CJRS by the excess of the value of benefits granted in the CJRS for the transferred service over the

Mr. Stanley Moore
May 7, 1997

Page 2

value of the benefits in the prior systems.

This net increase in accrued liability in the CJRS is estimated at \$8,400,000. Liquidating this amount over 9 years produces an annual cost \$1,316,850, which equates to approximately 3.4% of payroll in the CJRS. This does not include any cost for transferring service for any employees that become members of the CJRS in the future.

These estimates are based on the most recent actuarial valuations prepared as of December 31, 1995, and information provided by you regarding members of the CJRS with prior service in another state retirement system.

If you have any questions, let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

June 25, 1997
Room 415
Legislative Office Building

AGENDA

1. Opening Remarks

Representative Barbee, Chairman

2. Bills to be Considered

Senate Bill 297, Amend Charter School Laws
Sponsor: Senator Wib Gulley

Senate Bill 299, Long Term Care Benefits
Sponsor: Senator R. L. Martin

3. Adjournment

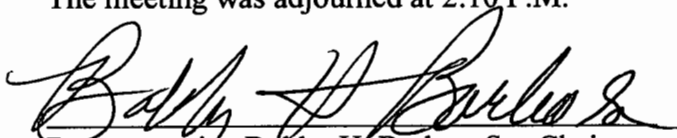
MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
June 25, 1997

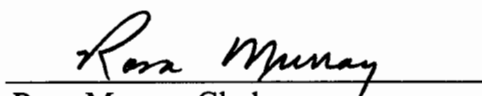
The House Committee on Pensions and Retirement met in Room 415 of the Legislative Office Building on June 25, 1997 at 1:30 P.M. Representative Bobby H. Barbee, Sr., Committee Chairman, presided and introduced the Pages, Karen Neal of Caldwell County and Sarah McCoy of Wake County. Billy Crocker of the Sergeant-at-Arms office was recognized. There were many visitors and their names are recorded on the Visitor Registration Sheet attached. Members present were Representatives McCombs, Beall, Brawley, Carpenter, Daughtry, Gray, Howard, Justus, Mercer, Oldham, Preston, Ramsey, G. Wilson and Yongue.

At the request of Sam Byrd, Fiscal Analyst, Representative Barbee agreed to consider Senate Substitute Bill 299 first. He recognized Senator R. L. Martin, bill sponsor, to explain the bill, Short Title: Long-Term Care Benefits, which provides these benefits for qualified employees, retired employees and their dependents under the Teachers' and State Employees' Comprehensive Major Medical Plan. Also retired employees of the Local Government Employees' Retirement System and their dependents are eligible. He stressed that this benefit is greatly needed in our state. Election to participate in the plan is on a voluntary basis and those who elect to participate would provide for their benefits through fully contributory premiums. Actuarial Note, prepared by Sam Byrd relative to this bill, is attached (Handout I). Representative Yongue moved for a favorable report. The motion carried and the bill was re-referred to the Insurance Committee.

The chairman recognized Representative Daughtry to present the 2nd House Substitute Bill for Senate Bill 297, Amend Charter School Laws. Representative Gray moved that committee accept the bill for discussion. Representative Daughtry reviewed the progress of the charter school concept in the General Assembly. There was much discussion on the bill. Representative Barbee recognized the following three people to speak on the bill: Bob Berlam of N. C. School Board Association, Richard Thompson of the N. C. Department of Public Instruction, and Vernon Robinson of the N. C. Board of Reform Foundation. The issue most consistently questioned was the preference position. Representative Larry Justus moved the adoption of the substitute bill #4 and an unfavorable report on the substitute bill #3. The ayes were in the majority on the voice vote and the motion carried. Handouts explaining this bill are as follows: Explanation of Senate Bill 297: Amend Charter School Laws-PCSRH017.2 (Handout II) prepared by Robin S. Johnson, Education Committee Counsel; Legislative Actuarial Note (Handout III), and Charter Schools: SB 297 Comparisons (Handout IV) prepared by Stanley Moore, Fiscal Analyst.

The meeting was adjourned at 2:10 P.M.


Representative Bobby H. Barbee, Sr., Chairman


Rosa Murray, Clerk

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☒ ^{HOUSE} Committee Substitute for

S.B. 297 A BILL TO BE ENTITLED AN ACT TO AMEND THE LAWS GOVERNING
CHARTER SCHOOLS.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐

☒ With a favorable report as to ^{HOUSE} committee substitute bill (# 2), ☐ which changes the title,
unfavorable as to original bill (^{HOUSE} Committee Substitute Bill # 1), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

VISITOR REGISTRATION SHEET

HOUSE PENSIONS AND RETIREMENT June 25 , 1997

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
Janet Pittard	OSBM
Craig Corey MD	Doctor of the Day
Valerie Hix	Community College System
Steven Hermuth	Dir. Aging
LOU RUTIGLIANO	ROCKY MOUNT TELEGRAM
LYNN WILSON	SEANC
Leigh H Hammond	N.C. Retired Govt Employees Assn
C. C. Dawson	N.C. Ret. Sch. Personnel
Sam / Ben	Leg. Fiscal Research
Stanley Mone	Leg. Fiscal Research
Adrienne Hill	SBE
Christina Caputo	SBE
Dorick Sparks	Senior Tax Tech Reg
Emilia R. Marsh	" " " "
Cynthia Gaddy	Senior Tax Tech Reg. vch. Comm. LTC
Sarah Stewart	ACT/NC
Ann Harrison	WCPSS
Stephen J. Bowens	NC JCDC
Bob Berlon	NCSA
Richard Henry	NCPSI
Ed Adams	N.C. Retired Govt Employees Assn.
Jan Crutt	NCSA
Martha Glass	DOA
Karen Adams	Counsel to the Governor
Johnny Webb	Carolina Health System
William J. Robinson	NC Fed Reform Foundation
Tim W. Howell	NCAICU

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☒ Committee Substitute for

S.B. 299 A BILL TO BE ENTITLED AN ACT TO PROVIDE LONG-TERM CARE BENEFITS FOR QUALIFIED EMPLOYEES, RETIRED EMPLOYEES, AND THEIR DEPENDENTS UNDER THE TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN.

☐ With a favorable report.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on ~~☐ Appropriations~~ ~~☐ Finance~~ ☐ *Insurance*

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S

2

SENATE BILL 299

Pensions and Retirement and Insurance Committee Substitute Adopted 4/10/97

Short Title: Long-Term Care Benefits.

(Public)

Sponsors:

Referred to: Appropriations.

March 5, 1997

A BILL TO BE ENTITLED

AN ACT TO PROVIDE LONG-TERM CARE BENEFITS FOR QUALIFIED
EMPLOYEES, RETIRED EMPLOYEES, AND THEIR DEPENDENTS UNDER
THE TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR
MEDICAL PLAN.

The General Assembly of North Carolina enacts:

Section 1. G.S. 135-38(c) reads as rewritten:

"(c) The Committee shall review programs of hospital, medical and related care
provided by Part 3 of this Article and programs of long-term care benefits provided
by Part 4 of this Article as recommended by the Executive Administrator and Board
of Trustees of the Plan. The Executive Administrator and the Board of Trustees shall
provide the Committee with any information or assistance requested by the
Committee in performing its duties under this Article."

Section 2. G.S. 135-39.5(22) reads as rewritten:

~~"(22) Providing to the Industrial Commission the schedule of allowable
charges under the Plan for each participating hospital and other
information deemed necessary by the Commission to fulfill its
duties under G.S. 97-26. Implementing and administering a
program of long-term care benefits pursuant to Part 4 of this
Article."~~

Section 3. G.S. 135-39.6 reads as rewritten:

"§ 135-39.6. Special funds created.

1 (a) There are hereby established two special funds, to be known as the Public
2 Employee Health Benefit Fund and the Health Benefit Reserve Fund. Fund for the
3 payment of hospital and medical benefits.

4 All premiums, fees, charges, rebates, refunds or any other receipts including, but
5 not limited to, earnings on investments, occurring or arising in connection with health
6 benefits programs established by this Article, shall be deposited into the Public
7 Employee Health Benefit Fund. Disbursements from the Fund shall include any and
8 all amounts required to pay the benefits and administrative costs of such programs as
9 may be determined by the Executive Administrator and Board of Trustees.

10 Any unencumbered balance in excess of prepaid premiums or charges in the
11 Public Employee Health Benefit Fund at the end of each fiscal year shall be used
12 first, to provide an actuarially determined Health Benefit Reserve Fund for incurred
13 but unrepresented claims, second, to reduce the premiums required in providing the
14 benefits of the health benefits programs, and third to improve the plan, as may be
15 provided by the General Assembly. The balance in the Health Benefits Reserve Fund
16 may be transferred from time to time to the Public Employee Health Benefit Fund to
17 provide for any deficiency occurring therein.

18 The Public Employee Health Benefit Fund and the Health Benefit Reserve Fund
19 shall be deposited with the State Treasurer and invested as provided in G.S. 147-69.2
20 and 147-69.3.

21 (b) Disbursement from the Public Employee Health Benefit Fund may be made by
22 warrant drawn on the State Treasurer by the Executive Administrator, or the
23 Executive Administrator and Board of Trustees may by contract authorize the Claims
24 Processor to draw the warrant.

25 (c) Separate and apart from the special funds authorized by subsections (a) and (b)
26 of this section, there shall be a Public Employee Long-Term Care Benefit Fund if the
27 long-term care benefits provided by Part 4 of this Article are administered on a self-
28 insured basis."

29 Section 4. G.S. 135-39.6A reads as rewritten:

30 "§ 135-39.6A. Premiums set.

31 (a) The Executive Administrator and Board of Trustees shall, from time to time,
32 establish premium rates for the Comprehensive Major Medical Plan except as they
33 may be established by the General Assembly in the Current Operations
34 Appropriations Act, and establish regulations for payment of the premiums.
35 Premium rates shall be established for coverages where Medicare is the primary payer
36 of health benefits separate and apart from the rates established for coverages where
37 Medicare is not the primary payer of health benefits.

38 (b) The Executive Administrator and Board of Trustees shall establish separate
39 premium rates for the long-term care benefits provided by Part 4 of this Article if the
40 benefits are administered on a self-insured basis."

41 Section 5. G.S. 135-39.8 reads as rewritten:

42 "§ 135-39.8. Rules and regulations.

43 The Executive Administrator and Board of Trustees may issue rules and
44 regulations to implement Parts ~~2 and 3~~ 2, 3, and 4 of this Article. Rules and

1 regulations of the Board of Trustees shall remain in effect until amended or repealed
2 by the Executive Administrator and Board of Trustees. The Executive Administrator
3 and Board of Trustees shall provide a written description of the rules and regulations
4 issued under this section to all employing units, all health benefit representatives, the
5 oversight team provided for in G.S. 135-39.3, all relevant health care providers
6 affected by a rule or regulation, and to any other parties requesting a written
7 description and approved by the Executive Administrator and Board of Trustees to
8 receive a description on a timely basis."

9 Section 6. G.S. 135-40.7 is amended by adding a new subdivision to read:

10 "(19) Charges for services covered by the long-term care benefit
11 provisions of Part 4 of this Article."

12 Section 7. Article 3 of Chapter 135 of the General Statutes is amended
13 by adding a new Part to read:

14 "Part 4. Long-Term Care Benefits.

15 "§ 135-41. Undertaking.

16 (a) The State of North Carolina undertakes to make available an optional
17 program of long-term care benefits for the benefit of its qualified employees, retired
18 employees, and their dependents which will pay benefits in accordance with the
19 terms hereof. Retired employees of the Local Governmental Employees' Retirement
20 System pursuant to Article 3 of Chapter 128 of the General Statutes and their
21 dependents are also eligible to be qualified for the benefits provided by this Part.

22 (b) The long-term care benefits provided by this Part shall be made available
23 through the Teachers' and State Employees' Comprehensive Major Medical Plan
24 pursuant to Articles 2 and 3 of this Chapter (hereinafter called the 'Plan') and
25 administered by the Plan's Executive Administrator and Board of Trustees. In
26 administering the benefits provided by this Part, the Executive Administrator and
27 Board of Trustees shall have the same type of powers and duties that are provided
28 under Part 3 of this Article for hospital and medical benefits. The benefits provided
29 by this Part may be offered by the Plan on a self-insured basis, in which case a third-
30 party claims processor shall be chosen through competitive bids in accordance with
31 State law, or through a contract of insurance, in which case a carrier licensed to do
32 business in North Carolina shall be selected on a competitive bid basis in accordance
33 with State law.

34 (c) The benefits authorized by this Part are available only to qualified employees
35 and retired employees who voluntarily elect to provide such benefits for themselves
36 and their qualified dependents. Payroll deductions shall be available from employee
37 salary and disability benefit payments and from retired employee retirement benefit
38 payments for fully contributory premium amounts.

39 (d) The Executive Administrator and Board of Trustees of the Plan shall insure
40 insofar as possible that the long-term care benefits provided by this Part shall be tax-
41 qualified under federal law.

42 "§ 135-41.1. Long-term care benefits.

43 Long-term care benefits provided by this Part are subject to elimination periods,
44 coinsurance provisions, and other limitations separate and apart from those provided

1 for in Part 3 of this Article. No limitation on out-of-pocket expenses are provided for
2 the benefits covered by this section. Long-term care benefits are as follows:

3 (1) Nursing Home Benefits. -- The Plan will pay a fixed amount of the
4 reasonable and customary daily charges allowed for nursing
5 facilities providing skilled nursing care and intermediate nursing
6 care up to a maximum amount per day for each day after a fixed
7 number of consecutive days for each nursing home stay. Such
8 daily charges shall be inclusive of semiprivate room and board;
9 skilled and semiskilled nursing services; routine laboratory tests
10 and examinations; physical, occupational, and speech therapy;
11 respiratory and other gas therapy; and drugs, injections, biologicals,
12 fluids, solutions, dietary aids and supplements, and other routine
13 medical supplies and equipment. Readmission to a nursing home
14 within 180 days, exclusive of hospital stays, for the same or related
15 cause or causes shall be considered a single nursing home stay for
16 the purposes of this section. Benefits payable under this
17 subdivision are contingent upon compliance with the following
18 conditions and will, in no instance, be paid under this section
19 without compliance with each of the following conditions:

- 20 a. Confinement to a nursing home is medically appropriate
21 due to an illness, disease, or injury upon recommendation of
22 an admitting physician other than a proprietor, employee, or
23 agent of the nursing home;
24 b. Confinement to a nursing home is for any overnight stay for
25 which a charge for a day's stay is due and payable; and
26 c. Prior to confinement, the admitting physician secures
27 approval certification from the Plan for confinement.

28 As used in this section, a nursing home is a facility or a part of a facility which is (i)
29 operated under State law and which is qualified as a skilled nursing or intermediate
30 nursing facility under Medicare; or is (ii) a facility meeting the requirements for
31 licensure under Chapter 131E of the General Statutes.

32 (2) Custodial Benefits. -- The Plan will pay a fixed percentage of the
33 fixed amount of reasonable and customary daily charges allowed
34 by the Plan in subdivision (1) of this section for assisted living
35 facilities, for adult day care facilities, and for home care agencies
36 up to a maximum amount per day for each day after a fixed
37 number of consecutive days that such custodial care is provided.
38 Benefits payable under this subdivision are contingent upon
39 compliance with the following conditions and will, in no instance,
40 be paid under this subdivision without compliance with each of the
41 following conditions:

- 42 a. Use of such custodial benefits is medically appropriate in a
43 treatment plan established and certified initially and at least
44 once every six months by an attending physician or other

allied health professionals other than a proprietor, employee, or agent of one or more of the aforementioned facilities and agencies;

b. Confinement to a nursing home would be medically appropriate without custodial care proposed to be rendered by one or more of the aforementioned facilities or agencies; and

c. Prior to use of such custodial benefits, an attending physician or other allied health professional secures approval from the Plan for the use of the benefits.

As used in this section, an assisted living facility is a facility which (i) is operated under State law to provide residential care for the aged or disabled whose principal need is a home which provides personal care appropriate to their age or disability; or (ii) meets the requirements for licensure under Chapter 131D of the General Statutes.

As used in this section, an adult care facility is a facility which (i) is operated under State law to provide group care for the aged and disabled in a setting away from their residence on a less than 24-hour basis when such aged or disabled would otherwise be in need of full-time personal care away from their residence; or (ii) meets the requirements for certification under Chapter 131D of the General Statutes. As used in this section, a home care agency is a residential care agency which is (i) operated under State law and which is qualified as a home health care agency under Medicare; or (ii) an agency meeting the requirements for licensure as a home care agency under Chapter 131E of the General Statutes.

(3) Other Benefits. -- Upon prior approval of the Plan, other care, services, supplies, and equipment may be used as more cost-effective alternatives to the benefits provided by this section when directed by an attending physician.

(4) The Executive Administrator and Board of Trustees of the Plan shall establish the payment percentages, maximum daily payment rates, benefit periods, elimination periods, and maximum lifetime benefits payable for each covered individual for the nursing home and custodial benefits provided by this section. The Executive Administrator and Board of Trustees shall provide for inflationary increases in the maximum daily payment rates and the maximum lifetime benefits payable for each covered individual.

(5) The Executive Administrator and Board of Trustees of the Plan shall provide a bed reservation benefit whenever Plan members are hospitalized during a stay in a nursing home or an assisted living facility.

(6) The Executive Administrator and Board of Trustees of the Plan shall provide for a waiver of premiums involving minimum lengths of stay in a nursing home or an assisted living facility. In addition, the Executive Administrator and Board of Trustees shall allow coverage to be reinstated upon failure to pay premiums, provided

1 certain grace periods are not exceeded and retroactive premium
2 payments are made.

3 (7) Limitations and Exclusions to Long-Term Care Benefits. -- The
4 benefits provided by this section are for the purpose of meeting the
5 requirements for assistance from the loss of functional capacity
6 associated with a chronic illness, disease, or disabling injury for
7 extended periods of time; and are, in no way, intended to duplicate
8 the benefits provided for acute and other medical care provided by
9 Medicare or Part 3 of this Article. A loss of functional capacity
10 can occur from: (i) an illness, disease, or disabling injury resulting
11 in a physical incapacity to perform the activities of daily living; or
12 (ii) an irreversible organic mental impairment resulting in a mental
13 incapacity. Activities of daily living consist of routine functions
14 involving personal care and mobility.

15 "§ 135.41.2. Conversion.

16 Upon cessation of group coverage under this Part, an employee, retired employee,
17 or dependent shall be entitled to a conversion to a nongroup plan of long-term care
18 benefits. The Executive Administrator and Board of Trustees of the Plan shall
19 determine how the conversion rights authorized by this Part shall be administered.

20 "§ 135.41.3. Right to alter, amend, or repeal.

21 The General Assembly reserves the right to alter, amend, or repeal this Part."

22 Section 8. This act becomes effective January 1, 1998.



**North Carolina General Assembly
Legislative Services Agency**

George R. Hall, Legislative Services Officer
(919) 733-7044

Elaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones St.
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 100, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

MEMORANDUM

TO: Senator Bob Martin
FROM: Sam Byrd, Fiscal Research Division *Sam*
DATE: June 12, 1997
SUBJECT: Actuarial Note (Senate Bill 299)

Re: Long-Term Care Benefits Provided under the Teachers' & State Employees' Health
Benefit Plan for Employees and Retirees Electing Such Benefits.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

✓
cc: Rep. Bobby Barbee, Committee on Pensions & Retirement.

Attachment(s):

- (1) Senate Committee Substitute for Senate Bill 299.
- (2) Actuarial Note, Dilts, Umstead & Dunn, Senate Bill 299, March 12, 1997.
- (3) Actuarial Note, Aon Consulting, Senate Bill 299, March 21, 1997.



**NORTH CAROLINA TEACHERS' &
STATE EMPLOYEES' COMPREHENSIVE
MAJOR MEDICAL PLAN**

• • •
SENATE BILL 299
Long Term Care Benefits

Prepared by:

**Aon Consulting
One Piedmont Center
3565 Piedmont Road, N.E.
Atlanta, Georgia 30363**

March 1997



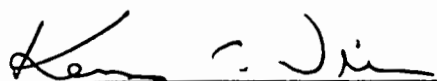
**Alexander
& Alexander**
Consulting Group

ACTUARIAL STATEMENT

The State of North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan (Plan) has requested that Aon Consulting prepare an Actuarial Note in response to an Actuarial Note Request entitled An Act to Provide Long-Term Care Benefits for Qualified Employees, Retired Employees, and their Dependents Under the Teachers' and State Employees' Comprehensive Major Medical Plan.

The Actuarial Note was prepared according to generally accepted actuarial principles and practices, in compliance with General Statute 120-114, and within the confidentiality requirements of General Statute 120-129 through 120-134. As required by statute, the Note includes an explanatory statement of the proposed change(s) and, to the extent possible, an estimate of the financial and actuarial effect of the proposed change(s) on the Plan. The Actuarial Note makes no comment or opinion with regard to the merits of the measure for which the Note is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness, and relied upon the data and information provided by the Plan and their Claims Processing Contractor.

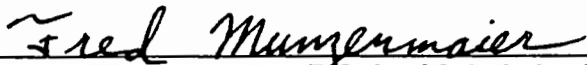


Kenneth C. Vieira, F.S.A., M.A.A.A., E.A.
Consulting Actuary

3/21/97

Date

Professional Peer Review by:



Fred W. Munzenmaier, F.S.A., M.A.A.A., E.A.
Managing Director

3/21/97

Date



Alexander
& Alexander
Consulting Group

LONG-TERM CARE BENEFITS

PLAN CHANGE

Senate Bill 299 proposes that the North Carolina Teachers' & State Employees' Comprehensive Major Medical Plan (Plan) provide long-term care benefits for qualified employees, retired employees, and their dependents. The proposed bill does not provide for a subsidy from the State or its participating employer entities. The proposed long-term care plan will therefore be financially supported through the voluntary contributions from eligible participants.

The proposed bill establishes the framework for participant eligibility and the terms and conditions of coverage. The proposed act becomes law effective January 1, 1998

PROJECTED COST IMPACT

Plan Design Change	% Increase			Based on "Midpoint" Increase (in 000's)		
	Low	Mid	High	First Year Cost \$	Second Year Cost \$	Third Year Cost \$
Requiring the Plan to assume the design and management of a voluntary long-term care program	None - All cost will be recovered through administrative fee charges to carrier.					

Based on the assumption that a fully insured product is adopted initially. Design and maintenance of a self-insured program will incur significantly increased costs.

PRICING APPROACH

- As the market for long-term care benefits is relatively immature and most carrier experience is with fully-insured plans, a prudent strategy for initial implementation is to fully insure the plan. This approach minimizes the State's risk and assures that the voluntary participants fund the entire cost for the program. As the plan gains experience, the State could request a transfer of assets from the carrier and assume management of a self-insured approach. (This note assumes that the Plan incurs negligible cost as the carrier includes all costs in its fully insured rates.)
- The cost to implement a fully insured long-term care plan is limited to plan design, vendor research, and carrier negotiations. These first year expenses are estimated to not exceed \$50,000. Implementation costs for enrollment forms, plan booklets, and employee communication materials will be paid by the insurance carrier and included in the rate paid by the voluntary participants.

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: Senate Bill 299 Senate Committee Substitute

SHORT TITLE: Long-Term Care Benefits

SPONSOR(S): Sen. Bob Martin

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Comprehensive Major Medical Plan.

FUNDS AFFECTED: Fully Contributory Premium Payments for Coverages Selected by Eligible Employees, Retired Employees, and Their Dependents.

BILL SUMMARY: The bill makes available an optional group program of long-term care benefits for teachers and state employees, retired teachers and state employees, and retired employees and surviving beneficiaries of retired employees of the Local Governmental Employees' Retirement System who elect to pay for the program by making fully contributory premium payments for themselves and their eligible dependents. Long-term care benefits provide treatment, therapeutic, rehabilitative, maintenance, and personal care help to individuals who are unable to care for themselves because of a prolonged chronic illness, injury, or disability. Eligible dependents can include not only spouses and children, but parents, parents-in-law, and grandparents as well. The program is to be provided through the Teachers' and State Employees' Comprehensive Major Medical Plan. The Plan's Executive Administrator and Board of Trustees are authorized to provide the program either on a self-insured basis or through a competitively bid contract of insurance from a commercial insurer.

Nursing home benefits are provided for skilled and intermediate nursing care when confinement to a nursing home is medically appropriate for an illness, disease, or injury upon recommendation of an admitting physician. Medical appropriateness is based upon a physical inability to perform the activities of daily living or upon mental disorientation. Employees, retired employees, and their dependents can select from a menu of daily amounts that will be paid for nursing home stays, along with the number of days that the daily amount will be paid, which together constitute a lifetime benefit.

Custodial benefits are provided as a percentage of the daily amount chosen by employees, retired employees, and their dependents for nursing home stays when a nursing home stay would otherwise be medically appropriate. The percentage is chosen by employees, retired employees, and their dependents from a menu of options. Benefits would be payable for services provided by assisted living facilities, which include adult care homes, family care homes, group homes for developmentally disabled adults, and multiunit assisted housing services, as well as for services provided by adult day care facilities and home care agencies. Use of custodial benefits is contingent upon recommendation of such services by an attending physician or other allied health professional, such as a registered nurse, licensed clinical social worker, or licensed physical, occupational, respiratory, or speech therapist.

Other alternative long-term care benefits are also available under the bill to employees, retired employees, and their dependents who elect such benefits. Prior approval of the Plan and an attending physician is required before such benefits will be payable. A menu of other alternative benefits might include caregiver training, rehabilitation equipment, respite services, in-home meals, in-home safety devices, hospice, homemaker services, and chore services. Coordinated care and case management services could also be available to help employees, retired employees, and their dependents choose appropriate levels of care and contain costs.

Employees, retired employees, and their dependents would choose from among several elimination periods before nursing home and custodial benefits are paid. Elimination periods are initial periods of a stay for which benefits are not payable. Inflationary increases to daily benefits and lifetime benefits are also available to those selecting coverage. Such increases may be compounded or be a fixed daily amount. The bill provides a bed reservation benefit when residents of a nursing home or an assisted living facility are hospitalized. Waiver of premiums are provided for minimum lengths of stay in a nursing or assisted living facility. Retroactive premium payments are also included for failure to pay premiums because of functional incapacity. Benefits would include clinically diagnosed cases of Alzheimer's disease and related degenerative and dementing illnesses. Benefits would also be required to be tax-qualified under federal law. As such, age-based premiums would be eligible for federal income tax deductions. Federal qualification would further require that only two activities of daily living (eating, bathing, dressing, transferring, toileting, and continence) qualify for functional incapacity for a duration of at least 90 days. Additional federal measures include guaranteed renewability and the option for nonforfeiture of benefits in which premiums are returned or a reduced amount of paid-up benefits are provided upon cancellation of coverage. Employees, retired employees, and their dependents could convert to a non-group form of long-term care benefits upon a cessation of group benefits provided by the Plan.

Benefits provided under the bill could include most all eligible members of the Teachers' and State Employees' Comprehensive Major Medical Plan on a guaranteed issue basis, in which case exclusions for preexisting health conditions would be required, or medical underwriting criteria could be used for selective enrollments without any preexisting health condition exclusions. The General Assembly's Committee on Employee Hospital and Medical Benefits would have an oversight responsibility on implementation and operation of the long-term care benefits provided under the bill.

EFFECTIVE DATE: January 1, 1998.

ESTIMATED IMPACT ON STATE: The consulting actuary for the Plan, Aon Consulting, and the consulting actuary of the General Assembly's Fiscal Research Division, Dilts, Umstead & Dunn, both estimate that the Plan will incur some administrative expense for implementing and monitoring the payment of the benefits provided by the bill. This administrative expense is estimated by the Plan to be \$115,000 annually plus an additional one-time amount of \$45,000 for implementation. However, such expenses are expected to be covered or recovered by premiums paid by employees and retired employees electing to purchase the benefits for themselves and their dependents. The actual claim costs for the benefits provided by the bill will also be paid by those electing to purchase the benefits through fully contributory premiums. Consequently, no additional claim costs are expected to be borne by the Plan through employer-provided funds.

ASSUMPTIONS AND METHODOLOGY: The Comprehensive Major Medical Plan for Teachers and State Employees is divided into two programs. From October, 1982, through June, 1986, the Plan had only a self-funded indemnity type of program which covered all employees, retired employees, eligible dependents of employees and retired employees, and eligible former employees and their eligible dependents authorized to continue coverage past a termination of employment other than for retirement or disability purposes. A prepaid program of coverage by health maintenance organizations (HMOs) was offered in July, 1986, as an alternative to the Plan's self-insured indemnity program. The benefits of the self-insured indemnity type of program are spelled out in Part 3 of Article 3 of Chapter 135 of the North Carolina General Statutes (i.e., \$250 annual deductible, 20% coinsurance up to \$1,000 annually, etc. paid by the program's members). HMOs are required to offer benefits that are comparable to those provided by the self-insured indemnity program. Employer-paid non-contributory premiums are only authorized for the indemnity program's coverage for employees and most retired employees. All other types of premium in the indemnity program are fully contributory. Premiums paid by employers to HMOs are limited to like amounts paid to the indemnity program with employees and retired employees paying any HMO amounts above the indemnity program's non-contributory rates. Both types of coverage continue to be available in the Plan with twelve HMOs currently covering about 25% of the Plan's total population in about 85 of the State's 100 counties. The Plan's employees and retired employees select the type of program that they wish for themselves and their dependents during the months of August and September of each year for coverage beginning in October. The demographics of the Plan as of December 31, 1996, include:

	<u>Self-Insured Indemnity Program</u>	<u>Alternative HMOs</u>	<u>Plan Total</u>
<u>Number of Participants</u>			
Active Employees	186,400	70,400	256,800
Active Employee Dependents	104,700	51,800	156,500
Retired Employees	84,400	5,400	89,800
Retired Employee Dependents	14,400	1,200	15,600
Former Employees & Dependents with Continued Coverage	2,700	800	3,500
Total Enrollments	392,600	129,600	522,200
<u>Number of Contracts</u>			
Employee Only	206,300	51,800	258,100
Employee & Child(ren)	29,900	14,500	44,400
Employee & Family	36,600	10,100	46,700
Total Contracts	272,800	76,400	349,200
<u>Percentage of Enrollment by Age</u>			
29 & Under	27.3%	44.7%	31.6%
30-44	21.6	28.0	23.2
45-54	20.0	17.8	19.5
55-64	13.8	7.1	12.1
65 & Over	17.3	2.4	13.6

Percentage of
Enrollment by Sex

Male	39.8%	40.0%	39.8%
Female	60.2	60.0	60.2

Assumptions for Long-Term Care Benefits: Long-term care benefits sponsored by employers have been available only since the late 1980's. Based upon a survey by the Health Insurance Association of America, employer-sponsored long-term care plans only numbered 5 in 1988. By 1990, this number had grown to more than 80 and by 1994, almost 1,000 employers were sponsoring long-term care plans. Employee participation in these plans was typically 2-10%, although some employers, like Ford Motor Co., achieved participation rates as high as 15% of salaried workers. Increased life expectancies spawned by medical advances have led to this increased emphasis upon long-term care benefits. The U. S. Bureau of the Census now forecasts that by the year 2050, the average lifespan for males could be almost 80 years with the same average for females exceeding 85 years. Current estimates place the average lifespan for males at a little over 70 years and at almost 80 years for females. As a result, many older citizens will outlive their financial resources. A 1995 study of public-private long-term care partnership programs in Connecticut, Indiana, New York, and California established by the states, commercial insurers, and the Robert Wood Johnson Foundation to stimulate the long-term care benefit market has provided some benchmark data by which to judge the demand for long-term care benefits. Approximately 60% of the purchasers were female. Average ages of purchasers ranged from 59 in Connecticut to 69 in Indiana. The average age for group purchasers was 49 whereas the average age for individual purchasers was 64.

In comparison with the foregoing experiences of other employers and in other states, the Teachers' and State Employees' Comprehensive Major Medical Plan has the following membership data as of December 31, 1996, for Plan members age 40 and over, which is the primary age group for purchasers of long-term care benefits:

<u>Plan</u>	<u>Number of Members by Age</u>				<u>Total</u>
	<u>40-49</u>	<u>50-59</u>	<u>60-69</u>	<u>70 +</u>	
<u>Indemnity Plan</u>					
Employees	68,400	43,900	9,100	500	121,900
Employee Depend.	9,800	7,600	2,200	100	19,700
Tot. Employee Group	78,200	51,500	11,300	600	141,600
Retirees	1,200	10,300	31,300	41,400	84,200
Retiree Depend.	600	2,300	4,900	3,700	11,500
Tot. Retiree Group	1,800	12,600	36,200	45,100	95,700
Tot. Indemnity Plan	80,000	64,100	47,500	45,700	237,300
Average Age					57 Years
Percent Female					63%

<u>HMOs</u>					
Employees	22,900	11,800	1,900	100	36,700
Employee Depend.	3,600	1,700	400	-	5,700
Tot. Employee Group	26,500	13,500	2,300	100	42,400
Retirees	200	1,300	2,500	1,400	5,400
Retiree Depend.	-	200	300	200	700
Tot. Retiree Group	200	1,500	2,800	1,600	6,100
Total HMOs	26,700	15,000	5,100	1,700	48,500
Average Age					50 Years

Percent Female

62%

Total Plan

Employees	91,300	55,700	11,000	600	158,600
Employee Depend.	13,400	9,300	2,600	100	25,400
Tot. Employee Group	104,700	65,000	13,600	700	184,000
Retirees	1,400	11,600	33,800	42,800	89,600
Retiree Depend.	600	2,500	5,200	3,900	12,200
Tot. Retiree Group	2,000	14,100	39,000	46,700	101,800
Total Plan	106,700	79,100	52,600	47,400	285,800
Average Age					56 Years
Percent Female					63%

In addition, retired membership data of the Local Governmental Employees' Retirement system as of December 31, 1995, for members age 40 and over reflects the following:

	<u>Number of Members by Age</u>				
<u>Retired Members</u>	<u>40-49</u>	<u>50-59</u>	<u>60-69</u>	<u>70 +</u>	<u>Total</u>
Service Retirees	100	1,500	6,500	7,900	16,000
Disabled Retirees	800	1,200	1,100	500	3,600
Total Retirees	900	2,700	7,600	8,400	19,600
Surv. Beneficiaries	100	300	800	1,700	2,900
Total Group	1,000	3,000	8,400	10,100	22,500
Average Age					68 Years
Percent Female					44%

Total membership, age 40 and over, eligible for the benefits provided by the bill are:

	<u>Number of Members by Age</u>				
<u>Group</u>	<u>40-49</u>	<u>50-59</u>	<u>60-69</u>	<u>70 +</u>	<u>Total</u>
Employee Group	104,700	65,000	13,600	700	184,000
Retiree Group	3,000	17,100	47,400	56,800	124,300
Total Group	107,700	82,100	61,000	57,500	308,300
Average Age					57 Years
Percent Female					62%

Based upon the Plan's population and the experiences of other employers and in other states, it is estimated that some 6,000 long-term care benefit contracts could be purchased through the Plan by the year 2000, provided the Plan has a sufficient number of contacts located throughout the State to service the benefits. In addition, given the increased visibility of long-term care benefits stimulated by the 104th Congress' inclusion of the benefits in the Health Insurance Portability and Accountability Act of 1996, it would not be unreasonable to assume that an additional 2,000 to 3,000 contracts could be issued through the Plan by the year 2000 just from the Act alone.

Currently, the State of North Carolina has licensed or registered the following number of long-term care facilities to serve the 8,000 to 9,000 contracts that could be issued through the Plan:

Nursing Facilities	362
Nursing Facilities in Hospitals	52
Homes for the Aged	481

Family Care Homes	723
Developmentally Disabled	
Adult Group Homes	211
Multiunit Assisted Housing	
Services	5
Home Care Agencies	868
Adult Day Care Facilities	73

According to information supplied by the North Carolina Health Care Facilities Association and the North Carolina Association of Long Term Care Facilities, the average daily charge in the State for a private-pay resident in a nursing home is about \$100 for skilled and intermediate care and about \$50 for a private-pay stay in an assisted living residence. The average statewide charge per visit for home care agencies in the indemnity program of the Comprehensive Major Medical Plan for Teachers and State Employees is about \$85 for skilled nursing and physical, speech, and occupational therapy, \$110 for clinical social workers, and \$50 for home health aides.

Before concluding the assumptions used for long-term care benefits, mention should be made of a previous State effort in offering such coverage. The State Retirement Systems, in May, 1991, began a program of long-term care insurance for retired members of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, and the Local Governmental Employees' Retirement System. By the end of 1992, some 80 contracts were in effect through monthly retirement payroll deduction of premiums. By the end of 1994, some 240 contracts were in effect through payroll deduction of premiums. By the end of 1996, some 580 contracts were in effect through monthly retirement payroll deduction of premiums plus another 300 contracts in effect with direct payments of annual premiums. In comparison, the total number of retired members of the several Retirement Systems was about 113,000 at the same time.

SOURCES OF DATA:

-Actuarial Note, Dilts, Umstead & Dunn, Senate Bill 299, March 12, 1997, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, Senate Bill 299, March 21, 1997, original of which is on file with the Comprehensive Major Medical Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS: None.

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Sam Byrd

APPROVED BY: Tom L. Covington

DATE: April 10, 1997.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S

5

SENATE BILL 297*

Education/Higher Education Committee Substitute Adopted 4/3/97
Pensions & Retirement and Insurance Committee Substitute No. 2 Adopted 4/28/97
Fourth Edition Engrossed 4/30/97
House Committee Substitute Favorable 6/11/97

Short Title: Amend Charter Sch. Laws.

(Public)

Sponsors:

Referred to:

March 5, 1997

- 1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE LAWS GOVERNING CHARTER SCHOOLS.
3 The General Assembly of North Carolina enacts:
4 Section 1. G.S. 115C-238.29B reads as rewritten:
5 "**§ 115C-238.29B. Eligible applicants; contents of applications; submission of**
6 **applications for approval.**
7 (a) Any person, group of persons, or nonprofit corporation seeking to establish a
8 charter school within a local school administrative unit may apply to establish a
9 charter ~~school on behalf of a private nonprofit corporation.~~ school. If the applicant
10 seeks to convert a public school to a charter school, the application shall include a
11 statement signed by a majority of the teachers and instructional support personnel
12 currently employed at the school indicating that they favor the conversion and
13 evidence that a significant number of parents of children enrolled in the school favor
14 conversion.
15 (b) The application shall contain at least the following information:
16 (1) A description of a program that implements one or more of the
17 purposes in G.S. 115C-238.29A.
18 (2) A description of student achievement goals for the school's
19 educational program and the method of demonstrating that
20 students have attained the skills and knowledge specified for those
21 student achievement goals.

- 1 (3) The governance structure of the school including the names of the
2 proposed initial members of the board of directors of the
3 nonprofit, tax-exempt corporation or of the board of directors
4 whose members shall be approved by the State Board and the
5 process to be followed by the school to ensure parental
6 involvement.
- 7 (3a) The local school administrative unit in which the school will be
8 located.
- 9 (4) Admission policies and procedures.
- 10 (5) A proposed budget for the school and evidence that the plan for
11 the school is economically sound.
- 12 (6) Requirements and procedures for program and financial audits.
- 13 (7) A description of how the school will comply with G.S. 115C-
14 238.29F.
- 15 (8) Types and amounts of insurance coverage, including bonding
16 insurance for the principal officers of the school, to be obtained by
17 the charter school.
- 18 (9) The term of the contract.
- 19 (10) The qualifications required for individuals employed by the school.
- 20 (11) The procedures by which students can be excluded from the
21 charter school and returned to a public school. Notwithstanding
22 any law to the contrary, any local board may refuse to admit any
23 student who is suspended or expelled from a charter school due to
24 actions that would lead to suspension or expulsion from a public
25 school under G.S. 115C-391 until the period of suspension or
26 expulsion has expired.
- 27 (12) The number of students to be served, which number shall be at
28 least 65, and the minimum number of teachers to be employed at
29 the school, which number shall be at least three. However, the
30 charter school may serve fewer than 65 students or employ fewer
31 than three teachers if the application contains a compelling reason,
32 such as the school would serve a geographically remote and small
33 student population.
- 34 (13) Information regarding the facilities to be used by the school and
35 the manner in which administrative services of the school are to be
36 provided.
- 37 (14) ~~A description of whether the school will operate independently of~~
38 ~~the local board of education or whether it agrees to be subject to~~
39 ~~some supervision and control of its administrative operations by~~
40 ~~the local board of education. In the event the charter school elects~~
41 ~~to operate independently of the local board of education, A~~
42 statement of whether the charter school will be operated by the
43 board of directors of a nonprofit, tax-exempt corporation or by a
44 board of directors whose members are approved by the State

1 Board of Education. In the event the board of directors of a
2 nonprofit, tax-exempt corporation will operate the charter school,
3 the application must specify which employee benefits will be
4 offered to its employees and how the benefits will be funded.

5 (c) An applicant shall submit the application to a chartering entity for preliminary
6 approval. A chartering entity may be:

7 (1) The local board of education of the local school administrative
8 unit in which the charter school will be located;

9 (2) The board of trustees of a constituent institution of The University
10 of North Carolina, so long as the constituent institution is involved
11 in the planning, operation, or evaluation of the charter school; or

12 (3) The State Board of Education.

13 Regardless of which chartering entity receives the application for preliminary
14 approval, the State Board of Education shall have final approval of the charter
15 school.

16 (c1) Unless an applicant submits its application under subsection (c) of this
17 section to the local board of education of the local school administrative unit in
18 which the charter school will be located, the applicant shall submit a copy of its
19 application to that local board by November 10. The local board may offer any
20 information or comment concerning the application it considers appropriate to the
21 chartering entity. The local board shall deliver this information to the chartering
22 entity no later than January 1 of the next calendar year. The applicant shall not be
23 required to obtain or deliver this information to the chartering entity on behalf of the
24 local board."

25 Section 2. Part 6A of Article 16 of Chapter 115C of the General Statutes
26 is amended by adding the following new section to read:

27 **"§ 115C-238.29C1. Criminal history checks.**

28 (a) As used in this section:

29 (1) 'Criminal history' means a county, State, or federal criminal
30 history of conviction of a crime, whether a misdemeanor or a
31 felony, that indicates an individual (i) poses a threat to the physical
32 safety of students or personnel, or (ii) has demonstrated that he or
33 she does not have the integrity or honesty to fulfill his or her
34 duties as school personnel. These crimes include the following
35 North Carolina crimes contained in any of the following Articles of
36 Chapter 14 of the General Statutes: Article 5A, Endangering
37 Executive and Legislative Officers; Article 6, Homicide; Article
38 7A, Rape and Kindred Offenses; Article 8, Assaults; Article 10,
39 Kidnapping and Abduction; Article 13, Malicious Injury or
40 Damage by Use of Explosive or Incendiary Device or Material;
41 Article 14, Burglary and Other Housebreakings; Article 15, Arson
42 and Other Burnings; Article 16, Larceny; Article 17, Robbery;
43 Article 18, Embezzlement; Article 19, False Pretense and Cheats;
44 Article 19A, Obtaining Property or Services by False or

Fraudulent Use of Credit Device or Other Means; Article 20, Frauds; Article 21, Forgery; Article 26, Offenses Against Public Morality and Decency; Article 26A, Adult Establishments; Article 27, Prostitution; Article 28, Perjury; Article 29, Bribery; Article 31, Misconduct in Public Office; Article 35, Offenses Against the Public Peace; Article 36A, Riots and Civil Disorders; Article 39, Protection of Minors; and Article 60, Computer-Related Crime. These crimes also include possession or sale of drugs in violation of the North Carolina Controlled Substances Act, Article 5 of Chapter 90 of the General Statutes, and alcohol-related offenses such as sale to underage persons in violation of G.S. 18B-302 or driving while impaired in violation of G.S. 20-138.1 through G.S. 20-138.5. In addition to the North Carolina crimes listed in this subdivision, such crimes also include similar crimes under federal law or under the laws of other states.

(2) 'School personnel' means any:

- a. Member of the board of directors of a charter school,
 - b. Employee of a charter school, or
 - c. Independent contractor or employee of an independent contractor of a charter school if the independent contractor carries out duties customarily performed by school personnel,
- whether paid with federal, State, local, or other funds, who has significant access to students or who has responsibility for the fiscal management of a charter school.

(b) The State Board of Education shall adopt a policy on whether and under what circumstances school personnel shall be required to be checked for a criminal history. The policy shall not require school personnel to be checked for a criminal history check before preliminary approval is granted under G.S. 115C-238.29B. The Board shall apply its policy uniformly in requiring school personnel to be checked for a criminal history. The Board may grant conditional approval of an application while the Board is checking a person's criminal history and making a decision based on the results of the check.

The State Board shall not require school personnel to pay for the criminal history check authorized under this section.

(c) The Board of Education shall require the person to be checked by the Department of Justice to (i) be fingerprinted and to provide any additional information required by the Department of Justice to a person designated by the State Board, or to the local sheriff or the municipal police, whichever is more convenient for the person, and (ii) sign a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the repositories. The State Board shall consider refusal to consent when deciding whether to grant final approval of an application under G.S. 115C-238.29D and when making an employment recommendation. The fingerprints of the

1 individual shall be forwarded to the State Bureau of Investigation for a search of the
2 State criminal history record file, and the State Bureau of Investigation shall forward
3 a set of fingerprints to the Federal Bureau of Investigation for a national criminal
4 history record check. The Department of Justice shall provide to the State Board of
5 Education the criminal history from the State and National Repositories of Criminal
6 Histories of any school personnel for which the Board requires a criminal history
7 check.

8 The State Board shall not require school personnel to pay for the fingerprints
9 authorized under this section.

10 (d) The State Board shall review the criminal history it receives on an individual.
11 The State Board shall determine whether the results of the review indicate that the
12 individual (i) poses a threat to the physical safety of students or personnel, or (ii) has
13 demonstrated that he or she does not have the integrity or honesty to fulfill his or her
14 duties as school personnel and shall use the information when deciding whether to
15 grant final approval of an application for a charter school under G.S. 115C-238.29D
16 and for making an employment recommendation to the board of directors of a
17 charter school. The State Board shall make written findings with regard to how it
18 used the information when deciding whether to grant final approval under G.S.
19 115C-238.29D and when making an employment recommendation.

20 (e) The State Board shall notify in writing the board of directors of the charter
21 school of the determination by the State Board as to whether the school personnel is
22 qualified to operate or be employed by a charter school based on the school
23 personnel's criminal history. At the same time, the State Board shall provide to the
24 charter school's board of directors the written findings the Board makes in subsection
25 (d) of this section and its employment recommendation. If the State Board
26 recommends dismissal or nonemployment of any person, the board of directors of the
27 charter school shall dismiss or refuse to employ that person. In accordance with the
28 law regulating the dissemination of the contents of the criminal history file furnished
29 by the Federal Bureau of Investigation, the State Board shall not release nor disclose
30 any portion of the school personnel's criminal history to the charter school's board of
31 directors or employees. The State Board also shall notify the school personnel of the
32 procedure for completing or challenging the accuracy of the criminal history and the
33 personnel's right to contest the State Board's determination in court.

34 (f) All the information received by the State Board of Education or the charter
35 school in accordance with subsection (e) of this section through the checking of the
36 criminal history is privileged information and is not a public record but is for the
37 exclusive use of the State Board of Education or the board of directors of the charter
38 school. The State Board of Education or the board of directors of the charter school
39 may destroy the information after it is used for the purposes authorized by this
40 section after one calendar year.

41 (g) There shall be no liability for negligence on the part of the State Board of
42 Education or the board of directors of the charter school, or their employees, arising
43 from any act taken or omission by any of them in carrying out the provisions of this
44 section. The immunity established by this subsection shall not extend to gross

1 negligence, wanton conduct, or intentional wrongdoing that would otherwise be
2 actionable. The immunity established by this subsection shall be deemed to have
3 been waived to the extent of indemnification by insurance, indemnification under
4 Articles 31A and 31B of Chapter 143 of the General Statutes, and to the extent
5 sovereign immunity is waived under the Tort Claims Act, as set forth in Article 31 of
6 Chapter 143 of the General Statutes."

7 Section 3. G.S. 115C-238.29D(b) reads as rewritten:

8 "(b) The State Board shall authorize no more than five charter schools ~~per year~~
9 in one local school administrative unit. The State Board shall authorize no more than
10 100 charter schools statewide. If more than five charter schools in one local school
11 administrative unit or more than 100 schools statewide meet the standards for final
12 approval, the State Board shall give priority to applications that are most likely to
13 further State education policies and to strengthen the educational program offered in
14 the local school administrative units in which they are located."

15 Section 4. G.S. 115C-238.29D(d) reads as rewritten:

16 "(d) The State Board of Education may grant ~~a~~ the initial charter for a period not
17 to exceed ~~five~~ 10 years and may renew the charter upon the request of the chartering
18 entity for subsequent periods not to exceed five years each. If the State Board grants
19 the initial charter for a period greater than five years, the Board shall review the
20 status of the charter school five years after it grants the initial charter. A material
21 revision of the provisions of a charter application shall be made only upon the
22 approval of the State Board of Education. The State Board shall establish a policy to
23 enable a charter school to increase the number of students to be served in years
24 following the initial year of a charter school's operation in a manner that would not
25 be considered a material revision of a charter application and would not require the
26 Board's approval. Nonrenewal of a charter operated by a board of directors whose
27 members are approved by the State Board of Education shall constitute a termination
28 of that board of directors."

29 Section 5. G.S. 115C-238.29E reads as rewritten:

30 "(a) A charter school that is approved by the State shall be a public school within
31 the local school administrative unit in which it is located. It shall be accountable to
32 ~~the local board of education~~ its chartering entity, or to the State Board if the
33 chartering entity denied preliminary approval, for purposes of ensuring compliance
34 with applicable laws and the provisions of its charter.

35 (b) A charter school shall be operated ~~by a private nonprofit corporation that~~
36 ~~shall have received federal tax-exempt status no later than 24 months following final~~
37 ~~approval of the application.~~ in one of the following ways:

38 (1) By a board of directors of a nonprofit corporation that receives
39 federal tax-exempt status no later than 24 months after final
40 approval of the application.

41 (2) By a board of directors whose members are approved by the State
42 Board of Education. The board of directors shall be composed of
43 no more than 25 members. The initially proposed members shall
44 serve terms no longer than the length of the charter granted by the

1 State Board. Subsequently proposed members shall serve terms no
2 longer than five years. No member may serve more than two full
3 terms. Appointments to the board of directors, including those
4 necessary to fill vacancies, shall be recommended by the current
5 board of directors and approved by the State Board of Education.

6 In the event a charter school receives final approval from the State Board of
7 Education by March 31, 1997, the State Board shall provide the opportunity for the
8 school to be operated by a board of directors whose members are approved by the
9 State Board.

10 (c) A charter school shall operate under a written contract signed by the ~~local~~
11 ~~board of education~~ entity to which the charter school is accountable under subsection
12 (a) of this section and the applicant. The contract shall incorporate at a minimum
13 the information provided in the application, as modified during the charter approval
14 process, and any terms and conditions imposed on the charter school by the State
15 Board of Education.

16 ~~If the local board of education does not sign the contract, the State Board may sign~~
17 ~~on behalf of the local board.~~

18 (d) The board of directors of the charter school shall decide matters related to the
19 operation of the school, including budgeting, curriculum, and operating procedures.

20 ~~(e) A charter school shall be located in the local school administrative unit with~~
21 ~~which it signed the contract. Its~~ A charter school's specific location shall not be
22 prescribed or limited by a local board or other authority except a zoning authority.
23 The school may lease space from a local board of ~~education, from a public or private~~
24 ~~nonsectarian organization,~~ education or as is otherwise lawful in the local school
25 administrative unit in which the charter school is located. At the request of the
26 charter school, the local board of education of the local school administrative unit in
27 which the charter school will be located shall lease any available building or land to
28 the charter school unless the board demonstrates that the lease is not economically or
29 practically feasible or that the local board does not have adequate classroom space to
30 meet its enrollment needs. In the event that a public school converts to a charter
31 school, the local board of education of the local school administrative unit in which
32 the school is located shall lease to the charter school the school facilities that have
33 been used by that public school unless the board demonstrates that the lease is not
34 economically or practically feasible or that the local board does not have adequate
35 classroom space to meet its enrollment needs. Notwithstanding any other law, a local
36 board of education may provide a school facility to a charter school free of charge;
37 however, the charter school shall be responsible for the maintenance of and insurance
38 for the school facility.

39 (f) Except as provided in this Part and pursuant to the provisions of its contract, a
40 charter school is exempt from statutes and rules applicable to a local board of
41 education or local school administrative unit."

42 Section 6. G.S. 115C-238.29F reads as rewritten:

43 "**§ 115C-238.29F. General requirements.**

1 (a) Health and Safety Standards. -- A charter school shall meet the same health
2 and safety requirements required of a local school administrative unit.

3 (b) School Nonsectarian. -- A charter school shall be nonsectarian in its programs,
4 admission policies, employment practices, and all other operations and shall not
5 charge ~~tuition~~ tuition and fees. A charter school shall not be affiliated with a
6 nonpublic sectarian school or a religious institution.

7 (c) Civil Liability and Insurance. --

8 (1) The board of directors of a charter school may sue and be sued.
9 The State Board of Education shall adopt rules to establish
10 reasonable amounts and types of liability insurance that the board
11 of directors shall be required by the contract to obtain. The board
12 of directors shall obtain at least the amount of and types of
13 insurance required by these rules to be included in the contract.
14 The liability in tort of the charter school, the board of directors or
15 organization that operates the charter school, including any
16 member, officer, or director of that board or organization, and the
17 charter school's employees shall not be covered under the Tort
18 Claims Act, as set out in Article 31 of Chapter 143 of the General
19 Statutes, and the State shall not provide for the defense of any civil
20 or criminal action or proceeding brought against any charter
21 school, any board of directors or organization that operates the
22 charter school or any of its members, officers, or directors, or any
23 charter school employee. Any sovereign immunity of the charter
24 school, of the board of directors or organization that operates the
25 charter school or its members, officers, or directors, or of the
26 employees of the charter school or the board of directors or
27 organization that operates the charter school, is waived to the
28 extent of indemnification by insurance.

29 (2) No civil liability shall attach to any chartering entity, to the State
30 Board of Education, or to any of their members or employees,
31 individually or collectively, for any acts or omissions of the charter
32 school. ~~In the event a charter school has not elected total~~
33 ~~independence from the local board of education under subsection~~
34 ~~(c) of this section, the immunity established by this subsection~~ The
35 immunity established by this subdivision shall be deemed to have
36 been waived to the extent of indemnification by insurance,
37 indemnification under Articles 31A and 31B of Chapter 143 of the
38 General Statutes, and to the extent sovereign immunity is waived
39 under the Tort Claims Act, as set forth in Article 31 of Chapter
40 143 of the General Statutes.

41 (d) Instructional Program. --

42 (1) The school shall provide instruction each year for at least 180 days.

43 (2) The school shall design its programs to at least meet the student
44 performance standards adopted by the State Board of Education

- 1 and the student performance standards contained in the ~~contract~~
2 ~~with the local board of education.~~ contract.
- 3 (3) A charter school shall conduct the student assessments required for
4 charter schools by the State Board of Education.
- 5 (4) The school shall comply with policies adopted by the State Board
6 of Education for charter schools relating to the education of
7 children with special needs.
- 8 (5) The school is subject to and shall comply with Article 27 of
9 Chapter 115C of the General ~~Statutes~~, Statutes, except that a
10 charter school may also exclude a student from the charter school
11 and return that student to another school in the local school
12 administrative unit in accordance with the terms of its contract.

13 (e) Employees. --

- 14 (1) An employee of a charter school is not an employee of the local
15 school administrative unit in which the charter school is located.
16 The charter school's board of directors shall employ and contract
17 with necessary teachers to perform the particular service for which
18 they are employed in the school; at least seventy-five percent
19 (75%) of these teachers in grades kindergarten through five, at
20 least fifty percent (50%) of these teachers in grades six through
21 eight, and at least fifty percent (50%) of these teachers in grades
22 nine through 12 shall hold teacher certificates. The board also
23 may employ necessary employees who are not required to hold
24 teacher certificates to perform duties other than teaching and may
25 contract for other services. The board may discharge teachers and
26 noncertificated employees.
- 27 (2) No local board of education shall require any employee of the
28 local school administrative unit to be employed in a charter school.
- 29 (3) If a teacher employed by a local school administrative unit makes a
30 written request for an extended leave of absence to teach at a
31 charter school, the local school administrative unit shall grant the
32 leave. The local school administrative unit shall grant a leave for
33 any number of years requested by the teacher, shall extend the
34 leave for any number of years requested by the teacher, and shall
35 extend the leave at the teacher's request. The For the initial year
36 of a charter school's operation, the local school administrative unit
37 may require that the request for a leave or extension of leave be
38 made up to 45 days before the teacher would otherwise have to
39 report for duty. For subsequent years, the local school
40 administrative unit may require that the request for a leave or
41 extension of leave be made up to 90 days before the teacher would
42 otherwise have to report for duty. A teacher who has career status
43 under G.S. 115C-325 prior to receiving an extended leave of
44 absence to teach at a charter school may return to a public school

1 in the local school administrative unit with career status at the end
2 of the leave of absence or upon the end of employment at the
3 charter school if an appropriate position is available. If an
4 appropriate position is unavailable, the teacher's name shall be
5 placed on a list of available teachers and that teacher shall have
6 priority on all positions for which that teacher is qualified in
7 accordance with G.S. 115C-325(e)(2).

8 (4) ~~In the event a charter school, in its application, elects total~~
9 ~~independence from the local board of education, its employees~~
10 ~~shall not be deemed to be employees of the local school~~
11 ~~administrative unit and shall not be entitled to any State-funded~~
12 ~~employee benefits, including membership in the North Carolina~~
13 ~~Teachers' and State Employees' Retirement System or the~~
14 ~~Teachers' and State Employees' Comprehensive Major Medical~~
15 ~~Plan. In the event a charter school, in its application, agrees to be~~
16 ~~subject to some supervision and control of its administrative~~
17 ~~operations by the local board of education, the employees of the~~
18 ~~charter school will be deemed employees of the local school~~
19 ~~administrative unit for purposes of providing certain State-funded~~
20 ~~employee benefits, including membership in the Teachers' and~~
21 ~~State Employees' Retirement System and the Teachers' and State~~
22 ~~Employees' Comprehensive Major Medical Plan. The Board of~~
23 ~~Trustees of the Teachers' and State Employees' Retirement~~
24 ~~System, in consultation with the State Board of Education, shall~~
25 ~~determine the degree of supervision and control necessary to~~
26 ~~qualify the employees of the applicant for membership in the~~
27 ~~Retirement System. In no event shall anything contained in this~~
28 ~~Part require the North Carolina Teachers' and State Employees'~~
29 ~~Retirement System to accept employees of a private employer as~~
30 ~~members or participants of the System.~~

31 The employees of a charter school operated by a board of directors
32 whose members are approved by the State Board are public
33 employees and are 'teachers' within the meaning of G.S. 135-1(25)
34 to the same extent as if they were employees of a local school
35 administrative unit. Employees of a charter school operated by a
36 nonprofit, tax-exempt corporation are not public employees and
37 are not 'teachers' within the meaning of G.S. 135-1(25).

38 (f) Accountability. --

- 39 (1) The school is subject to the financial audits, the audit procedures,
40 and the audit requirements adopted by the State Board of
41 Education for charter schools.
- 42 (2) The school shall comply with the reporting requirements
43 established by the State Board of Education in the Uniform
44 Education Reporting System.

- 1 (3) The school shall report at least annually to the chartering entity
2 and the State Board of Education the information required by the
3 chartering entity or the State Board.
- 4 (g) Admission Requirements. --
- 5 (1) Any child who is qualified under the laws of this State for
6 admission to a public school is qualified for admission to a charter
7 school.
- 8 (2) No local board of education shall require any student enrolled in
9 the local school administrative unit to attend a charter school.
- 10 (3) Admission to a charter school shall not be determined according to
11 the school attendance area in which a student resides, except that
12 any local school administrative unit in which a public school
13 converts to a charter school shall give admission preference to
14 students who reside within the former attendance area of that
15 school.
- 16 (4) Admission to a charter school shall not be determined according to
17 the local school administrative unit in which a student resides,
18 ~~except that the provisions of G.S. 115C-366(d) shall apply to a~~
19 ~~student who wishes to attend a charter school in a county other~~
20 ~~than the county in which the student resides.~~
- 21 (5) A charter school shall not discriminate against any student on the
22 basis of ethnicity, national origin, gender, or disability. Except as
23 otherwise provided by law or the mission of the school as set out
24 in the contract, the school shall not limit admission to students on
25 the basis of intellectual ability, measures of achievement or
26 aptitude, athletic ability, disability, race, creed, gender, national
27 origin, religion, or ancestry. Within one year after the charter
28 school begins operation, the population of the school shall
29 reasonably reflect the racial and ethnic composition of the general
30 population residing within the local school administrative unit in
31 which the school is located or the racial and ethnic composition of
32 the special population that the school seeks to serve residing within
33 the local school administrative unit in which the school is located.
34 The school shall be subject to any court-ordered desegregation
35 plan in effect for the local school administrative unit.
- 36 (6) The school shall enroll an eligible student who submits a timely
37 application, unless the number of applications exceeds the capacity
38 of a program, class, grade level, or building. In this case, students
39 shall be accepted by lot.
- 40 (7) Notwithstanding any law to the contrary, a charter school may
41 refuse admission to any student who has been expelled or
42 suspended from a public school under G.S. 115C-391 until the
43 period of suspension or expulsion has expired.

(h) Transportation. -- The charter school ~~shall provide transportation for students enrolled at the school who reside in the local school administrative unit in which the school is located. The charter school may provide transportation for students enrolled at the school who reside in different local school administrative units.~~ school. The charter school shall develop a transportation plan so that transportation is not a barrier to any student who resides in the local school administrative unit in which the school is located. The charter school is not required to provide transportation to any student who lives within one and one-half miles of the school. The local board of the local school administrative unit in which the charter school is located is encouraged to contract with the charter school for the provision of transportation if the board operates a school bus transportation system.

(i) Assets. -- Upon dissolution of the charter school or upon the nonrenewal of the charter, all net assets of the charter school purchased with public funds shall be deemed the property of the local school administrative unit in which the charter school is located."

Section 7. Part 6A of Article 16 of Chapter 115C of the General Statutes is amended by adding the following new section:

"§ 115C-238.29F1. Powers of board of directors whose members are approved by State Board.

(a) In addition to the powers enumerated in this Part as well as the obligations and duties imposed on it by the State Board, its contract, and its charter, the board of directors whose members are approved by the State Board of Education shall have the following powers:

- (1) The powers of a corporate body, including the power to sue and be sued, to make contracts, to adopt and use a common seal, and to alter the adopted seal as needed.
- (2) To enter into operational leases for real property or mobile classroom units under G.S. 115C-238.29H.
- (3) To purchase, acquire, own, maintain, or dispose of personal property.
- (4) To purchase, acquire, or own real property, and to establish, construct, or purchase any structure or facility necessary for the operation of the charter school, so long as State funds are not used.
- (5) To maintain, equip, and operate any structure or facility necessary for the operation of a charter school.
- (6) To pay all necessary costs and expenses in the formation, organization, administration, and operation of the charter school.
- (7) To apply for, accept, and administer loans and grants of money from any federal agency, from the State or its political subdivisions, or from any other public or private sources available, to expend the money in accordance with the requirements imposed by the lender or donor, and to give any evidences of indebtedness that are required. The charter school shall not use State funds to secure any indebtedness under this subdivision. No indebtedness of any

1 kind incurred or created by the board of directors shall constitute
2 an indebtedness of the State or its political subdivisions, and no
3 indebtedness of the board of directors shall involve or be secured
4 by the faith, credit, or taxing power of the State or its political
5 subdivisions.

6 (8) To execute financing agreements, security documents, and other
7 instruments necessary in exercising its power under this Part, so
8 long as State funds are not used as security or to pay interest or
9 other debt service costs.

10 (9) To employ, elect, or appoint officers, employees, and agents of the
11 board of directors, define their duties, and fix their compensation.

12 (10) To receive and use allocations from the State Board and local
13 board.

14 The board of directors shall not have the authority to levy taxes, issue bonds, or
15 acquire property by eminent domain.

16 (b) Leases, contracts, and other agreements entered into by a board of directors
17 whose members are approved by the State Board of Education shall be for terms no
18 longer than the length of the charter that the State Board of Education has granted or
19 renewed. They are subject to approval by the Local Government Commission under
20 Article 8 of Chapter 159 of the General Statutes if they meet the standards set out in
21 G.S. 159-148(a)(1), 159-148(a)(2), and 159-148(a)(3). For the purpose of determining
22 whether the standards set out in G.S. 159-148(a)(3) have been met, only the five
23 hundred thousand dollar (\$500,000) threshold shall apply."

24 Section 8. G.S. 115C-238.29H(a) reads as rewritten:

25 "(a) The State Board of Education shall allocate to each charter school (i) an
26 amount equal to the average per pupil allocation for average daily membership from
27 the local school administrative unit allotments in which the charter school is located
28 for each child attending the charter school except for the allocation for children with
29 special needs and (ii) an additional amount for each child attending the charter
30 school who is a child with special needs. In accordance with its policy adopted under
31 G.S. 115C-238.29D(d), the State Board shall allow for annual adjustments to the
32 amount allocated to a charter school based on its enrollment growth in school years
33 subsequent to the initial year of operation.

34 In the event a child with special needs leaves the charter school and enrolls in a
35 public school during the first 60 school days in the school year, the charter school
36 shall return the additional State funds allocated for that child to the State Board, and
37 the State Board shall reallocate those funds to the local school administrative unit in
38 which the public school is located.

39 (a1) Funds allocated by the State Board of Education shall not be used to
40 purchase land or buildings; may be used to enter into operational leases for real
41 property or mobile classroom units for use as school facilities for charter schools.
42 State funds shall not be used to obtain any other interest in real property or mobile
43 classroom units, to pay interest or other debt service costs, or to secure any
44 indebtedness. As used in this subsection, the term 'operational leases' is defined

1 according to generally accepted accounting principles. The school may own land and
2 buildings it ~~obtained~~ obtains through non-State sources."

3 Section 9. G.S. 115C-238.29J(a) reads as rewritten:

4 "(a) Local boards of education are authorized and encouraged to provide
5 administrative and evaluative support to charter schools located within their local
6 school administrative ~~units and to contract with those charter schools to provide~~
7 ~~student transportation.~~ units."

8 Section 10. G.S. 143-291 is amended by adding the following new
9 subsection:

10 "(d) Charter schools as authorized under Part 6A of Article 16 of Chapter 115C
11 of the General Statutes and the boards of directors or organizations authorized to
12 operate these charter schools are not State agencies for purposes of this Article, and
13 their liability in tort is not subject to this Article."

14 Section 11. Article 31A of Chapter 143 of the General Statutes is
15 amended by adding the following new section:

16 "**§ 143-300.4A. Defense of charter school personnel.**

17 Notwithstanding any other provisions of this Article, the State shall not provide the
18 defense of any civil or criminal action or proceeding brought against any charter
19 school authorized under Part 6A of Article 16 of Chapter 115C of the General
20 Statutes, any board of directors or organization that operates a charter school or its
21 members, officers, or directors, or any charter school employee, individually or
22 collectively."

23 Section 12. Article 31B of Chapter 143 of the General Statutes is
24 amended by adding the following new section:

25 "**§ 143-300.15A. Defense of charter school personnel.**

26 Notwithstanding any other provisions of this Article, the State shall not provide the
27 defense of any civil or criminal action or proceeding brought against any member,
28 director, or officer of a board of directors or an organization that operates a charter
29 school authorized under Part 6A of Article 16 of Chapter 115C of the General
30 Statutes, or any employee of a charter school, individually or collectively."

31 Section 13. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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D

S297-PCSRH-017.2
PROPOSED HOUSE COMMITTEE SUBSTITUTE
SENATE BILL 297

Education/Higher Education Committee Substitute Adopted 4/3/97
Pensions & Retirement and Insurance Committee Substitute No. 2
Adopted 4/28/97

Fourth Edition Engrossed 4/30/97

THIS IS A DRAFT 24-JUN-97 15:40:21

ATTENTION: LINE NUMBERS MAY CHANGE AFTER ADOPTION

Short Title: Amend Charter Sch. Laws.

(Public)

Sponsors:

Referred to: Education/Higher Education.

March 5, 1997

1 A BILL TO BE ENTITLED

2 AN ACT TO AMEND THE LAWS GOVERNING CHARTER SCHOOLS.

3 The General Assembly of North Carolina enacts:

4 Section 1. G.S. 115C-238.29B reads as rewritten:

5 "§ 115C-238.29B. Eligible applicants; contents of applications;
6 submission of applications for approval.

7 (a) Any person, group of persons, or nonprofit corporation
8 seeking to establish a charter school within a local school
9 administrative unit may apply to establish a charter ~~school on~~
10 ~~behalf of a private nonprofit corporation.~~ school. If the
11 applicant seeks to convert a public school to a charter school,
12 the application shall include a statement signed by a majority of
13 the teachers and instructional support personnel currently
14 employed at the school indicating that they favor the conversion
15 and evidence that a significant number of parents of children
16 enrolled in the school favor conversion.

17 (b) The application shall contain at least the following
18 information:

- 1 (1) A description of a program that implements one or
- 2 more of the purposes in G.S. 115C-238.29A.
- 3 (2) A description of student achievement goals for the
- 4 school's educational program and the method of
- 5 demonstrating that students have attained the
- 6 skills and knowledge specified for those student
- 7 achievement goals.
- 8 (3) The governance structure of the school including
- 9 the names of the proposed initial members of the
- 10 board of directors of the nonprofit, tax-exempt
- 11 corporation and the process to be followed by the
- 12 school to ensure parental involvement.
- 13 (3a) The local school administrative unit in which the
- 14 school will be located.
- 15 (4) Admission policies and procedures.
- 16 (5) A proposed budget for the school and evidence that
- 17 the plan for the school is economically sound.
- 18 (6) Requirements and procedures for program and
- 19 financial audits.
- 20 (7) A description of how the school will comply with
- 21 G.S. 115C-238.29F.
- 22 (8) Types and amounts of insurance coverage, including
- 23 bonding insurance for the principal officers of the
- 24 school, to be obtained by the charter school.
- 25 (9) The term of the contract.
- 26 (10) The qualifications required for individuals
- 27 employed by the school.
- 28 (11) The procedures by which students can be excluded
- 29 from the charter school and returned to a public
- 30 school. Notwithstanding any law to the contrary,
- 31 any local board may refuse to admit any student who
- 32 is suspended or expelled from a charter school due
- 33 to actions that would lead to suspension or
- 34 expulsion from a public school under G.S. 115C-391
- 35 until the period of suspension or expulsion has
- 36 expired.
- 37 (12) The number of students to be served, which number
- 38 shall be at least 65, and the minimum number of
- 39 teachers to be employed at the school, which number
- 40 shall be at least three. However, the charter
- 41 school may serve fewer than 65 students or employ
- 42 fewer than three teachers if the application
- 43 contains a compelling reason, such as the school

1 would serve a geographically remote and small
2 student population.

3 (13) Information regarding the facilities to be used by
4 the school and the manner in which administrative
5 services of the school are to be provided.

6 (14) A description of whether the school will operate
7 independently of the local board of education or
8 whether it agrees to be subject to some supervision
9 and control of its administrative operations by the
10 local board of education. In the event the charter
11 school elects to operate independently of the local
12 board of education, the application must specify
13 which employee benefits will be offered to its
14 employees and how the benefits will be funded.

15 (c) An applicant shall submit the application to a chartering
16 entity for preliminary approval. A chartering entity may be:

17 (1) The local board of education of the local school
18 administrative unit in which the charter school
19 will be located;

20 (2) The board of trustees of a constituent institution
21 of The University of North Carolina, so long as the
22 constituent institution is involved in the
23 planning, operation, or evaluation of the charter
24 school; or

25 (3) The State Board of Education.

26 Regardless of which chartering entity receives the application
27 for preliminary approval, the State Board of Education shall have
28 final approval of the charter school.

29 (c1) Unless an applicant submits its application under
30 subsection (c) of this section to the local board of education of
31 the local school administrative unit in which the charter school
32 will be located, the applicant shall submit a copy of its
33 application to that local board by November 10. The local board
34 may offer any information or comment concerning the application
35 it considers appropriate to the chartering entity. The local
36 board shall deliver this information to the chartering entity no
37 later than January 1 of the next calendar year. The applicant
38 shall not be required to obtain or deliver this information to
39 the chartering entity on behalf of the local board."

40 Section 2. Part 6A of Article 16 of Chapter 115C of the
41 General Statutes is amended by adding the following new section
42 to read:

43 "§ 115C-238.29C1. Criminal history checks.

44 (a) As used in this section:

(1) 'Criminal history' means a county, state, or federal criminal history of conviction of a crime, whether a misdemeanor or a felony, that indicates an individual (i) poses a threat to the physical safety of students or personnel, or (ii) has demonstrated that he or she does not have the integrity or honesty to fulfill his or her duties as school personnel. These crimes include the following North Carolina crimes contained in any of the following Articles of Chapter 14 of the General Statutes: Article 5A, Endangering Executive and Legislative Officers; Article 6, Homicide; Article 7A, Rape and Kindred Offenses; Article 8, Assaults; Article 10, Kidnapping and Abduction; Article 13, Malicious Injury or Damage by Use of Explosive or Incendiary Device or Material; Article 14, Burglary and Other Housebreakings; Article 15, Arson and Other Burnings; Article 16, Larceny; Article 17, Robbery; Article 18, Embezzlement; Article 19, False Pretense and Cheats; Article 19A, Obtaining Property or Services by False or Fraudulent Use of Credit Device or Other Means; Article 20, Frauds; Article 21, Forgery; Article 26, Offenses Against Public Morality and Decency; Article 26A, Adult Establishments; Article 27, Prostitution; Article 28, Perjury; Article 29, Bribery; Article 31, Misconduct in Public Office; Article 35, Offenses Against the Public Peace; Article 36A, Riots and Civil Disorders; Article 39, Protection of Minors; and Article 60, Computer-Related Crime. These crimes also include possession or sale of drugs in violation of the North Carolina Controlled Substances Act, Article 5 of Chapter 90 of the General Statutes, and alcohol-related offenses such as sale to underage persons in violation of G.S. 18B-302 or driving while impaired in violation of G.S. 20-138.1 through G.S. 20-138.5. In addition to the North Carolina crimes listed in this subdivision, such crimes also include similar crimes under federal law or under the laws of other states.

(2) 'School personnel' means any:

a. Member of the board of directors of a charter school,

1 b. Employee of a charter school, or
2 c. Independent contractor or employee of an
3 independent contractor of a charter school if
4 the independent contractor carries out duties
5 customarily performed by school personnel,
6 whether paid with federal, State, local, or other
7 funds, who has significant access to students or
8 who has responsibility for the fiscal management of
9 a charter school.

10 (b) The State Board of Education shall adopt a policy on
11 whether and under what circumstances school personnel shall be
12 required to be checked for a criminal history. The policy shall
13 not require school personnel to be checked for a criminal history
14 check before preliminary approval is granted under G.S. 115C-
15 238.29B. The Board shall apply its policy uniformly in requiring
16 school personnel to be checked for a criminal history. The Board
17 may grant conditional approval of an application while the Board
18 is checking a person's criminal history and making a decision
19 based on the results of the check.

20 The State Board shall not require school personnel to pay for
21 the criminal history check authorized under this section.

22 (c) The Board of Education shall require the person to be
23 checked by the Department of Justice to (i) be fingerprinted and
24 to provide any additional information required by the Department
25 of Justice to a person designated by the State Board, or to the
26 local sheriff or the municipal police, whichever is more
27 convenient for the person, and (ii) sign a form consenting to the
28 check of the criminal record and to the use of fingerprints and
29 other identifying information required by the repositories. The
30 State Board shall consider refusal to consent when deciding
31 whether to grant final approval of an application under G.S.
32 115C-238.29D and when making an employment recommendation. The
33 fingerprints of the individual shall be forwarded to the State
34 Bureau of Investigation for a search of the State criminal
35 history record file, and the State Bureau of Investigation shall
36 forward a set of fingerprints to the Federal Bureau of
37 Investigation for a national criminal history record check. The
38 Department of Justice shall provide to the State Board of
39 Education the criminal history from the State and National
40 Repositories of Criminal Histories of any school personnel for
41 which the Board requires a criminal history check.

42 The State Board shall not require school personnel to pay for
43 the fingerprints authorized under this section.

1 (d) The State Board shall review the criminal history it
2 receives on an individual. The State Board shall determine
3 whether the results of the review indicate that the individual
4 (i) poses a threat to the physical safety of students or
5 personnel, or (ii) has demonstrated that he or she does not have
6 the integrity or honesty to fulfill his or her duties as school
7 personnel and shall use the information when deciding whether to
8 grant final approval of an application for a charter school under
9 G.S. 115C-238.29D and for making an employment recommendation to
10 the board of directors of a charter school. The State Board
11 shall make written findings with regard to how it used the
12 information when deciding whether to grant final approval under
13 G.S. 115C-238.29D and when making an employment recommendation.

14 (e) The State Board shall notify in writing the board of
15 directors of the charter school of the determination by the State
16 Board as to whether the school personnel is qualified to operate
17 or be employed by a charter school based on the school
18 personnel's criminal history. At the same time, the State Board
19 shall provide to the charter school's board of directors the
20 written findings the Board makes in subsection (d) of this
21 section and its employment recommendation. If the State Board
22 recommends dismissal or nonemployment of any person, the board of
23 directors of the charter school shall dismiss or refuse to employ
24 that person. In accordance with the law regulating the
25 dissemination of the contents of the criminal history file
26 furnished by the Federal Bureau of Investigation, the State Board
27 shall not release nor disclose any portion of the school
28 personnel's criminal history to the charter school's board of
29 directors or employees. The State Board also shall notify the
30 school personnel of the procedure for completing or challenging
31 the accuracy of the criminal history and the personnel's right to
32 contest the State Board's determination in court.

33 (f) All the information received by the State Board of
34 Education or the charter school in accordance with subsection (e)
35 of this section through the checking of the criminal history is
36 privileged information and is not a public record but is for the
37 exclusive use of the State Board of Education or the board of
38 directors of the charter school. The State Board of Education or
39 the board of directors of the charter school may destroy the
40 information after it is used for the purposes authorized by this
41 section after one calendar year.

42 (g) There shall be no liability for negligence on the part of
43 the State Board of Education or the board of directors of the
44 charter school, or their employees, arising from any act taken or

1 omission by any of them in carrying out the provisions of this
2 section. The immunity established by this subsection shall not
3 extend to gross negligence, wanton conduct, or intentional
4 wrongdoing that would otherwise be actionable. The immunity
5 established by this subsection shall be deemed to have been
6 waived to the extent of indemnification by insurance,
7 indemnification under Articles 31A and 31B of Chapter 143 of the
8 General Statutes, and to the extent sovereign immunity is waived
9 under the Tort Claims Act, as set forth in Article 31 of Chapter
10 143 of the General Statutes."

11 Section 3. G.S. 115C-238.29D(d) reads as rewritten:

12 "(d) The State Board of Education may grant ~~a~~ the initial
13 charter for a period not to exceed five 10 years and may renew
14 the charter upon the request of the chartering entity for
15 subsequent periods not to exceed five years each. If the State
16 Board grants the initial charter for a period greater than five
17 years, the Board shall review the status of the charter school
18 five years after it grants the initial charter. A material
19 revision of the provisions of a charter application shall be made
20 only upon the approval of the State Board of Education. The
21 State Board shall establish a policy to enable a charter school
22 to increase the number of students to be served in years
23 following the initial year of a charter school's operation in a
24 manner that would not be considered a material revision of a
25 charter application and would not require the Board's approval."

26 Section 4. G.S. 115C-238.29E(a) reads as rewritten:

27 "(a) A charter school that is approved by the State shall be a
28 public school within the local school administrative unit in
29 which it is located. It shall be accountable to ~~the local board~~
30 of education its chartering entity, or to the State Board if the
31 chartering entity denied preliminary approval, for purposes of
32 ensuring compliance with applicable laws and the provisions of
33 its charter.

34 (b) A charter school shall be operated by a private nonprofit
35 corporation that shall have received federal tax-exempt status no
36 later than 24 months following final approval of the application.

37 (c) A charter school shall operate under a written contract
38 signed by the ~~local board of education~~ entity to which the
39 charter school is accountable under subsection (a) of this
40 section and the applicant. The contract shall incorporate at a
41 minimum the information provided in the application, as modified
42 during the charter approval process, and any terms and conditions
43 imposed on the charter school by the State Board of Education.

~~1 If the local board of education does not sign the contract, the~~
~~2 State Board may sign on behalf of the local board.~~

3 (d) The board of directors of the charter school shall decide
4 matters related to the operation of the school, including
5 budgeting, curriculum, and operating procedures.

6 (e) ~~A charter school shall be located in the local school~~
~~7 administrative unit with which it signed the contract. Its A~~
8 charter school's specific location shall not be prescribed or
9 limited by a local board or other authority except a zoning
10 authority. The school may lease space from a local board of
11 ~~education, from a public or private nonsectarian organization,~~
12 education or as is otherwise lawful in the local school
13 administrative unit in which the charter school is located. At
14 the request of the charter school, the local board of education
15 of the local school administrative unit in which the charter
16 school will be located shall lease any available building or land
17 to the charter school unless the board demonstrates that the
18 lease is not economically or practically feasible or that the
19 local board does not have adequate classroom space to meet its
20 enrollment needs. In the event that a public school converts to
21 a charter school, the local board of education of the local
22 school administrative unit in which the school is located shall
23 lease to the charter school the school facilities that have been
24 used by that public school unless the board demonstrates that the
25 lease is not economically or practically feasible or that the
26 local board does not have adequate classroom space to meet its
27 enrollment needs. Notwithstanding any other law, a local board
28 of education may provide a school facility to a charter school
29 free of charge; however, the charter school is responsible for
30 the maintenance of and insurance for the school facility.

31 (f) Except as provided in this Part and pursuant to the
32 provisions of its contract, a charter school is exempt from
33 statutes and rules applicable to a local board of education or
34 local school administrative unit."

35 Section 5. G.S. 115C-238.29F reads as rewritten:

36 "§ 115C-238.29F. General requirements.

37 (a) Health and Safety Standards. -- A charter school shall
38 meet the same health and safety requirements required of a local
39 school administrative unit.

40 (b) School Nonsectarian. -- A charter school shall be
41 nonsectarian in its programs, admission policies, employment
42 practices, and all other operations and shall not charge ~~tuition.~~
43 tuition and fees. A charter school shall not be affiliated with a
44 nonpublic sectarian school or a religious institution.

1 (c) Civil Liability and Insurance. --

2 (1) The board of directors of a charter school may sue
3 and be sued. The State Board of Education shall
4 adopt rules to establish reasonable amounts and
5 types of liability insurance that the board of
6 directors shall be required by the contract to
7 obtain. The board of directors shall obtain at
8 least the amount of and types of insurance required
9 by these rules to be included in the contract.

10 (2) No civil liability shall attach to any chartering
11 entity, to the State Board of Education, or to any
12 of their members or employees, individually or
13 collectively, for any acts or omissions of the
14 charter school. In the event a charter school has
15 not elected total independence ~~from the local board~~
16 ~~of education~~ under subsection (e) of this ~~section,~~
17 section from the entity to which it is accountable
18 under G.S. 115C-238.29E(a), the immunity
19 established by this subsection shall be deemed to
20 have been waived to the extent of indemnification
21 by insurance, indemnification under Articles 31A
22 and 31B of Chapter 143 of the General Statutes, and
23 to the extent sovereign immunity is waived under
24 the Tort Claims Act, as set forth in Article 31 of
25 Chapter 143 of the General Statutes.

26 (d) Instructional Program. --

27 (1) The school shall provide instruction each year for
28 at least 180 days.

29 (2) The school shall design its programs to at least
30 meet the student performance standards adopted by
31 the State Board of Education and the student
32 performance standards contained in the ~~contract~~
33 ~~with the local board of education.~~ contract.

34 (3) A charter school shall conduct the student
35 assessments required for charter schools by the
36 State Board of Education.

37 (4) The school shall comply with policies adopted by
38 the State Board of Education for charter schools
39 relating to the education of children with special
40 needs.

41 (5) The school is subject to and shall comply with
42 Article 27 of Chapter 115C of the General ~~Statutes;~~
43 Statutes, except that a charter school may also
44 exclude a student from the charter school and

1 return that student to another school in the local
2 school administrative unit in accordance with the
3 terms of its contract.

4 (e) Employees. --

5 (1) An employee of a charter school is not an employee
6 of the local school administrative unit in which
7 the charter school is located. The charter
8 school's board of directors shall employ and
9 contract with necessary teachers to perform the
10 particular service for which they are employed in
11 the school; at least seventy-five percent (75%) of
12 these teachers in grades kindergarten through five,
13 at least fifty percent (50%) of these teachers in
14 grades six through eight, and at least fifty
15 percent (50%) of these teachers in grades nine
16 through 12 shall hold teacher certificates. The
17 board also may employ necessary employees who are
18 not required to hold teacher certificates to
19 perform duties other than teaching and may contract
20 for other services. The board may discharge
21 teachers and noncertificated employees.

22 (2) No local board of education shall require any
23 employee of the local school administrative unit to
24 be employed in a charter school.

25 (3) If a teacher employed by a local school
26 administrative unit makes a written request for an
27 extended leave of absence to teach at a charter
28 school, the local school administrative unit shall
29 grant the leave. The local school administrative
30 unit shall grant a leave for any number of years
31 requested by the teacher, shall extend the leave
32 for any number of years requested by the teacher,
33 and shall extend the leave at the teacher's
34 request. The— For the initial year of a charter
35 school's operation, the local school administrative
36 unit may require that the request for a leave or
37 extension of leave be made up to 45 days before the
38 teacher would otherwise have to report for duty.
39 For subsequent years, the local school
40 administrative unit may require that the request
41 for a leave or extension of leave be made up to 90
42 days before the teacher would otherwise have to
43 report for duty. A teacher who has career status
44 under G.S. 115C-325 prior to receiving an extended

1 leave of absence to teach at a charter school may
2 return to a public school in the local school
3 administrative unit with career status at the end
4 of the leave of absence or upon the end of
5 employment at the charter school if an appropriate
6 position is available. If an appropriate position
7 is unavailable, the teacher's name shall be placed
8 on a list of available teachers and that teacher
9 shall have priority on all positions for which that
10 teacher is qualified in accordance with G.S. 115C-
11 325(e)(2).

- 12 (4) In the event a charter school, in its application,
13 elects total independence from the ~~local board of~~
14 ~~education, entity to which it is accountable under~~
15 G.S. 115C-238.29E(a), its employees shall not be
16 deemed to be employees of the local school
17 administrative unit and shall not be entitled to
18 any State-funded employee benefits, including
19 membership in the North Carolina Teachers' and
20 State Employees' Retirement System or the Teachers'
21 and State Employees' Comprehensive Major Medical
22 Plan. In the event a charter school, in its
23 application, agrees to be subject to some
24 supervision and control of its administrative
25 operations by the ~~local board of education, entity~~
26 ~~to which it is accountable under G.S. 115C-~~
27 238.29E(a), the employees of the charter school
28 shall be deemed employees of the local school
29 administrative unit for purposes of providing
30 certain State-funded employee benefits, including
31 membership in the Teachers' and State Employees'
32 Retirement System and the Teachers' and State
33 Employees' Comprehensive Major Medical Plan. The
34 Board of Trustees of the Teachers' and State
35 Employees' Retirement System, in consultation with
36 the State Board of Education, shall determine the
37 degree of supervision and control necessary to
38 qualify the employees of the applicant for
39 membership in the Retirement System. In no event
40 shall anything contained in this Part require the
41 North Carolina Teachers' and State Employees'
42 Retirement System to accept employees of a private
43 employer as members or participants of the System.

(5) In the event a teacher is granted a leave of absence under subdivision (3) of this subsection, the teacher is eligible to make monthly contributions to the North Carolina Teachers' and State Employees' Retirement System as provided under G.S. 135-8(b)(5).

(f) Accountability. --

(1) The school is subject to the financial audits, the audit procedures, and the audit requirements adopted by the State Board of Education for charter schools.

(2) The school shall comply with the reporting requirements established by the State Board of Education in the Uniform Education Reporting System.

(3) The school shall report at least annually to the chartering entity and the State Board of Education the information required by the chartering entity or the State Board.

(g) Admission Requirements. --

(1) Any child who is qualified under the laws of this State for admission to a public school is qualified for admission to a charter school.

(2) No local board of education shall require any student enrolled in the local school administrative unit to attend a charter school.

(3) Admission to a charter school shall not be determined according to the school attendance area in which a student resides, except that any local school administrative unit in which a public school converts to a charter school shall give admission preference to students who reside within the former attendance area of that ~~school~~ school, and any private school that becomes a charter school may give admission preference to former students of that school during the first year of the charter school's operation so long as these students are limited to no more than fifty percent (50%) of the total number of students admitted to the charter school.

(4) Admission to a charter school shall not be determined according to the local school administrative unit in which a student ~~resides,~~ except that the provisions of G.S. 115C-366(d)

1 ~~shall apply to a student who wishes to attend a~~
2 ~~charter school in a county other than the county in~~
3 ~~which the student resides.~~

4 (5) A charter school shall not discriminate against any
5 student on the basis of ethnicity, national origin,
6 gender, or disability. Except as otherwise provided
7 by law or the mission of the school as set out in
8 the contract, the school shall not limit admission
9 to students on the basis of intellectual ability,
10 measures of achievement or aptitude, athletic
11 ability, disability, race, creed, gender, national
12 origin, religion, or ancestry. However, so long as
13 admission is not limited to only these children,
14 the school may give enrollment priority to the
15 siblings of a pupil currently enrolled in the
16 charter school, the children of the employees of
17 the charter school, the children of the members of
18 the school's board of directors, and the children
19 of the applicants for the charter school. Within
20 one year after the charter school begins operation,
21 the population of the school shall reasonably
22 reflect the racial and ethnic composition of the
23 general population residing within the local school
24 administrative unit in which the school is located
25 or the racial and ethnic composition of the special
26 population that the school seeks to serve residing
27 within the local school administrative unit in
28 which the school is located. The school shall be
29 subject to any court-ordered desegregation plan in
30 effect for the local school administrative unit.

31 (6) The school shall enroll an eligible student who
32 submits a timely application, unless the number of
33 applications exceeds the capacity of a program,
34 class, grade level, or building. In this case,
35 students shall be accepted by lot.

36 (7) Notwithstanding any law to the contrary, a charter
37 school may refuse admission to any student who has
38 been expelled or suspended from a public school
39 under G.S. 115C-391 until the period of suspension
40 or expulsion has expired.

41 (h) Transportation. -- The charter school ~~shall provide~~
42 ~~transportation for students enrolled at the school who reside in~~
43 ~~the local school administrative unit in which the school is~~
44 ~~located.~~ The charter school may provide transportation for

1 ~~students enrolled at the school who reside in different local~~
2 ~~school administrative units, school. The charter school shall~~
3 ~~develop a transportation plan so that transportation is not a~~
4 ~~barrier to any student who resides in the local school~~
5 ~~administrative unit in which the school is located. The charter~~
6 ~~school is not required to provide transportation to any student~~
7 ~~who lives within one and one-half miles of the school. The local~~
8 ~~board of the local school administrative unit in which the~~
9 ~~charter school is located is encouraged to contract with the~~
10 ~~charter school for the provision of transportation if the board~~
11 ~~operates a school bus transportation system.~~

12 (i) Assets. -- Upon dissolution of the charter school or upon
13 the nonrenewal of the charter, all net assets of the charter
14 school purchased with public funds shall be deemed the property
15 of the local school administrative unit in which the charter
16 school is located."

17 Section 6. G.S. 115C-238.29H(a) reads as rewritten:

18 "(a) The State Board of Education shall allocate to each
19 charter school (i) an amount equal to the average per pupil
20 allocation for average daily membership from the local school
21 administrative unit allotments in which the charter school is
22 located for each child attending the charter school except for
23 the allocation for children with special needs and (ii) an
24 additional amount for each child attending the charter school who
25 is a child with special needs. In accordance with its policy
26 adopted under G.S. 115C-238.29D(d), the State Board shall allow
27 for annual adjustments to the amount allocated to a charter
28 school based on its enrollment growth in school years subsequent
29 to the initial year of operation.

30 In the event a child with special needs leaves the charter
31 school and enrolls in a public school during the first 60 school
32 days in the school year, the charter school shall return the
33 additional State funds allocated for that child to the State
34 Board, and the State Board shall reallocate those funds to the
35 local school administrative unit in which the public school is
36 located.

37 (a) Funds allocated by the State Board of Education ~~shall not~~
38 ~~be used to purchase land or buildings, may be used to enter into~~
39 leases for real property or mobile classroom units for use as
40 school facilities for charter schools and may be used for
41 payments on loans to charter schools for facilities or equipment.
42 However, State funds shall not be used to obtain any other
43 interest in real property or mobile classroom units. No
44 indebtedness of any kind incurred or created by the charter

1 school shall constitute an indebtedness of the State or its
2 political subdivisions, and no indebtedness of the charter school
3 shall involve or be secured by the faith, credit, or taxing power
4 of the State or its political subdivisions. The school also may
5 own land and buildings it ~~obtained~~ obtains through non-State
6 sources."

7 Section 7. G.S. 115C-238.29J(a) reads as rewritten:

8 "(a) Local boards of education are authorized and encouraged
9 to provide administrative and evaluative support to charter
10 schools located within their local school administrative ~~units~~
11 ~~and to contract with those charter schools to provide student~~
12 ~~transportation.~~ units."

13 Section 8. G.S. 135-8(b) reads as rewritten:

14 "(b) Annuity Savings Fund. -- The annuity savings fund shall
15 be a fund in which shall be accumulated contributions from the
16 compensation of members to provide for their annuities.
17 Contributions to any payments from the annuity savings fund shall
18 be made as follows:

19 (1) Prior to the first day of July, 1947, each employer
20 shall cause to be deducted from the salary of each
21 member on each and every payroll of such employer
22 for each and every payroll period four per centum
23 (4%) of his actual compensation; and the employer
24 also shall deduct four per centum (4%) of any
25 compensation received by any member for teaching in
26 public schools, or in any of the institutions,
27 agencies or departments of the State, from salaries
28 other than the appropriations from the State of
29 North Carolina. On and after such date the rate so
30 deducted shall be five per centum (5%) of actual
31 compensation; except that, with respect to each
32 member who is eligible for coverage under the
33 Social Security Act in accordance with the
34 agreement entered into during 1955 in accordance
35 with the provisions of Article 2 of Chapter 135 of
36 Volume 17 of the General Statutes, as amended, and
37 with respect to members covered under G.S. 135-27,
38 with such coverage retroactive to January 1, 1955,
39 such deduction shall, commencing with the first day
40 of the period of service with respect to which such
41 agreement is effective, be at the rate of three per
42 centum (3%) of the part of his actual compensation
43 not in excess of the amount taxable to him under
44 the Federal Insurance Contributions Act as from

1 time to time in effect plus five per centum (5%) of
2 the part of his earnable compensation not so
3 taxable; provided that in the case of any member so
4 eligible and receiving compensation from two or
5 more employers such deductions may be adjusted
6 under such rules as the Board of Trustees may
7 establish so as to be as nearly equivalent as
8 practicable to the deductions which would have been
9 made had the member received all of such
10 compensation from one employer. Notwithstanding
11 the foregoing, the Board of Trustees may in its
12 discretion cause such portion as it may determine
13 of deductions made between January 1, 1955, and
14 December 1, 1955, to be transferred into the
15 contribution fund established under G.S. 135-24;
16 such amounts so transferred shall in that event be
17 deemed to be taxes contributed by employees as
18 required under Article 2, Chapter 135 of Volume 17
19 of the General Statutes as amended, and shall be in
20 lieu of contributions otherwise payable in the same
21 amount as so required.

22 Notwithstanding the foregoing, effective July
23 1, 1963, with respect to the period of service
24 commencing on July 1, 1963, and ending December 31,
25 1965, the rates of such deduction shall be four per
26 centum (4%) of the portion of compensation not in
27 excess of forty-eight hundred dollars (\$4,800) and
28 six per centum (6%) of the portion of compensation
29 in excess of forty-eight hundred dollars (\$4,800);
30 and with respect to the period of service
31 commencing January 1, 1966, and ending June 30,
32 1967, the rate of such deductions shall be four per
33 centum (4%) of the portion of compensation not in
34 excess of fifty-six hundred dollars (\$5,600) and
35 six per centum (6%) of the portion of compensation
36 in excess of fifty-six hundred dollars (\$5,600);
37 and with respect to the period of service
38 commencing July 1, 1967, and ending June 30, 1975,
39 the rate of such deductions shall be five per
40 centum (5%) of the portion of compensation not in
41 excess of fifty-six hundred dollars (\$5,600) and
42 six per centum (6%) of the portion of compensation
43 in excess of fifty-six hundred dollars (\$5,600).
44 Such rates shall apply uniformly to all members of

the Retirement System, without regard to their coverage under the Social Security Act.

Notwithstanding the foregoing, effective July 1, 1975, with respect to the period of service commencing on July 1, 1975, the rate of such deductions shall be six per centum (6%) of the compensation received by any member. Such rates shall apply uniformly to all members of the Retirement System, without regard to their coverage under the Social Security Act.

(2) The deductions provided for herein shall be made notwithstanding that the minimum compensation provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided for herein and shall receipt for his full salary or compensation, and payment of salary or compensation less said deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payment, except as to the benefits provided under this Chapter. The employer shall certify to the Board of Trustees on each and every payroll or in such other manner as the Board of Trustees may prescribe, the amounts to be deducted; and each of said amounts shall be deducted, and when deducted shall be paid into said annuity savings fund, and shall be credited, together with regular interest thereon, to the individual account of the member from whose compensation said deduction was made.

(3) Each board of education of each county and each board of education of each city, and the employer in any department, agency or institution of the State, in which any teacher receives compensation from sources other than appropriations of the State of North Carolina shall deduct from the salaries of these teachers paid from sources other than State appropriations an amount equal to that deducted from the salaries of the teachers whose salaries are paid from State funds, and remit this amount to the State Retirement System. City boards of education and county boards of education in each and every county and city which has employees

1 compensated from other than the State appropriation
2 shall pay to the State Retirement System the same
3 per centum of the compensation that the State of
4 North Carolina pays and shall transmit same to the
5 State Retirement System monthly: Provided, that for
6 the purpose of enabling the boards of education to
7 make such payment, the tax-levying authorities are
8 hereby authorized, empowered and directed to
9 provide the necessary funds therefor. In case the
10 salary is paid in part from State funds and in part
11 from local funds, the local authorities shall not
12 be relieved of providing and remitting the same per
13 centum of the salary paid from local funds as is
14 paid from State funds. In case the entire salary
15 of any teacher, as defined in this Chapter, is paid
16 from county or local funds, the county or city
17 paying such salary shall provide and remit to the
18 Retirement System the same per centum that would be
19 required if the salary were provided by the State
20 of North Carolina.

21 (4) In addition to contributions deducted from
22 compensation as hereinbefore provided, subject to
23 the approval of the Board of Trustees, any member
24 may redeposit in the annuity savings fund by a
25 single payment an amount equal to the total amount
26 which he previously withdrew therefrom, as provided
27 in this Chapter. Such amounts so redeposited shall
28 become a part of his accumulated contributions as
29 if such amounts had initially been contributed
30 within the calendar year of such redeposit. In no
31 event, however, shall any member be permitted to
32 redeposit any amount withdrawn after July 1, 1959,
33 except as provided for in G.S. 135-4(e).

34 (5) The Board of Trustees may approve the purchase of
35 creditable service by any member for leaves of
36 absence or for interrupted service to an employer
37 for the sole purpose of acquiring knowledge,
38 talents, or abilities and to increase the
39 efficiency of service to the employer. This
40 approval shall be made prior to the purchase of the
41 creditable service, is limited to a career total of
42 six years for each member, and may be obtained in
43 the following manner:

- 1 a. Approved leave of absence. -- Where the
- 2 employer grants an approved leave of absence,
- 3 a member may make monthly contributions to the
- 4 annuity savings fund on the basis of
- 5 compensation the member was earning
- 6 immediately prior to such leave of absence.
- 7 The employer shall make monthly contributions
- 8 equal to the normal and accrued liability
- 9 contribution on such compensation or, in lieu
- 10 thereof, the member may pay into the annuity
- 11 savings fund monthly an amount equal to the
- 12 employer's normal and accrued liability
- 13 contribution when the policy of the employer
- 14 is not to make such payment.
- 15 b. No educational leave policy. -- Where the
- 16 employer has a policy of not granting
- 17 educational leaves of absence or the member
- 18 has unsuccessfully petitioned for leave of
- 19 absence and the member has interrupted service
- 20 for educational purposes, the member may make
- 21 monthly contributions into the annuity savings
- 22 fund in an amount equal to the employee
- 23 contribution plus the employer normal and
- 24 accrued liability contribution on the basis of
- 25 the compensation the member was earning
- 26 immediately prior to the interrupted service.
- 27 c. Educational program prior to July 1, 1981. --
- 28 Creditable service for leaves of absence or
- 29 interrupted service for educational purposes
- 30 prior to July 1, 1981, may be purchased by a
- 31 member, before or after retirement, who
- 32 returned as a contributing employee or teacher
- 33 within 12 months after completing the
- 34 educational program and completed 10 years of
- 35 subsequent membership service, by making a
- 36 lump sum payment into the annuity savings fund
- 37 equal to the full cost of the service credits
- 38 calculated on the basis of the assumptions
- 39 used for purposes of the actuarial valuation
- 40 of the system's liabilities and shall take
- 41 into account the retirement allowance arising
- 42 on account of the additional service credit
- 43 commencing at the earliest age at which the
- 44 member could retire on an unreduced retirement

allowance as determined by the Board of Trustees upon the advice of the consulting actuary, plus a fee to be determined by the Board of Trustees.

Payments required to be made by the ~~member and/or the employer~~ member, the employer, or both under subparagraphs a or b are due by the 15th of the month following the month for which the service credit is allowed and payments made after the due date shall be assessed a penalty, in lieu of interest, of one percent (1%) per month or fraction thereof the payment is made beyond the due date; provided, that these payments shall be made prior to retirement and provided further, that if the member did not become a contributing member within 12 months after completing the educational program and failed to complete three years of subsequent membership service, except in the event of death or disability, any payment made by the member including penalty shall be refunded with regular interest thereon and the service credits cancelled prior to or at retirement.

For the purpose of this subdivision, a teacher who is granted a leave of absence under G.S. 115C-238.29F(e)(3) may make monthly contributions as provided by this subdivision. The local board of education that grants the leave of absence shall not be required to make any contributions while the teacher is on this leave of absence.

- (6) The contributions of a member, and such interest as may be allowed thereon, paid upon his death or withdrawn by him as provided in this Chapter, shall be paid from the annuity savings fund, and any balance of the accumulated contributions of such a member shall be transferred to the pension accumulation fund."

Section 9. The Board of Trustees of the North Carolina Teachers' and State Employees' Retirement System shall request a letter of determination or ruling from the Internal Revenue Service, United States Department of Treasury, as to whether the status of the North Carolina Teachers' and State Employees' Retirement System as a governmental plan would be adversely affected by the participation of employees of a charter school that agrees to be subject to some control and supervision of its

1 administrative operations by the entity to which it is
2 accountable under G.S. 115C-238.29E(a). The request shall be
3 made to the Internal Revenue Service after it is approved by the
4 Speaker of the House of Representatives and the President Pro
5 Tempore of the Senate or their designees and no later than 30
6 days after the effective date of this act. Employees of these
7 charter schools shall be eligible for participation in the North
8 Carolina Teachers' and State Employees' Retirement System upon
9 the first day of the calendar month following the State's receipt
10 of a favorable letter of determination or ruling.

11 Section 10. This act is effective when it becomes law.
12 If the State receives a favorable letter of determination or
13 ruling from the Internal Revenue Service, United States
14 Department of Treasury, under Section 9 of this act, then G.S.
15 115C-238.29F(e)(5), as amended by Section 5 of this act, and
16 Section 8 of this act are repealed on the first day of the
17 calendar month following the State's receipt of the letter of
18 determination or ruling.

**EXPLANATION OF SENATE BILL 297:
AMEND CHARTER SCHOOL LAWS -PCSRH017.2.**

TO: Representative Barbee
FROM: Robin S. Johnson, Education Committee Counsel
DATE: June 24, 1997
SPONSOR: Senator Gulley

This proposed committee substitute for Senate Bill 297 makes a number of changes to previous versions of the bill. The changes include amending the retirement provisions for charter schools, restoring the provision that allows the State Board to approve up to five charter schools per local school administrative unit per year, removing the limitations on using State funds to secure loans made to charter schools, and allowing these schools to give admission preference to certain children. Specifically, the PCS makes the following changes to the laws governing charter schools:

- Under current law, charter schools are to be operated by private, nonprofit corporations. However, if they want their teachers to be eligible for participation in the State Teachers' and State Employees' Retirement System, then the application for a charter must include a description of whether the school agrees to be subject to some supervision and control of its administrative operations by the local board. For federal tax purposes, participants in qualified retirement plans must be public employees. There is concern that a "private, nonprofit corporation" cannot be made into a public entity, and, therefore, no charter school will be able to have its employees eligible for participation. The PCS would direct the Board of Trustees of the State Retirement System to request from the Internal Revenue Service (IRS) a letter of determination or ruling that the System's status as a governmental plan would not be adversely affected if the employees of a charter school that agrees to some control and supervision participate in the System. The request must be made to the IRS after it is approved by the President Pro Tempore and the Speaker, or their designees, and within 30 days of the effective date of the act. In addition, the PCS will allow teachers (who currently are members of the State Retirement System) to make monthly contributions to the Retirement System as if they were on an educational leave of absence for a maximum of six years. These teachers must first obtain a leave of absence from a local board of education so they can teach in a charter school. A teacher must become a contributing member of the Retirement System within 12 months after completing the "educational leave" and must complete three years of subsequent membership service, except in the event of death or disability. If the teacher fails to meet these requirements, the contributions made while on "educational leave" will be refunded to them. If the State receives a favorable letter of determination or ruling from the IRS, then the provisions concerning the leave of absence would be repealed.

- The PCS provides that the local board of education of the local school administrative unit in which the charter school is proposed to be located may offer any information or comment concerning an application for a charter. The board must deliver the information to the chartering entity by January 1 following the date applications must be submitted for preliminary approval (November 1). The bill provides specifically that the applicant is not required to obtain or deliver this information. Currently, the State Board's policy is that applicants must include an "impact statement" from the local board as part of their applications.
- Section 2 creates a new G.S. 115C-238.29C1 to direct the State Board to adopt a uniform policy on whether and under what circumstances it will require operators of a charter school and their employees and independent contractors who have significant access to students or who have responsibility for the fiscal management of the schools to be subject to a criminal history check. The criminal history check must occur after preliminary approval is given. The State Board shall not require school personnel to pay for the fingerprints or criminal record checks. This section is virtually identical to G.S. 115C-332, which directs local boards to adopt a similar policy for their school personnel. The check is to be done for purposes of deciding whether to grant final approval of a charter and for the State Board to make employment recommendations to charter schools. If the State Board recommends dismissal or nonemployment of a person, then the charter school shall dismiss or refuse to employ that person.
- Section 3 amends G.S. 115C-238.29D(d) to allow the State Board to grant initial charters of up to 10 years, with five year renewals thereafter. If the Board grants the initial charter for more than five years, then the Board must review the school's status after five years. Current law limits initial charters and subsequent renewals to a maximum of five years each.
- Section 4 amends G.S. 115C-238.29E(a) to provide that charter schools denied preliminary approval from their chartering entities are accountable to the State Board for purposes of ensuring compliance with applicable laws and their respective charters. All other charter schools will be accountable to their chartering entities for these purposes. Currently, a charter school is to be accountable to the local board of the local school administrative unit in which the school is to be located. This change also removes the requirement that the State Board may sign on behalf of the local board the contract under which the school is to be operated.
- Section 4 also amends G.S. 115C-238.29E(e) to require local boards to lease any available building or land to the charter school, upon its request, unless it is not "economically or practically feasible" or the local board does not have adequate classroom space to meet its enrollment needs. If a public school converts to a charter school, the local board must lease to the charter school the school facilities that have been used by that school unless it is not economically or practically feasible or the local board does not have adequate classroom space to meet its enrollment needs. Local boards also are permitted to provide a school facility to a charter school free of charge; however, the school must maintain and insure the facility. Finally, the

prohibition on leasing from sectarian organizations is removed. Current law simply allows charter schools to lease from local boards of education.

- Section 5 amends G.S. 115C-238.29F(c) to prohibit charter schools from charging fees. Present law prohibits them from charging tuition only.
- The State Board is directed to adopt rules to set a reasonable amount and types of liability insurance that a charter school must be required by contract to obtain.
- In addition, Section 5 requires local boards to allow teachers, during the first year of a charter school's operation, to make a request for a leave of absence up to 45 days before the teacher would otherwise have to report for duty. In subsequent years, teachers can be required to make this request up to 90 days before they would otherwise have to report for duty. Under current law, there is no distinction between the initial and subsequent years of the charter school's operation, and boards can require 90 days' notice.
- Section 5 also removes the requirement that students who reside in a local school administrative unit other than the one where the charter school is located must have the approval of both local boards. This requirement also allowed the local board of the unit in which the school is located to charge the student tuition.
- Section 5 also will permit a charter school to give admission preference to former students of a private school that converts to a charter school during the first year of its operation, so long as these students are no more than 50% of the school's total enrollment. So long as admission is not limited to these children, a charter school also may give admission preference to siblings of children enrolled in the school, children of employees of the school, children of the members of the school's board of directors, and children of the applicant's of the school. Under current law, only children who reside in the attendance area of a public school that converts to a charter school are given admission preference to that school. The charter application must state how many children will be enrolled. If the applicants for admission exceed that number, then the school must conduct a lottery.
- In addition, Section 5 amends G.S. 115C.29F(h) to direct the charter school to develop a transportation plan so that transportation is not a barrier to any student who resides in the local school administrative unit in which the school is located. The school is not required to provide transportation to any student who lives within 1-1/2 miles of the school. The PCS also encourages the local board of the unit in which the school is located to contract with the school for the provision of transportation. Currently, charter schools receive the State funds for transportation for each student. In addition, the charter schools are required to provide transportation for students who reside in the local school administrative unit in which the school is located. Also, local boards are not required to provide transportation for students who live within 1-1/2 miles of the public school to which they are assigned.
- Finally, Section 5 amends G.S. 115C-238.29F(i) to limit the assets to "net assets purchased with public funds" that are considered property of the local school administrative unit upon dissolution of the school or upon nonrenewal of the charter. Net assets are obtained by subtracting the liabilities from the total assets.

- The PCS also directs the State Board to adopt a policy to enable charter schools, without requiring the Board's prior approval, to increase the number of students to be served in years after the first year of a charter school's operation. In accordance with this policy, the State Board must allow for adjustments in allocations to charter schools based on their enrollment growth after the first year of operation.
- Section 6 directs charter schools to return the additional amount of State funds allocated for any child with special needs who returns to the public schools within the first 60 school days of the school year.
- Section 6 also amends G.S. 115C-238.29H(a) to allow funds allocated by the State Board to be used to enter into leases for real property or mobile classroom units for use as school facilities for charter schools or for payments on loans to charter schools for facilities or equipment. This law currently prohibits using these funds "to purchase land or buildings". Legally, the word "purchase" means any type of acquisition of property, which includes leasing. Using State funds to obtain any other interest in real property will still be prohibited. In addition, the provision adds language to state specifically that an indebtedness of a charter school is not an indebtedness of the State.

This act is effective when it becomes law.

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Committee Substitute for Senate Bill 297

SHORT TITLE: Amend Charter School Laws

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System

FUNDS AFFECTED: General Fund

BILL SUMMARY: : The portion of the bill relating to retirement benefits allows teachers, who are granted a leave of absence to teach at a charter school, to continue to make contributions to the Teachers' and State Employees' Retirement System under the educational leave provision while on the leave of absence. This educational leave provision allows members to continue to make contributions on a monthly basis for up to six years. The member must return to service within one year after completing the educational program and complete three years of subsequent membership service. The bill also instructs the Board of Trustees of the Teachers' and State Employees' Retirement System to request a determination or ruling from the Internal Revenue Service to determine if the status of the Retirement System, as a governmental plan, would be adversely affected if the employees of the charter schools, who agrees to be subject to control by its chartering entity or the State Board of Education, were allowed to be members of the System. The request to the Internal Revenue Service, after it is approved by the Speaker of the House of Representatives and the President Pro Tempore of the Senate, shall be made no later than 30 days after the effective date of the bill. If a favorable ruling is received from the Internal Revenue Service, then all employees of the charter schools who agrees to be subject to control by its chartering entity or the State Board of Education, would become members of the Teachers' and State Employees' Retirement System and the educational leave changes would be repealed the first of the monthly following receipt of the favorable ruling.

EFFECTIVE DATE: When it become law.

ESTIMATED IMPACT ON STATE: There is no data on the number of present members who would be employed with these nonprofit corporate charter schools who would continue to make contributions to the Retirement System under the educational leave provision; therefore, the actuaries unable to determine the impact of the legislation, but any cost is expected to be negligible.

ASSUMPTIONS AND METHODOLOGY: **Teacher's & State Employees' Retirement System:** The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1995 actuarial valuation of the fund. The data included 256,904 active members with an annual payroll of \$6.596 billion and 84,915 retired members in receipt of annual pensions totaling \$986.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an frozen unfunded liquidation period of nine years. Detailed

information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore *Stanley Moore*

APPROVED BY: Tom Covington

DATE: June 24, 1997

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

June 23, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Re: **Proposed Committee Substitute for Senate Bill 297**

Dear Mr. Ducker:

We have received your letter of June 19 regarding Proposed Committee Substitute for Senate Bill 297 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to modify the existing law, enacted in 1996, which created and governs charter schools. The 1996 act provides that the Retirement Systems' Board of Trustees shall determine the degree of supervision and control necessary to qualify the employees of applicant charter schools for membership in the Retirement System. The 1996 act further provides that nothing contained therein would require the Retirement System to accept employees of a private employer as members. Inasmuch as the 1996 act requires all charter schools to be operated by private nonprofit corporations, the membership of such charter schools' employees in the Retirement System, which is a "governmental plan" under the Internal Revenue Code, is problematic.

The proposed legislation appears to allow members, who leave employment with a traditional public school and become employed in a charter school, to continue membership in the Teachers' and State Employees' Retirement System under the "educational" leave-of-absence provisions contained in G.S. 135-8(b)(5). The cited statute requires monthly employee and employer contributions in order to earn creditable service.

The proposed legislation further requires the Retirement System's Board of Trustees to request a letter of determination or other appropriate ruling from the Internal Revenue Service as to whether the inclusion of charter school employees in the membership of the Retirement System would adversely affect the qualified governmental status of the Retirement System. Should the ruling of the Internal Revenue Service be favorable, charter school employees would become eligible for membership in the Retirement System on the first day of the month following receipt of a favorable filing. Furthermore, the new leave-of-absence provisions applicable to charter school employees would be repealed on the first day of the month following receipt of a favorable ruling.

Mr. Dennis Ducker

June 23, 1997

Page 2

There is no data or projected data with regard to the number or composition of current members who would discontinue membership on account of employment with nonprofit corporate charter schools or current members and future members who would be included in membership on account of employment with governmental authority charter schools. Therefore, we are unable to determine the impact of this legislation.

If we can be of further assistance, please do not hesitate to call.

Sincerely,

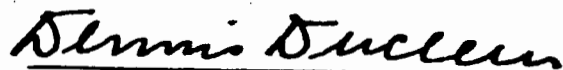


Donald M. Overholser
Principal and Consulting Actuary

DMO:jg

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DILTS, UMSTEAD & DUNN

ACTUARIAL CONSULTING

K. V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (910) 731-4038
Fax: (910) 731-2583

668 Link Road
Lexington, NC 27295

June 18, 1997

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Committee Substitute - Senate Bill 297: An Act to Amend
the Laws Governing Charter Schools

Dear Mr. Moore:

This committee substitute would rewrite portions of G.S. 135-8(5) to allow certain service credits to teachers granted a leave of absence to teach at charter schools. This bill would allow a teacher on leave of absence to teach at a charter school to continue participation in the Teachers' and State Employees' Retirement System (TSERS). The teacher would continue making contributions to the annuity savings fund on the basis of his or her compensation prior to the leave of absence and would receive service credit for this time. The local Board of Education that granted the leave would not be required to make contributions during the leave of absence.

Service credits are limited to a career total of six years for each teacher. If the teacher does not become a contributing member of the TSERS within 12 months of completing the leave of absence or fails to complete three years of subsequent membership service, the contributions made under this provision will be refunded with interest and the service credits will be cancelled.

This legislation also requires the Board of Trustees of the TSERS to request a letter of determination or ruling from the Internal Revenue Service as to whether the participation of charter school employees in the TSERS would adversely affect the status of the system as a governmental plan. Employees of a charter school that is subject to some control and supervision by the entity to which the school is accountable under G.S. 115C-238.29E(a) would become eligible to participate in the TSERS beginning with the month following receipt of a favorable determination letter or ruling.

This act is effective when it becomes law. The cost for the service credit granted under the leave of absence provision is

Mr. Stanley Moore
June 18, 1997

Page 2

expected to be negligible. If a favorable determination letter is received from the IRS and employees of charter schools subject to some control and supervision become members of the TSERS, the expected cost for retirement, death, disability, and retiree health benefits is 10.83% of the covered payroll of these employees, beginning at the time of participation.

If you have any questions, let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By Stanley Moore Date 6-24-97
Legislative Fiscal Research

CHARTER SCHOOLS: SB 297 COMPARISONS

	CURRENT LAW	SB 297- 4 TH Ed. (Passed Senate)	SB 297 - 5 th Ed (Passed House Ed.)	SB 297 - PCS017.2
ORGANIZATION	All charter schools are operated by private, nonprofit corporations.	Charter schools that wish to remain independent may opt to be operated by private, nonprofit corporations.	Same as 4 th edition.	Same as current law.
STATE RETIREMENT ELIGIBILITY	In order for its employees to be eligible for participation in State Retirement System, the charter school application must include a statement as to whether the school agrees to be subject to some supervision and control of its administrative operations by the local board of the school unit where the school is located. The Board of	Otherwise, charter schools that wish their employees to be covered in the State Retirement System must state in their application that they agree to be operated by a board of directors whose members are approved by the State Board.	Same as 4 th edition.	Same as current law. Directs the Board of Trustees of the State Retirement System to request a ruling from the IRS. Since a charter school is operated by a private, nonprofit corporation, the ruling would determine whether charter school employees can participate in the State Retirement System without jeopardizing the

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
RETIREMENT ELIGIBILITY (CONTINUED)	Trustees of the Retirement System and the State Board must determine the degree of supervision and control that is necessary to qualify the employees as members or participants of the State Retirement System.			System's status as a governmental plan. The request is subject to prior approval of the Speaker and President Pro Tempore or their designees. Receipt of a favorable IRS ruling will allow the employees to participate in the System. If the ruling is unfavorable, then charter school teachers who are on a leave of absence from a public school may make contributions to the State Retirement System for up to six years as if they are on an educational leave.

	CURRENT LAW	SB 297- 4 TH Ed. (Passed Senate)	SB 297 - 5 th Ed (Passed House Ed.)	SB 297 - PCS017.2
CHARTER SCHOOL OPTION TO BE OPERATED BY A BOARD OF DIRECTORS WHOSE MEMBERS ARE APPROVED BY THE STATE BOARD OF EDUCATION IN ORDER TO OBTAIN STATUS AS A PUBLIC EMPLOYER FOR PURPOSE OF PARTICIPATION IN STATE RETIREMENT SYSTEM	N/A	In the case of a board of directors whose members are approved by the State Board, there can be no more than 25 members. The terms for the initial members can be no longer than the term of the charter that the State Board grants (i.e., no more than 5 years); subsequent members' terms can be no more than 5 years. No member may serve more than two full terms. Appointments, including those to fill vacancies, shall be recommended by the current board of directors and approved by the State Board.	Same as 4 th Edition.	N/A

	CURRENT LAW	SB 297- 4 TH Ed. (Passed Senate)	SB 297 - 5 th Ed (Passed House Ed.)	SB 297 - PCS017.2
BOARD OF DIRECTORS APPROVED BY STATE BOARD OF EDUCATION (CONTINUED)		Nonrenewal of a charter operated by this board of directors shall constitute a termination of that body. Enumerates specific powers of the board of directors whose members are approved by the State Board. These include the power to rent, purchase, acquire, and mortgage property; to establish, construct, purchase, maintain, and operate necessary structures or facilities; to apply for and accept loans and grants; to execute financing agreements; to employ or appoint officers, employees and agents; to receive and use State and	Same powers as in 4th edition, except eliminates power to pay pensions and establish benefit plans and adds limits on the financial powers. Requires approval by Local Government Commission for all contracts, leases, and other agreements that are for at least five years and \$500,000.	

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
BOARD OF DIRECTORS APPROVED BY STATE BOARD OF EDUCATION (CONTINUED)		local allocations; and to pay pensions and establish pension or other benefit plans. Specifies that powers do not include eminent domain, authority to levy taxes or issue bonds, or authority to secure any debt with the full faith, credit, or taxing power of the State or any of its subdivisions.		
LEAVE OF ABSENCE FOR PUBLIC SCHOOL TEACHERS WHO MOVE TO CHARTER SCHOOLS	Public school teachers who want to work in a charter school can be given a leave of absence from their local board. The board can require the teacher to provide up to 90 days before the teacher would otherwise report for duty.	Board can require no more than 45 days notice if teacher wants to work in a charter school during its first year of operation.	Same as 4 th edition.	Same as 4 th edition.

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
EDUCATIONAL LEAVE OF ABSENCE FOR TEACHERS FOR PURPOSE OF CONTRIBUTING TO STATE RETIREMENT SYSTEM				Allows teachers who are granted a leave of absence to teach in a charter school to make monthly contributions to the State Retirement System for up to six years as if they are on an approved educational leave.
INSURANCE	Charter schools must obtain insurance as required in their contract.	Directs State Board to adopt rules to establish reasonable amounts and types of insurance that either type of operator must obtain.	Same as 4 th Edition.	Same as 4 th Edition.
IMMUNITY FROM LIABILITY	Charter schools subject to some control and supervision are immune from liability to the extent of indemnification. Independent charter schools are not immune from liability.	Charter schools are not State agencies for purpose of sovereign immunity. State will not defend any civil or criminal action brought against school, directors, or employees.	Same as 4 th edition.	Same as current law.

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5TH Ed (Passed House Ed.)	SB 297 - PCS017.2
LOCAL BOARD INPUT DURING APPLICATION PROCESS	State Board policy requires applicants to include an “impact statement” from the local board as part of their applications.	As part of the application process, the local board of the local school administrative unit in which the charter school is proposed to be located may provide an impact statement, but the applicant cannot be required to provide it.	Same as 4 th edition.	Same as 4 th edition.
CRIMINAL RECORD CHECKS	No criminal record checks or fingerprinting.	Directs the State Board to adopt a uniform policy on whether and under what circumstances it will require operators, employees, and independent contractors of charter schools who have significant access to students or who have responsibility for the fiscal management of the schools to be subject to a criminal	Same as 4 th edition.	Same as 4 th edition.

	CURRENT LAW	SB 297- 4 TH Ed. (Passed Senate)	SB 297 - 5 th Ed (Passed House Ed.)	SB 297 - PCS017.2
CRIMINAL RECORD CHECKS (CONTINUED)		history check. The criminal history check must occur after preliminary approval is given. The check is to be done for purposes of deciding whether to grant final approval of a charter and for the State Board to make employment recommendations to charter schools. If the State Board recommends dismissal or nonemployment of a person, then the charter school shall dismiss or refuse to employ that person. Funds allocated or to be allocated to the charter school may be used to reimburse for criminal record checks and fingerprinting.	The Board cannot require any of these persons to pay for the criminal history check or to be fingerprinted.	Same as 5th edition.

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
LENGTH OF CHARTERS	Allows Board to grant initial charters and renew charters for periods up to five years.	Same as current law.	Authorizes the State Board to grant initial charters for periods up to 10 years, which can be renewed every five years thereafter. If the Board grants an initial charter for more than five years, the Board must review the school's status five years after it grants the initial charter.	Same as 5 th edition.
CHARTER SCHOOL ACCOUNTABILITY	Schools are accountable to local board for purposes of compliance with charter and laws.	Current law, except charter schools denied preliminary approval by local board are accountable to State Board.	Schools are accountable to their chartering entity, or to the State Board if chartering entity denied preliminary approval.	Same as 5 th edition.
CHARTER SCHOOL CONTRACT	State Board may sign on behalf of the local board the contract under which the school is to be operated.	Eliminates provision allowing State Board to sign the contract with the charter school on behalf of local board.	Same as 4 th edition.	Same as 4 th edition.

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
ENROLLMENT GROWTH	Application, which is incorporated into charter, must state enrollment number. Material changes to the charter require prior State Board approval.	Same as current law.	Directs the State Board to adopt a policy to enable charter schools, without requiring the Board's prior approval, to increase the number of students to be served in years after the first year of a charter school's operation. In accordance with this policy, State Board must allow for adjustments in allocations to charter schools based on their enrollment growth after the first year of operation.	Same as 5 th edition.
LEASING AVAILABLE BUILDINGS AND LAND FOR CHARTER SCHOOLS	Local boards are not required to lease any space to charter schools.	Requires local boards to lease any available building or land to a charter school, upon its request, unless they demonstrate that the lease is not	Same as 4 th edition.	Same as 5 th edition.

	CURRENT LAW	SB 297- 4 TH Ed. (Passed Senate)	SB 297 - 5 th Ed (Passed House Ed.)	SB 297 - PCS017.2
LEASING AVAILABLE BUILDINGS AND LAND FOR CHARTER SCHOOLS (CONTINUED)		economically or practically feasible or that they do not have adequate classroom space to meet their enrollment needs.	In the event of a public school conversion, the local board is directed to lease the facilities currently used by that school unless the board demonstrates that the lease is not economically or practically feasible or that it does not have adequate classroom space to meet its enrollment needs. Allows local boards to provide school facility to charter school free of charge; school must maintain and insure facility.	Same as 5th edition. Same as 5th edition.

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
LEASING FROM SECTARIAN ORGANIZATIONS	Charter schools may lease from local boards, private nonsectarian organizations, or as is otherwise lawful in the local school administrative unit.	Same as current law.	Removes the prohibition on leasing space from sectarian organizations.	Same as 5 th edition.
TUITION AND FEES	Charter schools cannot charge tuition. Local board where school is located may require parents to pay tuition when student lives in a different school unit. Both local boards must agree annually to student's attendance at charter school.	Adds prohibition on charging fees. Repeals current law.	Same as 4 th edition. Same as 4 th edition.	Same as 4 th edition. Same as 4 th edition.
NUMBER OF CHARTER SCHOOLS	State Board may approve up to 5 charter schools per school unit per year, with a total of 100 in the State.	Same as current law.	State Board may approve only 5 charter schools per school unit, with a total of 100 in the State.	Same as current law.

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
ADMISSION PREFERENCES	Admission preference not permitted, other than public school that converts to charter school must give preference to students who live in the school's former attendance area. If applications exceed school's capacity, acceptance must be by lottery.	Same as current law.	Same as current law.	Allows charter school to give admission preference during its first year of operation to former students of a private school that becomes the charter school so long as enrollment of those students does not exceed 50% of total enrollment. Also, allows charter schools to give admission preference to siblings of students currently enrolled in the charter school; and children of employees, the board of directors, and the applicants for the charter school so long as admission is not limited to only those children.

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
TRANSPORTATION	Charter schools receive the State funds for transportation for each student and must provide transportation for students who reside in the local school administrative unit in which the school is located. Local boards are not required to provide transportation for students who live within 1-1/2 miles of the public school to which they are assigned. Encourages local board to contract with schools to provide student transportation.	Charter schools receive State funds for transportation for each student. Charter school must develop a transportation plan so that transportation is not a barrier to any student who resides in the local school administrative unit in which the school is located. The school is not be required to provide transportation to student who lives within 1-1/2 miles of the school. Local board where the charter school is located may contract with the school, upon the school's request, to provide transportation for students who live at least 1-1/2 miles of the school in that school	Same as 4th edition. Same as current law.	Same as 4th edition. Same as current law.

	CURRENT LAW	SB 297- 4 TH Ed. (Passed Senate)	SB 297 - 5 th Ed (Passed House Ed.)	SB 297 - PCS017.2
TRANSPORTATION (CONTINUED)		unit. The board may refuse if there is no available space on buses it intends to operate during the term of the contract or it would not be practically feasible. The board may charge a reasonable charge.		
CHARTER SCHOOL'S ASSETS	All assets are to become property of the local school unit where the school is located upon the dissolution of the school or upon the nonrenewal of the charter.	Requires the charter school's <u>net assets</u> to become the property of the local school administrative unit under those circumstances.	Requires the charter school's <u>net assets purchased with State funds</u> to become the property of the local school administrative unit under those circumstances.	Same as 5 th edition.
SPECIAL NEEDS ALLOCATION	State Board must allocate to a charter school an amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments where the school is located PLUS	Current law.	Directs charter schools to return the additional amount of State funds allocated for any child with special needs who returns to the public schools within the first 60 school days of the school year.	Same as 5 th edition.

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
SPECIAL NEEDS ALLOCATION (CONTINUED)	an additional amount for each child with special needs. If a child, with or without special needs, enrolls in a charter school, and then withdraws and enrolls in a public school, the funds allocated will remain with the charter school.			
GRIEVANCE PROCEDURE	State Board must develop and implement a process to resolve grievances between a charter school and its chartering entity.	Process also must address grievances between the school and the local board and between the school and the State Board.	Same as current law.	Same as current law.
USE OF STATE FUNDS	State funds cannot be used "to purchase land or buildings". "Purchase" means any acquisition of property, which includes leasing. School may own land and buildings obtained through non-State sources.	Allow funds allocated by the State Board to be used to enter into <u>operational leases</u> for real property or mobile classroom units for use as school facilities for charter schools. Using State funds to obtain any other interest in real	Same as 4 th edition. Adds prohibition on using State funds to pay interest or other debt service costs or to secure any indebtedness.	Allow funds allocated by the State Board to be used to enter into <u>leases</u> (operational and financing leases) for real property or mobile classroom units for use as school facilities for charter schools <u>and for payments on loans to</u>

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
USE OF STATE FUNDS (CONTINUED)		property will still be prohibited.		the charter school for facilities or equipment. Using State funds to obtain any other interest in real property will still be prohibited. Specifically provides that indebtedness of the charter school is not an indebtedness of the State or its political subdivisions and does not involve or is not secured by the faith, credit, or taxing power of the State.
TIMELINES FOR APPLICATIONS, ETC.	Statutory timelines for submission of applications, preliminary approvals, appeals, and final approvals.	Allows State Board to set alternative timelines so long as final approval of charters is made by March 15 each year.	Same as current law.	Same as current law.

	CURRENT LAW	SB 297- 4TH Ed. (Passed Senate)	SB 297 - 5th Ed (Passed House Ed.)	SB 297 - PCS017.2
RULEMAKING	Law governing rulemaking applies to State Board.	Allows the Board to use a streamlined procedure for adopting rules directly related to the implementation of this legislation. The Board may publish the text of any proposed rule as the first step of the rulemaking procedure, and a rule may take effect without waiting for submission to the General Assembly.	Same as current law.	Same as current law.

SB 297 Comparisons - R. Johnson 6/25/97

MINUTES
HOUSE PENSIONS AND RETIRMENT COMMITTEE
August 12, 1997

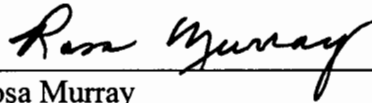
The House Pensions and Retirement Committee met in the House Chamber around the desk of Chairman Bobby H. Barbee, Sr. at 11:30 A.M. on August 12, 1997. Representative Barbee presided and the following members were present: Representatives Rogers, Carpenter, Goodwin, Grady, Justus, McCrary, Mercer, Oldham and G. Wilson. The Visitors Registration Sheet is attached.

The bill to be considered was Senate Bill 713, City of Raleigh Firemen's Supplemental Retirement Fund, which was introduced by Senator Eric Reeves. Stanley Moore, Research Analyst, explained the bill which repeals the authorization of supplemental retirement benefits for firemen in the City of Raleigh. Funds presently held in supplemental fund are transferred to the City of Raleigh. Representative Pete Oldham moved that this bill get a favorable report and the motion carried.

The meeting was adjourned at 11:40 A.M.



Representative Bobby H. Barbee, Sr.
Chairman



Rosa Murray
Clerk

VISITOR REGISTRATION SHEET

HOUSE PENSIONS AND RETIREMENT

August 12, 1997

Name of Committee

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

[illegible]

**1997 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

- ☐ Committee Substitute for
S.B. 713 A BILL TO BE ENTITLED AN ACT TO REPEAL THE AUTHORIZATION OF
SUPPLEMENTAL RETIREMENT BENEFITS FOR FIREMEN IN THE CITY OF
RALEIGH.
- ☒ With a favorable report.
- ☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐
- ☐ With a favorable report, as amended.
- ☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐
- ☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title,
unfavorable as to original bill (Committee Substitute Bill #), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on .)
- ☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.
- ☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)
- ☐ With an unfavorable report.
- ☐ With recommendation that the House concur.
- ☐ With recommendation that the House do not concur.
- ☐ With recommendation that the House do not concur; request conferees.
- ☐ With recommendation that the House concur; committee believes bill to be material.
- ☐ With an unfavorable report, with a Minority Report attached.
- ☐ Without prejudice.
- ☐ With an indefinite postponement report.
- ☐ With an indefinite postponement report, with a Minority Report attached.
- ☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S

1

SENATE BILL 713

Short Title: City of Raleigh Firemen's Supplemental Retirement Fund. (Public)

Sponsors: Senator Reeves.

Referred to: Pensions & Retirement and Insurance.

April 7, 1997

- 1 A BILL TO BE ENTITLED
2 AN ACT TO REPEAL THE AUTHORIZATION OF SUPPLEMENTAL
3 RETIREMENT BENEFITS FOR FIREMEN IN THE CITY OF RALEIGH.
4 The General Assembly of North Carolina enacts:
5 Section 1. Chapter 421 of the 1969 Session Laws, as amended by
6 Chapter 504 of the 1975 Session Laws, Chapter 328 of the 1979 Session Laws, and
7 Chapter 917 of the 1989 Session Laws, is repealed.
8 Section 2. All funds held by the Trustees of the City of Raleigh
9 Firemen's Supplemental Retirement Fund are transferred to the City of Raleigh
10 Firemen's Relief Fund to be held and administered as provided in Article 84 of
11 Chapter 58 of the General Statutes of North Carolina.
12 Section 3. This act becomes effective July 1, 1997.



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 100, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 8, 1997

MEMORANDUM

TO: Senator Eric Reeves

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note (Senate Bill 713)
Raleigh Firemen's Supplemental Retirement Fund

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial/fiscal note on the above subject as prepared by the General Assembly's Consulting Actuary and this Division.

cc: Chairman, Senate Committee on Pensions & Retirement
Senate Principal Clerk

Attachment(s):

- (1) Actuarial/Fiscal Note, Senate Bill 713, April 4, 1997



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

Elaine M. Robinson, Director
Administrative Division
Room 100, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
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Raleigh, NC 27603-5925
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Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
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Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 4, 1997

Senator Eric Reeves
North Carolina Senate
Legislative Building
Raleigh, North Carolina 27601

Re: Actuarial/Fiscal Note (Senate Bill 713)
Raleigh Firemen's Supplemental Retirement Fund

Dear Senator Reeves:

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, we hereby submit an Actuarial/Fiscal Note on the following: Repeal of the Raleigh Firemen's Supplemental Retirement Fund.

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: The Raleigh Firemen's Supplemental Retirement Fund is presently financed by the transfer of all investment income from the City of Raleigh Firemen's Local Relief Fund on an annual money-purchase basis. This Fund presently provides an annual benefit of \$1,000 to retired firemen with 20 or more years of service as a fireman with the City of Raleigh. With this repeal, all funds will be transferred from the Raleigh Firemen's Supplemental Retirement Fund back to the City of Raleigh Firemen's Local Relief Fund to be used as allowed by G. S. 58-84-35.

Actuarial Endorsement:

Charles W. Dunn
Charles W. Dunn
Consulting Actuary
Dilts, Umstead & Dunn
Durham, North Carolina

Sincerely,

Stanley Moore
Stanley Moore
Fiscal Analyst
Fiscal Research Division

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By *Stanley Moore* Date: *4-8-97*
Legislative Fiscal Research

HOUSE
PENSIONS AND RETIREMENT COMMITTEE
1997-1998

Representative Bobby H. Barbee, Sr.
Chairman

Representative Eugene McCombs
Vice Chairman

Representative Gene Rogers
Ranking Minority Member

Staff Counsel:

Karen Cochrane-Brown	- Staff Attorney
Dennis Ducker	- Director, Retirement Systems Division
Stanley Moore	- Fiscal Analyst

Committee Clerk:
Rosa Murray

HOUSE PENSIONS AND RETIREMENT COMMITTEE

1997-1998 SESSION

MEMBER (Clerk)	TEL.	OFFICE	SEAT
BOBBY H. BARBEE, SR. Chair Rosa Murray, Committee Clerk	3-5908	1025	74
CARY D. ALLRED Jean Allred	3-5773	2223	11
CHARLES M. BEALL Mary Capps	3-5868	510	47
C. ROBERT BRAWLEY Bonnie Trivette	3-5931	513	3
JAMES C. CARPENTER Ann Jordan	3-5777	537	85
WAYNE GOODWIN Melanie Wade Goodwin	3-4838	502	111
ROBERT GRADY Peggy Murray	5-3024	402	37
LYONS GRAY Catherine Parsons	3-5995	532	49
EDWIN MITCHELL HARDY Betty Wickham	5-3019	417A	100
LARRY THOMAS JUSTUS Carolyn Justus	3-5956	2204	2

continued

HOUSE PENSIONS AND RETIREMENT COMMITTEE - Page 2

MEMBER (Clerk)	TEL.	OFFICE	SEAT
EUGENE McCOMBS, Vice Chairman Suzanne Erskine	3-5881	514	10
PAUL REEVES McCRARY Barbara Berry	3-5780	610	55
LINWOOD E. MERCER Becky Mercer	5-2526	1424	60
WARREN PETE OLDHAM Delta Prince	3-5877	538	58
JEAN R. PRESTON Sandra Ellis	5-3026	403	38
LISTON BRYAN RAMSEY Dot Barber	3-5606	2217	48
GENE ROGERS, Ranking Minority Member Sally Gillis	5-3023	416A	35
GENE WILSON Rebecca Jones	3-7727	1109	52
DOUGLAS Y. YONGUE Jenny Umstead	3-5823	1305	94
Jack Pruitt Retirement Systems Director	9-508-5377	Albemarle Building	
Karen Cochrane-Brown Staff Attorney	3-2578	545	
Stanley Moore Fiscal Analyst	3-4910	619	
Theresa Matulla Legislative Personnel Analyst	3-2578	545	

PENSIONS AND RETIREMENT COMMITTEE

1997-1998



Bobby Harold Barbee, Sr.
CHAIRMAN



Eugene McCombs
VICE CHAIRMAN



Cary D. Allred



Charles M. Beall



C. Robert Brawley



James C. Carpenter



Edwin Mitchell Hardy



Robert Grady



Lyons Gray



Wayne Goodwin



Larry Thomas Justus



Paul Reeves McCrary



Linwood E. Mercer



Warren Pete Oldham



Jean R. Preston



Liston Bryan Ramsey



Gene Rogers
Ranking Minority
Member



Gene Wilson



Douglas Y. Yongue

1997-1998

[illegible]

NORTH CAROLINA GENERAL ASSEMBLY
COMMITTEE SUMMARY REPORT

HOUSE: PENSIONS AND RETIREMENT

Valid Through 30-OCT-1998

1997-98 Regular Session

BILL	INTRODUCER	SHORT TITLE	LATEST ACTION ON BILL	IN DATE	OUT DATE
H 97	DICKSON	GASTONIA RETIREMENT FUND	*R -CH. SL 97-0161	02-27-97	03-12-97
H 126	DAUGHTRY	INCREASE PENSION BENEFITS	*HF-POSTPONED INDEFINITELY	02-13-97	03-06-97
H 264	REDWINE	FIRE/RESCUE OPEN ENROLLMENT	HF-POSTPONED INDEFINITELY	02-18-97	03-12-97
H 347=	MERCER	INCREASE PENSION BENEFITS-3	H -REF TO COM ON PENS&RET	02-27-97	<i>See attachment</i>
H 391=	JARRELL	HIGH POINT FIREMEN'S PENSION	R -CH. SL 97-0067	04-03-97	04-16-97
H 458	BARBEE	CHARTER SCHOOL AMENDMENTS	*HF-POSTPONED INDEFINITELY	04-24-97	04-29-97
H 544	SHERRILL	LOCAL RETIRE/EMPLOYER PAYMENT	H -RE-REF COM ON PENS&RET	03-19-97	04-02-97
H 544	SHERRILL	LOCAL RETIRE/EMPLOYER PAYMENT	H -RE-REF COM ON PENS&RET	04-16-97	<i>See attachment</i>
H 642	BARBEE	1997 RETIREMENT BENEFITS ACT	HF-POSTPONED INDEFINITELY	03-27-97	04-16-97
H 766	MCMAHAN	MECKLENBURG/AMEND LEO DEFINITION	H -RE-REF COM ON PENS&RET	04-16-97	<i>See Attachment</i>
H1031	GRADY	RETIREMENT INCENTIVE	*HF-POSTPONED INDEFINITELY	04-21-97	04-30-97
H1035	HARDY	STUDY LAW ENFORCEMENT RETIREMENT	*HF-POSTPONED INDEFINITELY	04-21-97	04-30-97
H1111	MCMAHAN	AMEND LEO RETIREMENT DEFINITION-2	HF-POSTPONED INDEFINITELY	04-21-97	04-29-97
H1118	MILLER G	RESTORE SUSPENDED BENEFITS	HF-POSTPONED INDEFINITELY	04-21-97	<i>Postponed Indefinitely</i>
H1276	FITCH	INCREASE LEO RETIREMENT	HF-POSTPONED INDEFINITELY	05-14-98	<i>Postponed Indefinitely</i>
H1277=	HURLEY	FAYETTEVILLE PUBLIC WORKS RETIREMENT	R -CH. SL 98-0061	06-02-98	06-22-98
H1337=	DAUGHTRY	FIRE AND RESCUE SQUAD PENSIONS	*HF-POSTPONED INDEFINITELY	05-20-98	06-29-98
H1362	PRESTON	MILITARY SERVICE CREDIT	H -PRES. TO GOV. 10-23	06-09-98	06-22-98
H1396	GRAY	WINSTON-SALEM FIREMEN'S RETIREMENT	*R -CH. SL 98-0092	05-21-98	07-15-98
H1516=	BARBEE	1998 RETIREMENT BENEFITS ACT	*HF-POSTPONED INDEFINITELY	05-27-98	07-20-98
H1522	MINER	LOCAL/STATE PURCHASE OF SERVICE	R -CH. SL 98-0071	05-27-98	06-24-98
H1525	YONGUE	REPEAL LAURINBURG SUPP. PENSION	R -CH. SL 98-0063	06-16-98	06-24-98
H1538	ARNOLD	SHARPSBURG RETIREMENT SYSTEM	R -CH. SL 98-0093	06-16-98	06-24-98
H1584=	BARBEE	INCREASE RETIREE DEATH BENEFITS	HF-POSTPONED INDEFINITELY	05-28-98	06-22-98
H1669	RUSSELL	IMPROVE DISABILITY INCOME PLAN	HF-POSTPONED INDEFINITELY	05-28-98	07-01-98
H1739	DAUGHTRY	RETIREMENT/CHARTER SCHOOLS	*HF-POSTPONED INDEFINITELY	06-24-98	07-02-98
S 297=	GULLEY W	AMEND CHARTER SCHOOL LAWS	*R -CH. SL 97-0430	06-11-97	06-26-97
S 299	MARTIN R	LONG-TERM CARE BENEFITS	*R -CH. SL 97-0468	06-11-97	06-26-97
S 352=	PLYLER	CURRENT OPERATIONS APPROPRIATIONS	*R -CH. SL 97-0443	06-02-97	06-03-97
S 673	ODOM	AMEND LEO RETIREMENT DEFINITION	*R -CH. SL 97-0144	05-01-97	05-21-97

NOTES- = AFTER BILL NUMBER SHOWS THAT BILL IS IDENTICAL, AS INTRODUCED, TO ANOTHER BILL.

* AFTER NUMBERS INDICATES THAT TEXT OF BILL WAS ALTERED BY ACTION ON THE BILL.

BOLDED LINE INDICATES BILL INDEXED AS AFFECTING APPROPRIATIONS.

NORTH CAROLINA GENERAL ASSEMBLY

COMMITTEE SUMMARY REPORT

HOUSE: PENSIONS AND RETIREMENT

Valid Through 30-OCT-1998

1997-98 Regular Session

<u>BILL</u>	<u>INTRODUCER</u>	<u>SHORT TITLE</u>	<u>LATEST ACTION ON BILL</u>	<u>IN DATE</u>	<u>OUT DATE</u>
S 713	REEVES	RALEIGH FIREMEN'S SUPP RETIREMENT	R -CH. SL 97-0460	06-25-97	08-13-97
S1138	HARTSELL	CREDIT FOR PROBATIONARY EMPLOYMENT	R -CH. SL 98-0190	06-30-98	07-15-98
S1407	CARPENTER R	REG. OF DEEDS SUPP. PENSION CHANGE	R -CH. SL 98-0147	07-16-98	08-05-98
S1407	CARPENTER R	REG. OF DEEDS SUPP. PENSION CHANGE	R -CH. SL 98-0147	08-12-98	08-18-98

NOTES- = AFTER BILL NUMBER SHOWS THAT BILL IS IDENTICAL, AS INTRODUCED, TO ANOTHER BILL.

* AFTER NUMBERS INDICATES THAT TEXT OF BILL WAS ALTERED BY ACTION ON THE BILL.

BOLDED LINE INDICATES BILL INDEXED AS AFFECTING APPROPRIATIONS.

MEMORANDUM

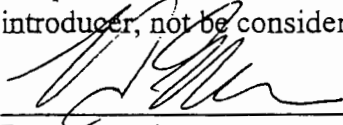
TO: Representative Linwood E. Mercer
FROM: Representative Bobby H. Barbee, Sr.
DATE: August 13, 1998
SUBJECT: House Bill 347 INCREASE PENSION BENEFITS-3

House Rule 36 speaks to reporting bills out of standing committees or permanent subcommittees by the last adjournment of the 1997-98 legislative session. -- "All House bills and resolutions shall be reported from the standing committee or permanent subcommittee to which referred with such recommendations as the standing committee or permanent subcommittee may desire to make except in the case where the principal introducer requests in writing to the Chair of the standing committee or permanent subcommittee that the bill not be considered." If it is your intent that the bill listed above not be considered by committee this legislative session, please sign and date the form and return it to the Committee Clerk, Rosa Murray, for the Committee on Pensions and Retirement in Room 1025, Legislative Building, by August 20, 1998.

oooooooooooo

Mr. Chairman:

I request that the above-mentioned House Bill # 347, for which I am the principal introducer, not be considered by your committee for the 1997-98 legislative session.


_____(Sign)
Representative Linwood E. Mercer

9-1-98 (Date)

PLEASE DO NOT DETACH THE FORM FROM THE MEMORANDUM

MEMORANDUM

TO: Representative Wilma M. Sherrill
FROM: Representative Bobby H. Barbee, Sr.
DATE: August 13, 1998
SUBJECT: House Bill 544; LOCAL RETIRE/EMPLOYER PAYMENT

House Rule 36 speaks to reporting bills out of standing committees or permanent subcommittees by the last adjournment of the 1997-98 legislative session. -- "All House bills and resolutions **shall be reported from** the standing committee or permanent subcommittee to which referred with such recommendations as the standing committee or permanent subcommittee may desire to make **except in the case where the principal introducer requests in writing to the Chair of the standing committee or permanent subcommittee that the bill not be considered.**" If it is your intent that the bill listed above not be considered by committee this legislative session, please **sign and date** the form and **return** it to the Committee Clerk, Rosa Murray, for the Committee on Pensions and Retirement in Room 1025, Legislative Building, by August 20, 1998.

oooooooooooo

Mr. Chairman:

I request that the above-mentioned House Bill # 544, for which I am the principal introducer, not be considered by your committee for the 1997-98 legislative session.

Wilma Sherrill (Sign)
Representative Wilma M. Sherrill

8-17-98 (Date)

PLEASE DO NOT DETACH THE FORM FROM THE MEMORANDUM

MEMORANDUM

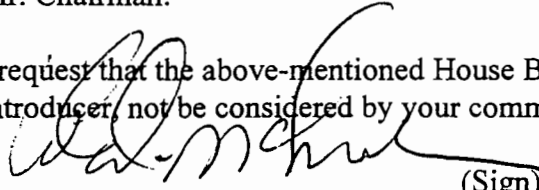
TO: Representative W. Edwin McMahan
FROM: Representative Bobby H. Barbee, Sr.
DATE: August 13, 1998
SUBJECT: House Bill 766, MECKLENBURG/AMEND LEO DEFINITION

House Rule 36 speaks to reporting bills out of standing committees or permanent subcommittees by the last adjournment of the 1997-98 legislative session. -- "All House bills and resolutions **shall be reported from** the standing committee or permanent subcommittee to which referred with such recommendations as the standing committee or permanent subcommittee may desire to make **except in the case where the principal introducer requests in writing to the Chair of the standing committee or permanent subcommittee that the bill not be considered.**" If it is your intent that the bill listed above not be considered by committee this legislative session, please **sign and date** the form and **return** it to the Committee Clerk, Rosa Murray, for the Committee on Pensions and Retirement in Room 1025, Legislative Building, by August 20, 1998.

oooooooooooooooo

Mr. Chairman:

I request that the above-mentioned House Bill # 766, for which I am the principal introducer, not be considered by your committee for the 1997-98 legislative session.


(Sign)
Representative W. Edwin McMahan

8-17-98 (Date)

PLEASE DO NOT DETACH THE FORM FROM THE MEMORANDUM

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

June 18, 1998

Room 415

10:00 A.M.

AGENDA

1. OPENING REMARKS

Representative Barbee, Chairman

2. BILLS TO BE CONSIDERED

House Bill 1277 Fayetteville Public Works
Retirement

Sponsor: Representative Hurley

House Bill 1362 Military Service Credit

Sponsor: Representative Preston

House Bill 1584 Increase Retiree Death Benefits

Sponsor: Representative Barbee

3. ADJOURNMENT

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
June 18, 1998

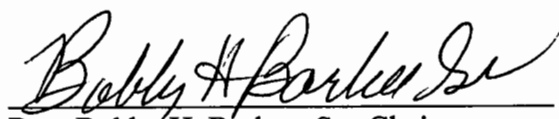
The House Committee on Pensions and Retirement met in Room 415, Legislative Office Building, on June 18, 1998 at 10:00 A.M. Representative Bobby H. Barbee, Sr., Chairman, presided at the meeting and the following members were present: Representatives McCombs, Vice Chairman, Rogers, Ranking Minority Member, McCrary, Mercer, Oldham, Preston, Ramsey, Gene Wilson, and Yongue.

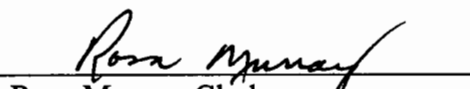
Chairman Barbee welcomed the members and guests. Visitor Registration Sheet is included in minutes. (Attachment I). Pages were recognized and thanked for their help. They were A. J. Leder of Columbus County and Tommy Greenwood, Buncombe County. Bill Price was assisting from the Sergeant-at-Arms office. Teresa Matula was recognized. She will be working as a staff person along with Stanley Moore and Karen Cochrane-Brown.

Chairman Barbee recognized Representative Hurley, bill sponsor, to explain House Bill 1277, AN ACT TO ALLOW THE PUBLIC WORKS COMMISSION OF THE CITY OF FAYETTEVILLE TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM. Mrs. Cochrane-Brown submitted for distribution to members a memorandum explaining the effect of the bill (Attachment II). Representative G. Wilson moved for a favorable report and the vote was unanimous in favor of the bill.

Representative Preston was called on to explain House Bill 1362, AN ACT TO PROVIDE THAT TRANSFERRED SERVICE CREDITS MAY BE INCLUDED IN DETERMINING WHETHER A MEMBER OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM MAY PURCHASE MILITARY SERVICE. Memorandum by Mrs. Cochrane-Brown was distributed to members. (Attachment III). Representative Rogers moved for a favorable report. After comments from Stanley Moore and Jack Pruitt, the vote was taken and was unanimous in favor of the bill.

Representative Barbee recognized Representative McCombs and asked him to preside while the committee considered his House Bill 1584, AN ACT TO INCREASE THE CONTRIBUTORY DEATH BENEFIT FOR RETIREES IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM. Mr. Jack Pruitt, Director of Retirement Systems Division, answered questions concerning this bill. After much discussion, Rep. Mercer moved for a favorable report. The vote was unanimous for the bill and that it be re-referred to Appropriations Comm. Chairman Barbee adjourned the meeting at 10:17 A.M. (Attachment IV explains bill).


Rep. Bobby H. Barbee, Sr., Chairman


Rosa Murray, Clerk

[illegible]

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**:

- ☐ Committee Substitute for
H.B. 1277 A BILL TO BE ENTITLED AN ACT TO ALLOW THE PUBLIC WORKS
COMMISSION OF THE CITY OF FAYETTEVILLE TO PARTICIPATE IN THE LOCAL
GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.
- ☒ With a favorable report.
- ☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐
- ☐ With a favorable report, as amended.
- ☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐
- ☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title,
unfavorable as to original bill (Committee Substitute Bill #), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on .)
- ☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.
- ☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)
- ☐ With an unfavorable report.
- ☐ With recommendation that the House concur.
- ☐ With recommendation that the House do not concur.
- ☐ With recommendation that the House do not concur; request conferees.
- ☐ With recommendation that the House concur; committee believes bill to be material.
- ☐ With an unfavorable report, with a Minority Report attached.
- ☐ Without prejudice.
- ☐ With an indefinite postponement report.
- ☐ With an indefinite postponement report, with a Minority Report attached.
- ☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1277

Short Title: Fayetteville Public Works Retirement.

(Local)

Sponsors: Representatives Hurley; Gamble, Kinney, McAllister, Morris, Nye, Sutton, Warner, and Yongue.

Referred to: Local and Regional Government I.

May 14, 1998

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW THE PUBLIC WORKS COMMISSION OF THE CITY OF
3 FAYETTEVILLE TO PARTICIPATE IN THE LOCAL GOVERNMENTAL
4 EMPLOYEES' RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. Notwithstanding any provisions of Article 3 of Chapter 128 of
7 the General Statutes and of Section 6.20 of the Charter of the City of Fayetteville, as
8 set forth in Section 1 of Chapter 557 of the 1979 Session Laws, the Public Works
9 Commission of the City of Fayetteville, as described and continued by Section 6.1 of
10 the Charter of the City of Fayetteville as set forth in Section 1 of Chapter 557 of the
11 1979 Session Laws, as amended by Section 2 of Chapter 756 of the 1981 Session
12 Laws, shall be deemed to be an "employer" within the meaning of G.S. 128-21(11),
13 and shall be eligible to participate in the North Carolina Local Governmental
14 Employees' Retirement System.

15 Section 2. This act is effective when it becomes law.



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

E. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

May 25, 1998

MEMORANDUM

TO: Representative John William Hurley

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1277

Re: **Allows the Public Works Commission of the City of Fayetteville to be a separate participating unit in the Local Governmental Employees' Retirement System.**

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, May 18, 1998
- (3) Actuarial Note. Hartman & Associates, LLC, May 19, 1998

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1277

SHORT TITLE: Fayetteville Public Works Retirement

SPONSOR(S): Representative John William Hurley

SYSTEM AFFECTED: Local Governmental Employees' Retirement System.

FUNDS AFFECTED: Funds of City of Fayetteville Public Works Commission

BILL SUMMARY: Allows the Public Works Commission of the City of Fayetteville to be a separate participating unit in the Local Governmental Employees' Retirement System rather than being included with the other employees of the City.

EFFECTIVE DATE: When it becomes law.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: The City of Fayetteville Public Works Commission will be required to pay the normal retirement cost of 4.80% of payroll plus an accrued liability contribution rate based on the liability that exists when participation begins. This accrued liability will be liquidated over a 24 years period.

ASSUMPTIONS AND METHODOLOGY:

Local Governmental Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 104,454 active members with an annual payroll of \$2.594 billion and 24,028 retired members in receipt of annual pensions totaling \$227.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives

(919) 733-4910

PREPARED BY: Stanley Moore *Stanley Moore*

APPROVED BY: Tom Covington

DATE: May 25 1998

BUCK
CONSULTANTS

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

May 18, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

House Bill 1277

Dear Mr. Pruitt:

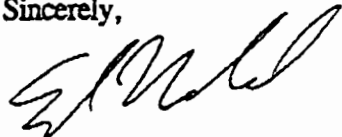
We have received your letter of May 15 regarding House Bill 1277 which affects the Local Governmental Employees' Retirement System.

This legislation allows the Public Works Commission of Fayetteville to become an "employer", as defined in G. S. 128-21(11), so that it can participate in the Local Governmental Retirement System separately rather than as an integral part of the City of Fayetteville.

There would be no cost to the Retirement System on account of this legislation.

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

Sincerely,

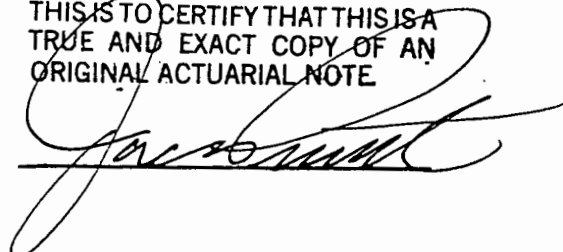


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

H:\WORK\ACT\LOCAL\1998\CORR\HB1277.DOC
JC 731 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



Buck Consultants, Inc.

770|955-2488 Fax 770|933-8336

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 19, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Proposed Legislation: An Act to Allow the Public Works
Commission of the City of Fayetteville to Participate in the
LGERS

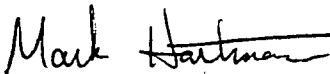
Dear Mr. Moore:

This act would deem the Public Works Commission of the City of Fayetteville to be an employer within the meaning of G.S. 128-21(11). This would allow the Public Works Commission employees to participate in the Local Governmental Employees Retirement System. This act is effective when it becomes law.

Upon becoming a participating unit in the LGERS, the Public Works Commission of the City of Fayetteville would begin paying the plan's normal cost rate as a percentage of its covered payroll. In addition, an additional contribution would be payable by the Commission for any accrued liability which exists as of the date the participation begins. This contribution would amortize the accrued liability over a 24 year period. As such, this act is expected to produce no additional cost to the LGERS.

If you have any questions, please let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jjj

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By: Stanley Moore Date: 5-25-98
Legislative Fiscal Research



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

Attachment II

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
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(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 16, 1998

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee.

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: House Bill 1277 - Fayetteville Public Works Retirement.

House Bill 1277 provides that the Public Works Commission of the City of Fayetteville shall be deemed an employer within the meaning of G.S. 128-21(11) and shall be eligible to participate in the North Carolina Local Governmental Employees' Retirement System.

Currently, the Charter of the City of Fayetteville authorizes the City Council to establish an actuarially sound retirement system for the employees of the Public Works Commission, to be administered by a board of trustees. The system is to be jointly financed by employee contributions and appropriations from the funds of the Public Works Commission.

This bill allows the Public Works Commission to be treated as a separate employer in the Local Governmental Employees' Retirement System and its employees will be eligible to participate in that System.

This act becomes effective when it becomes law.

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT.**

☐ Committee Substitute for

H.B. 1362 A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT TRANSFERRED SERVICE CREDITS MAY BE INCLUDED IN DETERMINING WHETHER A MEMBER OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM MAY PURCHASE MILITARY SERVICE.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1362

Short Title: Military Service Credit.

(Public)

Sponsors: Representatives Preston; Capps, Davis, Hall, Hardy, Hurley, Morris, Nichols, Sexton, Shubert, Smith, and Warner.

Referred to: Judiciary I, if favorable, Pensions and Retirement.

May 20, 1998

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE THAT TRANSFERRED SERVICE CREDITS MAY BE
3 INCLUDED IN DETERMINING WHETHER A MEMBER OF THE
4 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE
5 LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM MAY
6 PURCHASE MILITARY SERVICE.

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 128-26(j1) reads as rewritten:

9 "(j1) Notwithstanding any other provision of this Chapter, any member and any
10 retired member as herein described may purchase creditable service for service in the
11 Armed Forces of the United States, not otherwise allowed, by paying a total lump
12 sum payment determined as follows:

13 (1) For members who completed 10 years of membership service, and
14 retired members who completed 10 years of membership service
15 prior to retirement, and whose current membership began on or
16 prior to January 1, 1988, and who make such purchase within
17 three years after first becoming eligible, the cost shall be an
18 amount equal to the monthly compensation the member earned
19 when he first entered current membership service times the
20 employee contribution rate at that time times the months of service
21 to be purchased with sufficient interest added thereto so as to
22 equal one-half of the cost of allowing such service, plus an
23 administrative fee to be set by the Board of Trustees.

(2) For members who complete five years of membership service, and retired members who complete five years of membership service prior to retirement, and eligible members and retired members covered by paragraph (1) of this subdivision, whose current membership began on or before January 1, 1988, but who did not or do not make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the full liability of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities and shall take into account the retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire on an unreduced allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the term "full liability" includes assumed post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service retirement allowance.

Creditable service allowed under this subdivision shall be only for the initial period of active duty in the Armed Forces of the United States up to the date the member was first eligible to be separated and released and for subsequent periods of active duty as required by the Armed Forces of the United States up to the date of first eligibility for separation or release, but shall not include periods of active duty in the Armed Forces of the United States creditable in any other retirement system except the national guard or any reserve component of the Armed Forces of the United States. Provided, creditable service may be allowed only for active duty in the Armed Forces of the United States of a member that resulted in a general or honorable discharge from duty. The member shall submit satisfactory evidence of the service claimed. For purposes of this subsection, membership service may include any membership or prior service credits transferred to this Retirement System pursuant to G.S. 128-24."

Section 2. G.S. 135-4(f)(7) reads as rewritten:

"(7) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service in the Armed Forces of the United States, not otherwise allowed, by paying a total lump sum payment determined as follows:

a. For members who completed 10 years of membership service, and retired members who completed 10 years of membership service prior to retirement, whose current membership began on or prior to July 1, 1981, and who

1 make this purchase within three years after first becoming
2 eligible, the cost shall be an amount equal to the monthly
3 compensation the member earned when he first entered
4 current membership service times the employee contribution
5 rate at that time times the months of service to be
6 purchased, with sufficient interest added thereto so as to
7 equal one-half of the cost of allowing this service, plus an
8 administrative fee to be set by the Board of Trustees.

- 9 b. For members who complete five years of membership
10 service, and retired members who complete five years of
11 membership service prior to retirement, and eligible
12 members and retired members covered by paragraph a. of
13 this subdivision, whose current membership began on or
14 before July 1, 1981, but who did not or do not make this
15 purchase within three years after first becoming eligible, the
16 cost shall be an amount equal to the full liability of the
17 service credits calculated on the basis of the assumptions
18 used for the purposes of the actuarial valuation of the
19 System's liabilities and shall take into account the retirement
20 allowance arising on account of the additional service
21 credits commencing at the earliest age at which the member
22 could retire on an unreduced allowance, as determined by
23 the Board of Trustees upon the advice of the consulting
24 actuary, plus an administrative fee to be set by the Board of
25 Trustees. Notwithstanding the foregoing provisions of this
26 subsection that provide for the purchase of service credits,
27 the term "full liability" includes assumed post-retirement
28 allowance increases, as determined by the Board of Trustees,
29 from the earliest age at which a member could retire on an
30 unreduced service retirement allowance.

31 Creditable service allowed under this subdivision shall be only for the initial period
32 of active duty in the Armed Forces of the United States up to the date the member
33 was first eligible to be separated and released and for subsequent periods of active
34 duty as required by the Armed Forces of the United States up to the date of first
35 eligibility for separation or release, but shall not include periods of active duty in the
36 Armed Forces of the United States creditable in any other retirement system except
37 the national guard or any reserve component of the Armed Forces of the United
38 States. Provided, creditable service may be allowed only for active duty in the Armed
39 Forces of the United States of a member that resulted in a general or honorable
40 discharge from duty. The member shall submit satisfactory evidence of the service
41 claimed. For purposes of this subsection, membership service may include any
42 membership or prior service credits transferred to this Retirement System pursuant to
43 G.S. 135-18.1."

1 Section 3. This act is effective when it becomes law and applies to
2 persons retiring on or after that date.



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

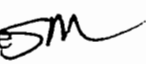
Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 5, 1998

MEMORANDUM

TO: Representative Jean Preston

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1362

Re: Allows transferred service to be included in determining whether a member of the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System can purchase military service.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, June 5, 1998
- (3) Actuarial Note, Hartman & Associates, June 4, 1998

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1362

SHORT TITLE: Military Service Credit

SPONSOR(S): Representative Preston

SYSTEM AFFECTED: Teachers' and State Employees' Retirement System and Local Governmental Employees' Retirement System

BILL SUMMARY: : Allows transferred service to be included in determining whether a member of the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System can purchase military service.

EFFECTIVE DATE: When it becomes law.

ESTIMATED IMPACT

Retirement System Actuary: Buck Consultants estimates that there should be no cost to the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System.

General Assembly Actuary: Hartman & Associates estimates that there should be no cost to the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System.

ASSUMPTIONS AND METHODOLOGY: Teacher's & State Employees' Retirement System The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 263,920 active members with an annual payroll of \$6.845 billion and 88,605 retired members in receipt of annual pensions totaling \$1.096 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Local Governmental Employees' Retirement System: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 104,454 active members with an annual payroll of \$2.594 billion and 24,028 retired members in receipt of annual pensions totaling \$227.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : Retirement System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore *Stanley Moore*

APPROVED BY: Tom Covington

DATE: June 2, 1998

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

June 4, 1998

Mr. Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Re: **House Bill 1362**

Dear Mr. Pruitt:

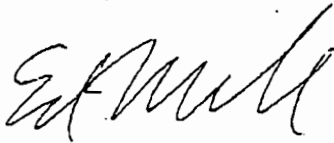
We have received your letter of May 27 regarding House Bill 1362 which affects the Teachers' and State Employees' Retirement System.

This legislation causes the military purchase provisions of G.S. 128-26(j1) and 135-4(f)(7) to comport with the withdrawn account purchase provisions of G.S. 128-26(i) and 135-4(k), and the out-of-state purchase provisions of G.S. 128-26(j2) and 135-4(11).

Inasmuch as this re-establishes a long-standing practice of the Retirement Systems Division, no additional liability would accrue against the Retirement System.

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

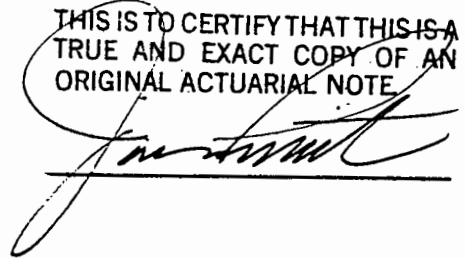
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:mt
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JC 387 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 26, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 1362: An Act to Provide that Transferred Service Credits May Be Included in Determining Whether a Member of the TSERS or LGERS May Purchase Military Service

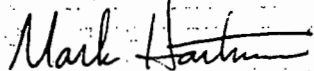
Dear Mr. Moore:

This bill amends G.S. 128-26(j1) and G.S. 135-4(f)(7) regarding purchase of creditable service for service in the Armed Forces of the United States. These amendments allow members of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System to include transferred service credits in determining eligibility to purchase military service credit.

To purchase this service, the member must make a lump-sum payment into the Annuity Savings Fund for the system of which the employee is currently a member. The inclusion of transferred service credits may allow additional members to purchase military service credits or other members to purchase credits sooner than otherwise available. The cost for purchasing this service will be the full actuarial cost of providing credit for such service, based on the assumptions used in the actuarial valuation of the retirement system liabilities, plus an administrative fee determined by the Board of Trustees. Based on this methodology, there should be no additional cost to either the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System.

If you have any questions, please let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 6-5-98
Legislative Fiscal Research



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

Attachment III

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
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Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 17, 1998

MEMORANDUM

TO: Representatives Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee.

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: House Bill 1362 - Military Service Credit.

House Bill 1362 amends the laws governing the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System, to allow members of both Systems to include transferred service credit in determining eligibility to purchase military service credit.

Under present law, a member who has completed at least five years of **membership service** is eligible to purchase service credit for periods of active duty service in the Armed Forces, at a cost equal to the full liability of the service credit. **Membership service** is defined in the law, as service as a teacher or State employee rendered while a member of the Retirement System. Thus, under present law, a person who transfers service from one system to the other is not entitled to have that service counted in the determination of eligibility to purchase military service credit. This bill amends the military service provision to specifically state that, for this purpose, membership service may include transferred service credits.

This act would become effective when it becomes law and apply to persons retiring on or after that date.

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

- ☐ Committee Substitute for
H.B. 1584 A BILL TO BE ENTITLED AN ACT TO INCREASE THE CONTRIBUTORY
DEATH BENEFIT FOR RETIREES IN THE TEACHERS' AND STATE EMPLOYEES'
RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM,
THE LEGISLATIVE RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL
RETIREMENT SYSTEM.
- ☐ With a favorable report.
- ☒ With a favorable report and recommendation that the bill be re-referred to the Committee on
☒ Appropriations ☐ Finance ☐
- ☐ With a favorable report, as amended.
- ☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐
- ☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title,
unfavorable as to original bill (Committee Substitute Bill #), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on .)
- ☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.
- ☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)
- ☐ With an unfavorable report.
- ☐ With recommendation that the House concur.
- ☐ With recommendation that the House do not concur.
- ☐ With recommendation that the House do not concur; request conferees.
- ☐ With recommendation that the House concur; committee believes bill to be material.
- ☐ With an unfavorable report, with a Minority Report attached.
- ☐ Without prejudice.
- ☐ With an indefinite postponement report.
- ☐ With an indefinite postponement report, with a Minority Report attached.
- ☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1584*

Short Title: Increase Retiree Death Benefit.

(Public)

Sponsors: Representatives Barbee (By Request); and Kiser.

Referred to: Pensions & Retirement, if favorable, Appropriations.

May 28, 1998

A BILL TO BE ENTITLED

1
2 AN ACT TO INCREASE THE CONTRIBUTORY DEATH BENEFIT FOR
3 RETIREES IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT
4 SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE
5 LEGISLATIVE RETIREMENT SYSTEM, AND THE LOCAL
6 GOVERNMENTAL RETIREMENT SYSTEM.

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 135-5(l) reads as rewritten:

9 "(l) Death Benefit Plan. -- There is hereby created a Group Life Insurance Plan
10 (hereinafter called the "Plan") which is established as an employee welfare benefit
11 plan that is separate and apart from the Retirement System and under which the
12 members of the Retirement System shall participate and be eligible for group life
13 insurance benefits. Upon receipt of proof, satisfactory to the Board of Trustees in
14 their capacity as trustees under the Group Life Insurance Plan, of the death, in
15 service, of a member who had completed at least one full calendar year of
16 membership in the Retirement System, there shall be paid to such person as he shall
17 have nominated by written designation duly acknowledged and filed with the Board
18 of Trustees, if such person is living at the time of the member's death, otherwise to
19 the member's legal representatives, a death benefit. Such death benefit shall be equal
20 to the greater of:

21 (1) The compensation on which contributions were made by the
22 member during the calendar year preceding the year in which his
23 death occurs, or

- (2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;
- (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.

subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on his death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service.

The death benefit provided in this subsection (l) shall not be payable, notwithstanding the member's compliance with all the conditions set forth in the preceding paragraph, if his death occurs

- (1) After December 31, 1968 and after he has attained age 70; or
- (2) After December 31, 1969 and after he has attained age 69; or
- (3) After December 31, 1970 and after he has attained age 68; or
- (4) After December 31, 1971 and after he has attained age 67; or
- (5) After December 31, 1972 and after he has attained age 66; or
- (6) After December 31, 1973 and after he has attained age 65; or
- (7) After December 31, 1978, but before January 1, 1987, and after he has attained age 70.

Notwithstanding the above provisions, the death benefit shall be payable on account of the death of any member who died or dies on or after January 1, 1974, but before January 1, 1979, after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained age 66, was at the time of death completing the work year for those individuals under specific contract, or during the fiscal year for those individuals not under specific contract, in which he or she attained 65, and otherwise met all conditions for payment of the death benefit.

Notwithstanding the above provisions, the Board of Trustees may and is specifically authorized to provide the death benefit according to the terms and conditions otherwise appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of Trustees is authorized, empowered and directed to investigate the desirability of utilizing group life insurance by either of the foregoing methods for the purpose of providing the death benefit. If a separate trust fund is established, it shall be operated in accordance with rules and regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall be credited to such fund.

In administration of the death benefit the following shall apply:

- (1) For the purpose of determining eligibility only, in this subsection "calendar year" shall mean any period of 12 consecutive months or, if less, the period covered by an annual contract of employment. For all other purposes in this subsection "calendar year" shall mean the 12 months beginning January 1 and ending December 31.
- (2) Last day of actual service shall be:
- a. When employment has been terminated, the last day the member actually worked.
 - b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire, unless he is on approved leave of absence and is in service under the provisions of G.S. 135-4(h).
- (3) For a period when a member is on leave of absence, his status with respect to the death benefit will be determined by the provisions of G.S. 135-4(h).
- (4) A member on leave of absence from his position as a teacher or State employee for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit. The amount of the death benefit for such member shall be the equivalent of the salary to which the member would have been entitled as a teacher or State employee during the 12-month period immediately prior to the month in which death occurred, not to be less than twenty-five thousand dollars (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

The provisions of the Retirement System pertaining to Administration, G.S. 135-6, and management of funds, G.S. 135-7, are hereby made applicable to the Plan.

A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of this Chapter shall be eligible for group life insurance benefits as provided in this subsection, notwithstanding that the member is no longer an employee or teacher or that the member's death occurs after the eligibility period after active service. The basis of the death benefit payable hereunder shall be the higher of the death benefit computed as above or a death benefit based on compensation used in computing the benefit payable under G.S. 135-105 and G.S. 135-106, as may be adjusted for percentage post-disability increases, all subject to the maximum dollar limitation as provided above. A member in receipt of benefits from the Disability Income Plan under the provisions of G.S. 135-112 whose right to a benefit accrued under the former Disability Salary Continuation Plan shall not be covered under the provisions of this paragraph.

Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 1988, but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of the deceased retired member or to the deceased retired member's

1 legal representative if not survived by a spouse; provided the retired member has
2 elected, when first eligible, to make, and has continuously made, in advance of his
3 death required contributions as determined by the Board of Trustees on a fully
4 contributory basis, through retirement allowance deductions or other methods
5 adopted by the Board of Trustees, to a group death benefit trust fund administered by
6 the Board of Trustees separate and apart from the Retirement System's Annuity
7 Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-
8 sum payment in the amount of five thousand dollars (\$5,000) upon the completion of
9 twenty-four months of contributions required under this subsection. Should death
10 occur before the completion of twenty-four months of contributions required under
11 this subsection, the deceased retired member's surviving spouse or legal
12 representative if not survived by a spouse shall be paid the sum of the retired
13 member's contributions required by this subsection plus interest to be determined by
14 the Board of Trustees.

15 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under
16 this subsection, of the death of a retired member of the Retirement System on or after
17 January 1, 1999, there shall be paid a death benefit to the surviving spouse of the
18 deceased retired member or to the deceased retired member's legal representative if
19 not survived by a spouse; provided the retired member has elected, when first
20 eligible, to make, and has continuously made, in advance of his death required
21 contributions as determined by the Board of Trustees on a fully contributory basis,
22 through retirement allowance deductions or other methods adopted by the Board of
23 Trustees, to a group death benefit trust fund administered by the Board of Trustees
24 separate and apart from the Retirement System's Annuity Savings Fund and Pension
25 Accumulation Fund. This death benefit shall be a lump-sum payment in the amount
26 of six thousand dollars (\$6,000) upon the completion of 24 months of contributions
27 required under this subsection. Should death occur before the completion of 24
28 months of contributions required under this subsection, the deceased retired
29 member's surviving spouse or legal representative if not survived by a spouse shall be
30 paid the sum of the retired member's contributions required by this subsection plus
31 interest to be determined by the Board of Trustees."

32 Section 2. G.S. 135-64(g) reads as rewritten:

33 "(g) Upon the death of a retired member on or after July 1, 1988, but before
34 January 1, 1999, there shall be paid a death benefit to the surviving spouse of a
35 deceased retired member or to the deceased retired member's legal representative if
36 not survived by a spouse; provided the retired member has elected, when first
37 eligible, to make, and has continuously made, in advance of his death required
38 contributions as determined by the Board of Trustees on a fully contributory basis,
39 through retirement allowance deductions or other methods adopted by the Board of
40 Trustees, to a group death benefit trust fund administered by the Board of Trustees
41 separate and apart from the Retirement System's Annuity Savings Fund and Pension
42 Accumulation Fund. This death benefit shall be a lump-sum payment in the amount
43 of five thousand dollars (\$5,000) upon the completion of 24 months of contributions
44 required under this subsection. Should death occur before the completion of 24

1 months of contributions required under this subsection, the deceased retired
2 member's surviving spouse or legal representative if not survived by a spouse shall be
3 paid the sum of the retired member's contributions required by this subsection plus
4 interest to be determined by the Board of Trustees."

5 Section 3. G.S. 135-64 is amended by adding a new subsection to read:

6 "(h) Upon the death of a retired member on or after January 1, 1999, there shall
7 be paid a death benefit to the surviving spouse of a deceased retired member or to
8 the deceased retired member's legal representative if not survived by a spouse;
9 provided the retired member has elected, when first eligible, to make, and has
10 continuously made, in advance of his death required contributions as determined by
11 the Board of Trustees on a fully contributory basis, through retirement allowance
12 deductions or other methods adopted by the Board of Trustees, to a group death
13 benefit trust fund administered by the Board of Trustees separate and apart from the
14 Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This
15 death benefit shall be a lump-sum payment in the amount of six thousand dollars
16 (\$6,000) upon the completion of 24 months of contributions required under this
17 subsection. Should death occur before the completion of 24 months of contributions
18 required under this subsection, the deceased retired member's surviving spouse or
19 legal representative if not survived by a spouse shall be paid the sum of the retired
20 member's contributions required by this subsection plus interest to be determined by
21 the Board of Trustees."

22 Section 4. G.S. 120-4.27 reads as rewritten:

23 "**§ 120-4.27. Death benefit.**

24 The designated beneficiary of a member who dies while in service after completing
25 one year of creditable service shall receive a lump-sum payment of an amount equal
26 to the deceased member's highest annual salary, to a maximum of fifteen thousand
27 dollars (\$15,000). For purposes of this death benefit "in service" means currently
28 serving as a member of the North Carolina General Assembly.

29 The death benefit provided by this section shall be designated a group life
30 insurance benefit payable under an employee welfare benefit plan that is separate and
31 apart from the Retirement System but under which the members of the Retirement
32 System shall participate and be eligible for group life insurance benefits. The Board
33 of Trustees is authorized to provide the death benefit in the form of group life
34 insurance either by purchasing a contract or contracts of group life insurance with
35 any life insurance company or companies licensed and authorized to transact business
36 in the State of North Carolina for the purpose of insuring the lives of qualified
37 members in service, or by establishing or affiliating with a separate trust fund
38 qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

39 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a
40 retired member of the Retirement System or Retirement Fund on or after July 1,
41 1988, but before January 1, 1999, there shall be paid a death benefit to the surviving
42 spouse of a deceased retired member, or to the deceased retired member's legal
43 representative if not survived by a spouse; provided the retired member has elected,
44 when first eligible, to make, and has continuously made, in advance of his death

1 required contributions as determined by the Retirement System on a fully
2 contributory basis, through retirement allowance deductions or other methods
3 adopted by the Retirement System, to a group death benefit trust fund administered
4 by the Board of Trustees separate and apart from the Retirement System's Annuity
5 Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-
6 sum payment in the amount of five thousand dollars (\$5,000) upon the completion
7 of twenty-four months of contributions required under this subsection. Should death
8 occur before the completion of twenty-four months of contributions required under
9 this subsection, the deceased retired member's surviving spouse or legal
10 representative if not survived by a spouse shall be paid the sum of the retired
11 member's contributions required by this subsection plus interest to be determined by
12 the Board of Trustees.

13 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a
14 retired member of the Retirement System or Retirement Fund on or after January 1,
15 1999, there shall be paid a death benefit to the surviving spouse of a deceased retired
16 member, or to the deceased retired member's legal representative if not survived by a
17 spouse; provided the retired member has elected, when first eligible, to make, and has
18 continuously made, in advance of his death required contributions as determined by
19 the Retirement System on a fully contributory basis, through retirement allowance
20 deductions or other methods adopted by the Retirement System, to a group death
21 benefit trust fund administered by the Board of Trustees separate and apart from the
22 Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This
23 death benefit shall be a lump-sum payment in the amount of six thousand dollars
24 (\$6,000) upon the completion of 24 months of contributions required under this
25 subsection. Should death occur before the completion of 24 months of contributions
26 required under this subsection, the deceased retired member's surviving spouse or
27 legal representative if not survived by a spouse shall be paid the sum of the retired
28 member's contributions required by this subsection plus interest to be determined by
29 the Board of Trustees."

30 Section 5. G.S. 128-27(12) reads as rewritten:

31 "(12) Death Benefit for Retired Members. -- Upon receipt of proof, satisfactory to
32 the Board of Trustees in its capacity under this subsection, of the death of a retired
33 member of the Retirement System on or after July 1, 1988, but before January 1,
34 1999, there shall be paid a death benefit to the surviving spouse of the deceased
35 retired member or to the deceased retired member's legal representative if not
36 survived by a spouse; provided the retired member has elected, when first eligible, to
37 make, and has continuously made, in advance of his death required contributions as
38 determined by the Board of Trustees on a fully contributory basis through retirement
39 allowance deductions or other methods adopted by the Board of Trustees, to a group
40 death benefit trust fund administered by the Board of Trustees separate and apart
41 from the Retirement System's Annuity Savings Fund and Pension Accumulation
42 Fund. This death benefit shall be a lump-sum payment in the amount of five
43 thousand dollars (\$5,000) upon the completion of 24 months of contributions
44 required under this subsection. Should death occur before the completion of 24

1 months of contributions required under this subsection, the deceased retired
2 member's surviving spouse or legal representative if not survived by a spouse shall be
3 paid the sum of the retired member's contributions required by this subsection plus
4 interest to be determined by the Board of Trustees."

5 Section 6. G.S. 128-27 is amended by adding a new subsection to read:

6 "(13) Death Benefit for Retired Members. -- Upon receipt of proof, satisfactory to
7 the Board of Trustees in its capacity under this subsection, of the death of a retired
8 member of the Retirement System on or after January 1, 1999, there shall be paid a
9 death benefit to the surviving spouse of the deceased retired member or to the
10 deceased retired member's legal representative if not survived by a spouse; provided
11 the retired member has elected, when first eligible, to make, and has continuously
12 made, in advance of his death required contributions as determined by the Board of
13 Trustees on a fully contributory basis through retirement allowance deductions or
14 other methods adopted by the Board of Trustees, to a group death benefit trust fund
15 administered by the Board of Trustees separate and apart from the Retirement
16 System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit
17 shall be a lump-sum payment in the amount of six thousand dollars (\$6,000) upon the
18 completion of 24 months of contributions required under this subsection. Should
19 death occur before the completion of 24 months of contributions required under this
20 subsection, the deceased retired member's surviving spouse or legal representative if
21 not survived by a spouse shall be paid the sum of the retired member's contributions
22 required by this subsection plus interest to be determined by the Board of Trustees."

23 Section 7. This act becomes effective January 1, 1999.



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

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(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 8, 1998

MEMORANDUM

TO: Representative Bobby Harold Barbee

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1584

Re: Increases the contributory death benefit from \$5,000 to \$6,000 for retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System and Local Governmental Employees' Retirement System that elect to pay for this coverage.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, June 3, 1998
- (3) Actuarial Note. Hartman & Associates, June 5, 1998

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1584

SHORT TITLE: Increase Retiree Death Benefit

SPONSOR(S): Representative Barbee

SYSTEM AFFECTED: The Retirees' Contributory Death Benefit Plan

BILL SUMMARY: Increases the contributory death benefit from \$5,000 to \$6,000 for retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System and Local Governmental Employees' Retirement System that elect to pay for this coverage.

EFFECTIVE DATE: January 1, 1999

ESTIMATED IMPACT The actuaries agree that the reserves and the contributory rates by retirees for the death benefit are sufficient to increase the death benefit.

ASSUMPTIONS AND METHODOLOGY:

The Retirees' Contributory Death Benefit Plan: The actuarial valuation of the Retirees' Contributory Death Benefit Plan as of December 31, 1996 shows that the Plan has liabilities of \$50,870,914. The Plan has assets of \$44,542,462. Prospective contributions of participants eligible for benefits (those with two or more years of coverage) have a value of \$42,596,825. The total present and prospective assets amount to \$87,139,287, which exceeds the liability of \$50,870,914 by \$36,268,373. On the basis of the calculation, the present contribution rates appear to be sufficient support the benefits of the Plan, and the necessary reserves are being accumulated.

SOURCES OF DATA: : Retirement System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore *Stanley Moore*

APPROVED BY: Tom Covington

DATE: June 8, 1998

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

June 3, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Re: **House Bill 1584**

Dear Mr. Pruitt:

We have received your letter of May 29 regarding House Bill 1584 which affects the Contributory Death Benefit for retired members of the State, Local Governmental, Judicial, and Legislative Retirement Systems.

This legislation appears to increase the Contributory Death Benefit payment from \$5,000 to \$6,000 upon the death of a qualified retired member, on and after January 1, 1999.

Benefits payable under the Retiree's Contributory Death Benefit Plan are supported entirely by the contributions of the participants and the investment earnings on these contributions. The current participant contribution rates shown in our actuarial report as of December 31, 1996 are sufficient to pay for the increase due to this legislation. Therefore there is no cost to the State or the participants due to this legislation.

If we can be of further assistance, please do not hesitate to call.

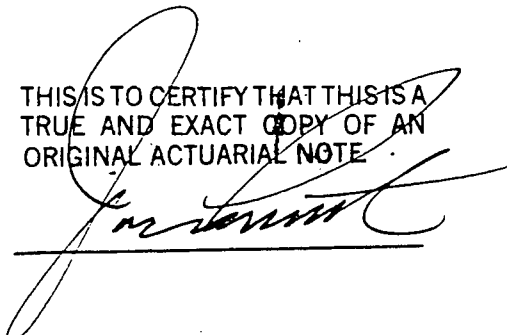
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

DMO:jg
H:\HOME\ACT\NC\HB1584.DOC
JC 3434 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

June 5, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 1584: An Act to Increase the Contributory Death
Benefit for Retirees in the TSERS, CJRS, LRS, and LGERS

Dear Mr. Moore:

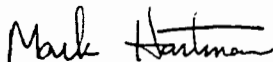
This bill amends G.S. 135-5(1), G.S. 135-64, G.S. 120-4.27, and G.S. 128-27 to increase the contributory death benefit for retired members of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, and the Local Governmental Employees' Retirement System.

This act would increase the lump-sum death benefit payment from \$5,000 to \$6,000. The benefit is payable provided the retired member elected, when first eligible, to make the required contributions and made such contributions for 24 months. The required contributions are determined by the Board of Trustees on a fully contributory basis, and benefits are paid from a group death benefit trust fund separate from the retirement systems. This act would become effective January 1, 1999, and applies to deaths occurring on or after that date.

This act is expected to produce no additional cost to the retirement systems or the group death benefit trust fund.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By: Stanley Moore Date: 6-8-98
Legislative Fiscal Research



**North Carolina General Assembly
Legislative Services Office**

Attachment IV

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

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Terrence D. Sullivan, Director
Research Division
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300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 16, 1998

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee.

FROM: Karen Cochrane Brown, Committee Counsel. *KB*

RE: House Bill 1584 - Increase Retiree Death Benefit.

House Bill 1584 amends the laws governing the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, and the Local Governmental Employees' Retirement System to increase the contributory death benefit for retirees. Currently, retirees from each of these systems, may elect to make contributions, in an amount determined by the Board of Trustees, to a group death benefit trust fund. The benefit payable at the retirees' death is a lump-sum payment of \$5,000, provided the retiree has made the required contributions for 24 months prior to death. This bill increases the lump-sum death benefit to \$6,000, under the same conditions as currently exist, effective January 1, 1999.

This bill is a recommendation of the Board of Trustees of the Retirement System as a result of the actuary's assertion that the reserves and the contributory rates by retirees are sufficient to increase the death benefit.

This act would become effective January 1, 1999.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

June 24, 1998

Room 415

AGENDA

1. OPENING REMARKS

Representative Barbee, Chairman

2. BILLS TO BE CONSIDERED

House Bill 1525 Repeal Laurinburg Supp. Pension

Sponsor: Representative Yongue

House Bill 1337 Fire and Rescue Squad Pensions

Sponsor: Representative Daughtry

WITHDRAWN ~~House Bill 1396 Winston-Salem Firemen's Retirement~~
~~Sponsor: Representative Gray~~

House Bill 1522 Local/State Purchase of Service

Sponsor: Representative Miner

House Bill 1538 Sharpsburg Retirement System

Sponsor: Representative Arnold

ADJOURNMENT

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
June 24, 1998

The House Committee on Pensions and Retirement met in Room 415 of the Legislative Office Building on June 24, 1998 at 12:00 noon. Representative Barbee, chairman, called the meeting to order, welcomed guests (Visitors Registration Sheet attached (1)), and introduced Sergeant-at-Arms staff member, Micah Starritt, who assisted with the meeting. Representatives present for the meeting were: McCombs, Beall, Brawley, Goodwin, Hardy, Justus, McCrary, Oldham, Preston, Ramsey, G. Wilson, Yongue, and Daughtry. Representative Barbee turned the meeting over to Representative McCombs, Vice Chairman, to preside.

Rep. McCombs recognized Rep. Yongue to explain his House Bill 1525, AN ACT TO REPEAL THE ACT ESTABLISHING A SUPPLEMENTARY PENSION FUND FOR FIREMEN IN THE CITY OF LAURINBURG. This bill transfers funds held by trustees of Laurinburg Firemen's Supplemental Retirement Fund to board of trustees of Laurinburg's local firemen's relief fund. Teresa Matula, of Research Staff, distributed a handout explaining the effects of this bill (Attachment II). Rep. G. Wilson made motion the bill be approved with a favorable report. After some discussion and questions answered by Stanley Moore, Fiscal Analyst, the vote was called for and was unanimous in favor of the motion.

Representative Daughtry was called on to explain his House Bill 1337, AN ACT TO INCLUDE COUNTY FIRE MARSHALS IN THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND AND TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND. This bill includes in the definition of eligible firemen a county fire marshal, if the county board of commissioners certifies that the marshal attends no less than 36 hours of drills and meetings each calendar year, and increases the monthly pension from \$141 to \$146. Karen Cochrane-Brown distributed handout explaining House Bill 1337 (Attachment III). Rep. McCrary submitted an amendment changing the date July 1, 1997 to July 1, 1998 and moved the amendment be accepted, which was approved (Attachment IV). Rep. Hardy said that he would like to submit an amendment (Attachment V), but did not do so when he was assured by members that legislation has already been introduced to take care of that situation. Rep. Brawley made motion that Rep. McCrary's amendment be rolled into a substitute bill with a favorable report. The vote was unanimous for the motion. The bill was reported out of Pensions and Retirement and re-referred to Appropriations upon request of Karen Cochrane-Brown and Representative Barbee.

Rep. McCombs recognized Rep. Miner, bill sponsor for House Bill 1522, AN ACT TO ALLOW MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE SERVICE RENDERED AS A PART-TIME TEACHER OR STATE EMPLOYEE AND TO ALLOW MEMBERS OF THE TEACHERS' AND STATE

EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE SERVICE RENDERED AS A
LOCAL GOVERNMENTAL EMPLOYEE.

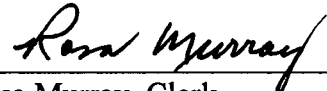
Karen Cochran-Brown handed out a memorandum explaining bill (Attachment VI). Mr. Jack Pruitt assured the committee that the Retirement Board is behind this bill. Rep. Beall made motion that House Bill 1522 be given a favorable report. The vote was in favor of the bill. Rep. Brawley withdrew from voting.

Representative Arnold was recognized to explain House Bill 1538, AN ACT TO AUTHORIZE THE TOWN OF SHARPSBURG TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO ITS EMPLOYEES. Theresa Matula distributed memorandum explaining this bill (Attachment VII). Rep. Brawley moved that the bill receive a favorable report. The vote was unanimous in favor of the bill.

Pages, Elizabeth Allran of Catawba County and Adara Bowser of Durham County, assisted with the meeting.

The meeting was adjourned at 12:42 P.M.


Rep. Bobby H. Barbee, Sr., Chairman


Rosa Murray, Clerk

- Attachment

①

VISITOR REGISTRATION SHEET

HOUSE PENSIONS AND RETIREMENT

June 24, 1998

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
Gordon A. Joyner	NC Assoc of Rescue & EMS ^{PO Box 1944}
LENA B JOYNER	Goldston Rd 27533
Katherine Joyce	SEANC
Wendy Mills	SEANC
Steven Bradley	SEANC
Larry McMahon	Town of Newwood
Raymond Shepherd	"
Ralph F. Vick	"
Dwight J. Miller	"
Henry L. Thompson	"
Davrell Almond	"
Betty R. Tucker	Clerk, Town of Magnolia
Ruth Quinn	Mayor - town of Magnolia
David B. Shanton	Mayor Pro Tem, Councilmember, LAURINBURG
Herbert M. Laine Jr	Laurinburg City Council
Julie M. Page	Town of Wilkesboro
Tom Harper	Town of Rowland - Mayor
Hank Dickson	Town of Holly Springs
Ben Hill	Town of Fairmont
Nicholas J. Moore	Town of Wilkesboro
Ed. Beasley	Winston Salem Firemen Assoc
Richard O'Brien	PFFPNC
Lisa Wilson	SEANC
Leigh Hammond (or)	NC Retired Govt Emp. Assoc
Marshall Barnes	Dept of State Treasurer
Jack Smith	" " "
Sam Hyde	Bede Call of Shoups
Logan	Bone & Assoc

VISITOR REGISTRATION SHEET

House Pensions & Retirement June 24, 1998

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY

1. Jim Blackburn
2. Sam Misenheimer, Citymgr.
3. Pam McDonald
4. Joe McConley
5. Martin S. Dailey
6. Don Truett
7. _____
8. _____
9. _____
10. _____
11. _____
22. _____
23. _____
24. _____
25. _____
26. _____
27. _____
28. _____
29. _____
30. _____
31. _____

NC Assoc. County Comm'r's.
CITY OF THOMASVILLE
Concord, N.C. Hi. Daddy!
Room 514, LDB Building
City of Thomasville
City of Thomasville

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 1525 A BILL TO BE ENTITLED AN ACT TO REPEAL THE ACT
ESTABLISHING A SUPPLEMENTARY PENSION FUND FOR FIREMEN IN THE CITY
OF LAURINBURG.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title,
unfavorable as to original bill (Committee Substitute Bill #), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1525

Short Title: Repeal Laurinburg Supp. Pension.

(Local)

Sponsors: Representative Yongue.

Referred to: Local and Regional Government I, if favorable, Pensions and Retirement.

May 27, 1998

1 A BILL TO BE ENTITLED
2 AN ACT TO REPEAL THE ACT ESTABLISHING A SUPPLEMENTARY
3 PENSION FUND FOR FIREMEN IN THE CITY OF LAURINBURG.
4 The General Assembly of North Carolina enacts:
5 Section 1. Sections 1 through 7 of Chapter 1315 of the 1979 Session
6 Laws are repealed.
7 Section 2. All funds held by the Trustees of the Laurinburg Firemen's
8 Supplemental Retirement Fund are transferred to the Board of Trustees of the Local
9 Firemen's Relief Fund of the City of Laurinburg to be held and administered as
10 provided in Article 86 of Chapter 58 of the General Statutes.
11 Section 3. This act is effective when it becomes law.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
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(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 2, 1998

MEMORANDUM

TO: Representative Douglas Yongue

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note House Bill 1525

Re: Repeal of the City of Laurinburg Firemen's Supplemental Retirement Fund

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial/fiscal note on the above subject as prepared by the General Assembly's Consulting Actuary and this Division.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):
Actuarial/Fiscal Note, House Bill 1525, May 28, 1998



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
5 Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
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Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

May 28, 1998

Representative Douglas Yongue
North Carolina House of Representatives
Legislative Building
Raleigh, North Carolina 27601-1096

Re: Actuarial/Fiscal Note (House Bill 1525)
City of Laurinburg Firemen's Supplemental Retirement Fund

Dear Representative Yongue:

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, we hereby submit an Actuarial/Fiscal Note on the following: Repeal of the City of Laurinburg Firemen's Supplemental Retirement Fund.

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: The City of Laurinburg Firemen's Supplemental Retirement Fund is financed by the transfer of all funds in excess of \$25,000 from the Local Firemen's Relief Fund on an annual basis. The Fund presently provides a benefit, not to exceed \$1,000 annually, to each retired fireman, paid or volunteer, who has reached age 55 and has completed 20 years of service as a fireman with the City of Laurinburg. With the repeal, all funds held by the City of Laurinburg Firemen's Supplemental Retirement Fund will be transferred back to the Local Firemen's Relief Fund of the City of Laurinburg to be used as allowed by G. S. 58-84-35.

Actuarial Endorsement:

Charles W. Dunn
Charles W. Dunn
Consulting Actuary
Dilts, Umstead & Dunn
Durham, North Carolina

Sincerely,

Stanley Moore
Stanley Moore
Fiscal Analyst
Fiscal Research Division

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: *Stanley Moore* Date: *6-2-98*
Legislative Fiscal Research



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

Attachment 44

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Tony C. Goldman, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 23, 1998

MEMORANDUM

To: Representative Bobby H. Barbee, Chairman
House Pensions and Retirement Committee

From: Theresa Matula, Legislative Personnel Analyst *TM*
Research Division

Re: House Bill 1525 - Repeal Laurinburg Supp. Pension

House Bill 1525 repeals Sections 1 through 7 of Chapter 1315 of the 1979 Sessions Laws which provided a supplemental retirement fund for firemen in the City of Laurinburg.

All funds held by the Trustees of the Laurinburg Firemen's Supplemental Retirement Fund are transferred to the Board of Trustees of the Local Firemen's Relief Fund of the City of Laurinburg. These funds are to be held and administered as provided in Article 86 of Chapter 58 of the General Statutes, *North Carolina Firemen's and Rescue Squad Workers' Pension Fund*.

This act would become effective when it becomes law.

1998 COMMITTEE REPORT HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 1337 A BILL TO BE ENTITLED AN ACT TO INCLUDE COUNTY FIRE MARSHALS IN THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND AND TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☒ With a favorable report as to committee substitute bill (#), ☐ ~~which changes the title,~~ unfavorable as to original bill (~~Committee Substitute Bill #~~), (and recommendation that the committee substitute bill #) be re-referred to the Committee on *Appropriations*.

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar. (PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1337

Short Title: Fire and Rescue Squad Pensions.

(Public)

Sponsors: Representatives Daughtry; Berry, Cansler, Capps, Creech, Culp, Culpepper, Davis, Dedmon, Goodwin, Hall, Hardy, Justus, McCombs, Mitchell, Mosley, Rayfield, Sexton, Shubert, Smith, Tolson, Warwick, Watson, Weatherly, and Yongue.

Referred to: Pensions and Retirement.

May 20, 1998

1 A BILL TO BE ENTITLED

2 AN ACT TO INCLUDE COUNTY FIRE MARSHALS IN THE FIREMEN'S AND
3 RESCUE SQUAD WORKERS' PENSION FUND AND TO INCREASE THE
4 MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE
5 SQUAD WORKERS' PENSION FUND.

6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 58-86-25 reads as rewritten:

8 "§ 58-86-25. 'Eligible firemen' defined; determination and certification of volunteers
9 meeting qualifications.

10 'Eligible firemen' shall mean all firemen of the State of North Carolina or any
11 political subdivision thereof, including those performing such functions in the
12 protection of life and property through fire fighting within a county or city
13 governmental unit and so certified to the Commissioner of Insurance by the
14 governing body thereof, and who belong to a bona fide fire department which, as
15 determined by the Commissioner, is classified as not less than class '9' or class 'A'
16 and 'AA' departments in accordance with rating methods, schedules, classifications,
17 underwriting rules, bylaws or regulations effective or applied with respect to the
18 establishment of rates or premiums used or charged pursuant to Articles 36 or 40 of
19 this Chapter or by such other reasonable methods as the Commissioner may
20 determine, and which operates fire apparatus and equipment of the value of five
21 thousand dollars (\$5,000) or more, and said fire department holds drills and meetings

1 not less than four hours monthly and said firemen attend at least 36 hours of all drills
2 and meetings in each calendar year. 'Eligible firemen' shall also mean the fire
3 marshal of each county, provided the board of county commissioners of that county
4 certifies the fire marshal's attendance at no less than 36 hours of all drills and
5 meetings in each calendar year. 'Eligible firemen' shall also mean those persons
6 meeting the other qualifications of this section, not exceeding 25 volunteer firemen
7 plus one additional volunteer fireman per 100 population in the area served by their
8 respective departments. Each department shall annually determine and report the
9 names of those firemen meeting the eligibility qualifications to its respective
10 governing body, which upon determination of the validity and accuracy of the
11 qualification shall promptly certify the list to the board. For the purposes of the
12 preceding sentence, the governing body of a fire department operated: by a county is
13 the county board of commissioners; by a city is the city council; by a sanitary district
14 is the sanitary district board; by a corporation, whether profit or nonprofit, is the
15 corporation's board of directors; and by any other entity is that group designated by
16 the board."

17 Section 2. G.S. 58-86-55 reads as rewritten:

18 "**§ 58-86-55. Monthly pensions upon retirement.**

19 Any member who has served 20 years as an 'eligible fireman' or 'eligible rescue
20 squad worker' in the State of North Carolina, as provided in G.S. 58-86-25 and G.S.
21 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
22 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
23 ~~forty-one dollars (\$141.00)~~ one hundred forty-six dollars (\$146.00) per month. Any
24 retired fireman receiving a pension shall, effective July 1, 1997, receive a pension of
25 ~~one hundred forty-one dollars (\$141.00)~~ one hundred forty-six dollars (\$146.00) per
26 month.

27 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35
28 and G.S. 58-86-40 for a period of no longer than 20 years. No 'eligible rescue squad
29 member' shall receive a pension prior to July 1, 1983. No member shall be entitled to
30 a pension hereunder until the member's official duties as a fireman or rescue squad
31 worker for which the member is paid compensation shall have been terminated and
32 the member shall have retired as such according to standards or rules fixed by the
33 board of trustees.

34 A member who is totally and permanently disabled while in the discharge of the
35 member's official duties as a result of bodily injuries sustained or as a result of
36 extreme exercise or extreme activity experienced in the course and scope of those
37 official duties and who leaves the fire or rescue squad service because of this
38 disability shall be entitled to be paid from the fund a monthly benefit in an amount
39 of ~~one hundred forty-one dollars (\$141.00)~~ one hundred forty-six dollars (\$146.00)
40 per month beginning the first month after the member's fifty-fifth birthday. All
41 applications for disability are subject to the approval of the board who may appoint
42 physicians to examine and evaluate the disabled member prior to approval of the
43 application, and annually thereafter. Any disabled member shall not be required to

1 make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and
2 G.S. 58-86-40.

3 A member who is totally and permanently disabled for any cause, other than line
4 of duty, who leaves the fire or rescue squad service because of this disability and who
5 has at least 10 years of service with the pension fund, may be permitted to continue
6 making a monthly contribution of ten dollars (\$10.00) to the fund until the member
7 has made contributions for a total of 240 months. The member shall upon attaining
8 the age of 55 years be entitled to receive a pension as provided by this section. All
9 applications for disability are subject to the approval of the board who may appoint
10 physicians to examine and evaluate the disabled member prior to approval of the
11 application and annually thereafter.

12 A member who, because his residence is annexed by a city under Part 2 or Part 3
13 of Article 4 of Chapter 160A of the General Statutes, or whose department is closed
14 because of an annexation by a city under Part 2 or Part 3 of Article 4 of Chapter
15 160A of the General Statutes, and because of such annexation is unable to perform as
16 a fireman of any status, and if the member has at least 10 years of service with the
17 pension fund, may be permitted to continue making a monthly contribution of ten
18 dollars (\$10.00) to the fund until the member has made contributions for a total of
19 240 months. The member upon attaining the age of 55 years and completion of such
20 contributions shall be entitled to receive a pension as provided by this section. Any
21 application to make monthly contributions under this section shall be subject to a
22 finding of eligibility by the Board of Trustees upon application of the member.

23 The pensions provided shall be in addition to all other pensions or benefits under
24 any other statutes of the State of North Carolina or the United States,
25 notwithstanding any exclusionary provisions of other pensions or retirement systems
26 provided by law."

27 Section 3. This act becomes effective July 1, 1998.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
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Suite 401, LOB
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Raleigh, NC 27603-5925
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Suite 619, LOB
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(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 2, 1998

MEMORANDUM

TO: Representative Leo Daughtry

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1337

Re: Increases the monthly benefit to members and retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$141 to \$146 and makes the fire marshal of each county to be eligible for membership

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, May 28, 1998
- (3) Actuarial Note, Hartman & Associates, May 29, 1998

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1337

SHORT TITLE: Fire and Rescue Squad Pensions

SPONSOR(S): Representative Daughtry

SYSTEM OR PROGRAM AFFECTED: North Carolina Firemen's and Rescue Squad Workers' Pension Fund

FUNDS AFFECTED: General Fund

BILL SUMMARY: Increases the monthly benefit to retirees and future retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$141 to \$146 and allows the fire marshal of each county to be a member of the Pension Fund.

EFFECTIVE DATE: July 1, 1998

ESTIMATED IMPACT ON STATE: SYSTEM ACTUARY

	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03
Benefit Increase	\$1,657,745	\$1,657,745	\$1,657,745	\$1,657,745	\$1,657,745
Fire marshals	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$10,000</u>
Total	\$1,667,745	\$1,667,745	\$1,667,745	\$1,667,745	\$1,667,745
Actuarial gains	<u>\$1,288,152</u>	<u>\$1,288,152</u>	<u>\$1,288,152</u>	<u>\$1,288,152</u>	<u>\$1,288,152</u>
Net Cost	\$379,593	\$379,593	\$379,593	\$379,593	\$379,593

GENERAL ASSEMBLY ACTUARY

	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03
Total	\$2,011,870	\$2,011,870	\$2,011,870	\$2,011,870	\$2,011,870

ASSUMPTIONS AND METHODOLOGY: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 1997 actuarial valuation of the fund. The data included 25,928 active members and 7,061 retired members in receipt of annual pensions totaling \$11.9 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1974 George B. Buck Mortality Table for deaths after retirement and (c) rates of separation from active service based on Fund experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: Based on the June 30, 1997 actuarial valuation, if the accrued liability is amortized over a 5 year period, the annual accrued liability contribution could be reduced by \$1,288,152 or the current contribution level could be maintained and the pension could be increased by \$3.88 per month. The current level of contributions by the State is \$11,735,187 so it could be reduced to \$10,447,035.

FISCAL RESEARCH DIVISION The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: June 2, 1998

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

May 28, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

House Bill 1337

Dear Mr. Pruitt:

We have received your letter of May 22 regarding House Bill 1337 which affects the Firemen's and Rescue Squad Workers' Pension Fund.

Part (i) of this legislation appears to allow county fire marshals to become members of the Firemen's and Rescue Squad Workers' Pension Fund, prospectively, effective July 1, 1998. Part (ii) appears to increase the monthly pension payment from \$141 to \$146 for members who retire on and after July 1, 1998; however, for members who are already retired, this increase appears to be effective July 1, 1997.

The estimated cost of part (i) of this legislation as an appropriation amount required from the General Fund for the fiscal year 1998-1999 would be \$10,000 assuming 100 fire marshals become members. The annual appropriation amount for each prospective active member is \$96.65.

Our cost estimate for part (ii) is based on the Fund's valuation as of June 30, 1997, including a funding basis of five years for unfunded accrued liabilities. The funding mechanism for this legislation would be to utilize the Pension Fund's unencumbered actuarial gains as of June 30, 1997.

Under the assumption that the current annual contribution amount of \$11,735,187 is continued in the 1998-99 fiscal year, there is an annual amount of \$1,288,152 available from actuarial gains as of June 30, 1997, to offset the required contributions for benefit improvements. The annual cost of this proposed legislation is \$1,657,745. Therefore, this legislation would require additional appropriations of \$369,593. The following table shows the required annual contribution for this legislation and the offsetting use of gains.

Mr. Jack Pruitt
May 28, 1998
Page 2

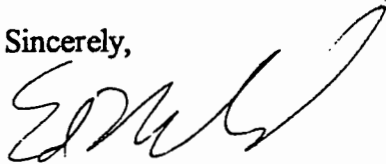
**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR AN INCREASE IN PENSION FROM \$141 TO \$146
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution for \$5.00 increase:	
Normal	\$ 152,975
Accrued liability	<u>1,504,770</u>
Total	\$ 1,657,745
Available annual contribution due to actuarial gains from 6-30-97 valuation:	
	\$ 1,288,152
Additional appropriation required	\$ 369,593

As technical observations, part (ii) appears to inadvertently show the effective date as July 1, 1997 in lieu of July 1, 1998; and neither part contains specific provisions for funding the increased cost of this legislation.

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

Sincerely,

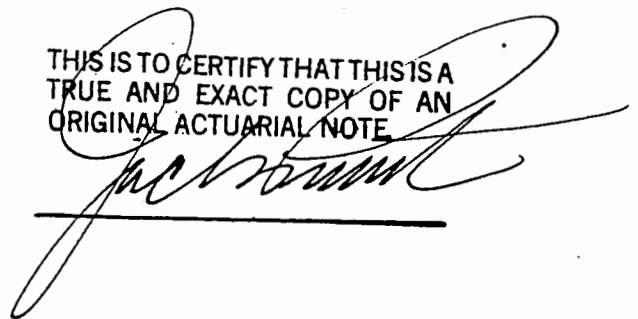


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jg

H:\HOME\ACT\NCFR\1998\CORR\HB1337.DOC
JC 1950 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 29, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Proposed Legislation: An Act to Include County Fire Marshals in the FRSW Pension Fund and to Increase the Monthly Pension for Members of the FRSW Fund

Dear Mr. Moore:

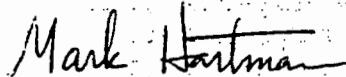
This bill would rewrite G.S. 58-86-25 to define 'eligible firemen' to include the fire marshal of each county and include these county fire marshals in the Firemen's and Rescue Squad Workers' Pension Fund. This bill would also rewrite G.S. 58-86-55 to increase the monthly retirement benefit for firemen and rescue squad workers from \$141 per month to \$146 per month for current and future retirees. This act would become effective July 1, 1998.

The increase in the retirement benefit amount will increase both the normal cost rate and the unfunded accrued liability. Because this bill does not provide retroactive credit to fire marshals, no additional accrued liability is generated by the provision to include county fire marshals in this plan. The normal cost rate per member is applied for each of one hundred potential county fire marshals.

The estimated cost of this Act for the fiscal year beginning July 1, 1998, is \$2,011,870. This estimation is based on the data contained in the most recent actuarial valuation prepared as of June 30, 1997, and amortization of the additional unfunded accrued liability over a five year period.

If you have any questions, please let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 6-3-98
Legislative Fiscal Research



**North Carolina General Assembly
Legislative Services Office**

Attachment III
George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

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Raleigh, NC 27603-5925
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Terrence D. Sullivan, Director
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Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 23, 1998

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee.

FROM: Karen Cochrane Brown, Committee Counsel *KCB*

RE: House Bill 1337 - Fire and Rescue Squad Pensions.

House Bill 1337 increases the monthly benefits paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from \$141.00 to \$146.00. In order to be eligible for the benefit, members must pay \$10.00 per month for a period of 20 years, be at least 55 years of age and have obtained at least 20 years of service. The benefit would be increased for those already retired and those who retire in the future. In addition, the bill makes an identical increase in the benefit paid to members who become totally and permanently disabled in the line of duty. These benefits were previously increased, effective July 1, 1997, from \$135.00 to \$141.00.

This bill also amends the definition of the term "eligible firemen" to include the fire marshal of each county, provided the board of county commissioners of that county certifies the fire marshal's attendance at no less than 36 hours of all drills and meetings in each calendar year.

This act would become effective July 1, 1998.



Attachment IV

yes

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1337

H1337-ALL-001

yes

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)
Page 1 of ____

Date _____, 1998

Comm. Sub. [☐
Amends Title [☐
First Edition

1 moves to amend the bill on page 2, line 24,
2 by deleting "July 1, 1997," and substituting "~~July 1, 1997,~~ July 1,
3 1998,".
4

SIGNED *Day*
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____



Attachment V

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1337

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)
Page 1 of ____

H1337-ALL-001

Date _____, 1998

Comm. Sub. ☐
Amends Title ☐
First Edition

1 moves to amend the bill on page 1, line 3,
2 by deleting the word "AND" and substituting a comma;
3
4 and on page 1, line 5,
5 by inserting before the period the following:
6 "AND TO ALLOW ADDITIONAL RETROACTIVE MEMBERSHIP IN THE FIREMEN'S AND
7 RESCUE SQUAD WORKERS' PENSION FUND";
8
9 and on page 3, line 27,
10 by rewriting that line to read:
11 "Section 3. G.S. 58-86-45(a) reads as rewritten:
12 '(a) Any fireman or rescue squad worker who is now eligible and
13 is a member of a fire department or rescue squad chartered by the
14 State of North Carolina and who has not previously elected to become
15 a member may make application through the board of trustees for
16 membership in the fund on or before March 31, 1987, 1999. The
17 person shall make a lump sum payment of ~~five dollars (\$5.00)~~ ten
18 dollars (\$10.00) per month retroactively to the time he first became
19 eligible to become a member, plus interest at an annual rate of
20 eight percent (8%), for each year of his retroactive payments. Upon
21 making the lump sum payment, the person shall be given credit for
22 all prior service in the same manner as if he had made application
23 for membership at the time he first became eligible. Any member who
24 made application for membership subsequent to the time he was first
25 eligible and did not receive credit for prior service may receive
26 credit for this prior service upon lump sum payment of ~~five dollars~~
27 ~~(\$5.00)~~ ten dollars (\$10.00) per month retroactively to the time he
28 first became eligible, plus interest at an annual rate of eight
29 percent (8%), for each year of his retroactive payments. Upon making



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1337

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H1337-ALL-001

Page 2 of ____

1 this lump sum payment, the date of membership shall be the same as
2 if he had made application for membership at the time he was first
3 eligible. Any fireman or rescue squad worker who has applied for
4 prior service under this subsection shall have until ~~October 1,~~
5 ~~1989,~~ June 30, 1999, to pay for this prior service and, if this
6 payment is not made by ~~October 1, 1989,~~ June 30, 1999, he shall not
7 receive credit for this service, except as provided in subsection
8 (a) of this section.'
9 Section 4. Section 3 of this act becomes effective October
10 1, 1998. The remainder of this act becomes effective July 1, 1998."

SIGNED *Clarence M. Hardy*
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

D

HOUSE BILL 1337

Proposed Committee Substitute H1337-PCS3147-RO001

Short Title: Fire and Rescue Squad Pensions.

(Public)

Sponsors:

Referred to:

May 20, 1998

A BILL TO BE ENTITLED

1
2 AN ACT TO INCLUDE COUNTY FIRE MARSHALS IN THE FIREMEN'S AND
3 RESCUE SQUAD WORKERS' PENSION FUND AND TO INCREASE THE
4 MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE
5 SQUAD WORKERS' PENSION FUND.

6 The General Assembly of North Carolina enacts:

7 Section 1. G.S. 58-86-25 reads as rewritten:

8 "**§ 58-86-25. 'Eligible firemen' defined; determination and certification of volunteers**
9 **meeting qualifications.**

10 'Eligible firemen' shall mean all firemen of the State of North Carolina or any
11 political subdivision thereof, including those performing such functions in the
12 protection of life and property through fire fighting within a county or city
13 governmental unit and so certified to the Commissioner of Insurance by the
14 governing body thereof, and who belong to a bona fide fire department which, as
15 determined by the Commissioner, is classified as not less than class '9' or class 'A'
16 and 'AA' departments in accordance with rating methods, schedules, classifications,
17 underwriting rules, bylaws or regulations effective or applied with respect to the
18 establishment of rates or premiums used or charged pursuant to Articles 36 or 40 of
19 this Chapter or by such other reasonable methods as the Commissioner may
20 determine, and which operates fire apparatus and equipment of the value of five
21 thousand dollars (\$5,000) or more, and said fire department holds drills and meetings
22 not less than four hours monthly and said firemen attend at least 36 hours of all drills
23 and meetings in each calendar year. 'Eligible firemen' shall also mean the fire

1 marshal of each county, provided the board of county commissioners of that county
2 certifies the fire marshal's attendance at no less than 36 hours of all drills and
3 meetings in each calendar year. 'Eligible firemen' shall also mean those persons
4 meeting the other qualifications of this section, not exceeding 25 volunteer firemen
5 plus one additional volunteer fireman per 100 population in the area served by their
6 respective departments. Each department shall annually determine and report the
7 names of those firemen meeting the eligibility qualifications to its respective
8 governing body, which upon determination of the validity and accuracy of the
9 qualification shall promptly certify the list to the board. For the purposes of the
10 preceding sentence, the governing body of a fire department operated: by a county is
11 the county board of commissioners; by a city is the city council; by a sanitary district
12 is the sanitary district board; by a corporation, whether profit or nonprofit, is the
13 corporation's board of directors; and by any other entity is that group designated by
14 the board."

15 Section 2. G.S. 58-86-55 reads as rewritten:

16 **"§ 58-86-55. Monthly pensions upon retirement.**

17 Any member who has served 20 years as an 'eligible fireman' or 'eligible rescue
18 squad worker' in the State of North Carolina, as provided in G.S. 58-86-25 and G.S.
19 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
20 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
21 ~~forty-one dollars (\$141.00)~~ one hundred forty-six dollars (\$146.00) per month. Any
22 retired fireman receiving a pension shall, effective ~~July 1, 1997,~~ July 1, 1998, receive a
23 pension of ~~one hundred forty-one dollars (\$141.00)~~ one hundred forty-six dollars
24 (\$146.00) per month.

25 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35
26 and G.S. 58-86-40 for a period of no longer than 20 years. No 'eligible rescue squad
27 member' shall receive a pension prior to July 1, 1983. No member shall be entitled to
28 a pension hereunder until the member's official duties as a fireman or rescue squad
29 worker for which the member is paid compensation shall have been terminated and
30 the member shall have retired as such according to standards or rules fixed by the
31 board of trustees.

32 A member who is totally and permanently disabled while in the discharge of the
33 member's official duties as a result of bodily injuries sustained or as a result of
34 extreme exercise or extreme activity experienced in the course and scope of those
35 official duties and who leaves the fire or rescue squad service because of this
36 disability shall be entitled to be paid from the fund a monthly benefit in an amount
37 of ~~one hundred forty-one dollars (\$141.00)~~ one hundred forty-six dollars (\$146.00)
38 per month beginning the first month after the member's fifty-fifth birthday. All
39 applications for disability are subject to the approval of the board who may appoint
40 physicians to examine and evaluate the disabled member prior to approval of the
41 application, and annually thereafter. Any disabled member shall not be required to
42 make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and
43 G.S. 58-86-40.

1 A member who is totally and permanently disabled for any cause, other than line
2 of duty, who leaves the fire or rescue squad service because of this disability and who
3 has at least 10 years of service with the pension fund, may be permitted to continue
4 making a monthly contribution of ten dollars (\$10.00) to the fund until the member
5 has made contributions for a total of 240 months. The member shall upon attaining
6 the age of 55 years be entitled to receive a pension as provided by this section. All
7 applications for disability are subject to the approval of the board who may appoint
8 physicians to examine and evaluate the disabled member prior to approval of the
9 application and annually thereafter.

10 A member who, because his residence is annexed by a city under Part 2 or Part 3
11 of Article 4 of Chapter 160A of the General Statutes, or whose department is closed
12 because of an annexation by a city under Part 2 or Part 3 of Article 4 of Chapter
13 160A of the General Statutes, and because of such annexation is unable to perform as
14 a fireman of any status, and if the member has at least 10 years of service with the
15 pension fund, may be permitted to continue making a monthly contribution of ten
16 dollars (\$10.00) to the fund until the member has made contributions for a total of
17 240 months. The member upon attaining the age of 55 years and completion of such
18 contributions shall be entitled to receive a pension as provided by this section. Any
19 application to make monthly contributions under this section shall be subject to a
20 finding of eligibility by the Board of Trustees upon application of the member.

21 The pensions provided shall be in addition to all other pensions or benefits under
22 any other statutes of the State of North Carolina or the United States,
23 notwithstanding any exclusionary provisions of other pensions or retirement systems
24 provided by law."

25 Section 3. This act becomes effective July 1, 1998.

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 1522 A BILL TO BE ENTITLED AN ACT TO ALLOW MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE SERVICE RENDERED AS A PART-TIME TEACHER OR STATE EMPLOYEE AND TO ALLOW MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE SERVICE RENDERED AS A LOCAL GOVERNMENTAL EMPLOYEE.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H.

1

HOUSE BILL 1522

Short Title: Local/State Purchase of Service.

(Public)

Sponsors: Representative Miner.

Referred to: Pensions & Retirement, if favorable, Appropriations.

May 27, 1998

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW MEMBERS OF THE LOCAL GOVERNMENTAL
3 EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE SERVICE
4 RENDERED AS A PART-TIME TEACHER OR STATE EMPLOYEE AND TO
5 ALLOW MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES'
6 RETIREMENT SYSTEM TO PURCHASE SERVICE RENDERED AS A
7 LOCAL GOVERNMENTAL EMPLOYEE.
8 The General Assembly of North Carolina enacts:
9 Section 1. G.S. 128-26(p)(1) reads as rewritten:
10 "(1) Notwithstanding any other provision of this Chapter, upon
11 completion of five years of membership service, any member may
12 purchase service previously rendered as a part-time employee of a
13 participating employer as defined in G.S. 128-21(11), G.S. 128-
14 21(11) or G.S. 135-1(11), except for temporary or part-time service
15 rendered while a full-time student in pursuit of a degree or
16 diploma in a degree-granting program. Payment shall be made in a
17 single lump sum in an amount equal to the full actuarial cost of
18 providing credit for the service, together with interest and an
19 administrative fee, as determined by the Board of Trustees on the
20 advice of the Retirement System's actuary. Notwithstanding the
21 provisions of G.S. 128-26(b), the Board of Trustees shall fix and
22 determine by appropriate rules and regulations how much service
23 in any year, as based on compensation, is equivalent to one year of
24 service in proportion to "earnable compensation", but in no case

shall more than one year of service be creditable for all service in one year. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance."

Section 2. G.S. 128-26(r) reads as rewritten:

"(r) Credit at Full Cost for Temporary ~~Local~~ Government Employment. -- Notwithstanding any other provisions of this Chapter, any member may purchase creditable service for ~~local~~ government employment when classified as a temporary employee subject to the conditions that:

- (1) The member was employed by an employer as defined in ~~G.S. 128-21(11)~~; G.S. 128-21(11) or G.S. 135-1(11);
- (2) The member's temporary employment met all other requirements of ~~G.S. 128-21(10)~~; G.S. 128-21(10), or G.S. 135-1(10) or (25);
- (3) The member has completed five years or more of membership service;
- (4) The member acquires from the employer such certifications of temporary employment as are required by the Board of Trustees; and
- (5) The member makes a lump sum payment into the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the retirement system's liabilities, and the calculation of the amount payable shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the actuary, plus an administrative fee to be determined by the Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance."

Section 3. G.S. 135-4(p1)(1) reads as rewritten:

- "(1) Notwithstanding any other provision of this Chapter, upon completion of five years of membership service, any member may purchase service previously rendered as a part-time teacher or employee of ~~the State~~, an employer as defined in G.S. 135-1(11) or G.S. 128-21(11), except for temporary or part-time service rendered while a full-time student in pursuit of a degree or

1 diploma in a degree-granting program. Payment shall be made in a
2 single lump sum in an amount equal to the full actuarial cost of
3 providing credit for the service, together with interest and an
4 administrative fee, as determined by the Board of Trustees on the
5 advice of the Retirement System's actuary. Notwithstanding the
6 provisions of G.S. 135-4(b), the Board of Trustees shall fix and
7 determine by appropriate rules and regulations how much service
8 in any year, as based on compensation, is equivalent to one year of
9 service in proportion to "earnable compensation", but in no case
10 shall more than one year of service be creditable for all service in
11 one year. Service rendered for the regular school year in any
12 district shall be equivalent to one year's service. Notwithstanding
13 the foregoing provisions of this subdivision that provide for the
14 purchase of service credits, the terms "full cost", "full liability",
15 and "full actuarial cost" include assumed annual post-retirement
16 allowance increases, as determined by the Board of Trustees, from
17 the earliest age at which a member could retire on an unreduced
18 service allowance."

19 Section 4. G.S. 135-4(s) reads as rewritten:

20 "(s) Credit at Full Cost for Temporary ~~State~~ Employment. -- In addition to the
21 provisions of subsection (p) above, any member may purchase creditable service for
22 State employment when classified as a temporary teacher or employee subject to the
23 conditions that the:

- 24 (1) Member was employed by an employer as defined in ~~G.S.~~
25 ~~135-1(11)~~; G.S. 135-1(11) or G.S. 128-21(11);
- 26 (2) Member's temporary employment met all other requirements of
27 G.S. 135-1(10) or (25); or (25), or G.S. 128-21(10);
- 28 (3) Member has completed five years or more of membership service;
- 29 (4) Member acquires from the employer such certifications of
30 temporary employment as are required by the Board of Trustees;
31 and
- 32 (5) Member makes a lump sum payment into the Annuity Savings
33 Fund equal to the full liability of the service credits calculated on
34 the basis of the assumptions used for purposes of the actuarial
35 valuation of the Retirement System's liabilities and shall take into
36 account the retirement allowance arising on account of the
37 additional service credit commencing at the earliest age at which
38 the member could retire on an unreduced retirement allowance, as
39 determined by the Board of Trustees upon the advice of the
40 actuary, plus an administrative expense fee to be determined by
41 the Board of Trustees. Notwithstanding the foregoing provisions of
42 this subdivision that provide for the purchase of service credits, the
43 terms "full cost", "full liability", and "full actuarial cost" include
44 assumed annual post-retirement allowance increases, as determined

1 by the Board of Trustees, from the earliest age at which a member
2 could retire on an unreduced service allowance.

3 The provisions of this subsection shall also apply to the purchase of creditable service
4 for State employment when classified as a permanent hourly employee in accordance
5 with G.S. 126-5(c4)."

6 Section 5. This act becomes effective July 1, 1998.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 8, 1998

MEMORANDUM

TO: Representative David Miner

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1522

Re: Allows members of the Local Governmental Employees' Retirement System to purchase part-time or temporary service to a State employer and allows members of the Teachers' and State Employees' Retirement System to purchase service to a local governmental employer. The members pay the "full actuarial cost" for any service purchase.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, June 4, 1998
- (3) Actuarial Note, Hartman & Associates, June 4, 1998

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1522

SHORT TITLE: Local/State Purchase of Service

SPONSOR(S): Representative Miner

SYSTEM OR PROGRAM AFFECTED: Teacher's & State Employees' Retirement System and Local Governmental Employees' Retirement System

BILL SUMMARY: Allows members of the Teachers' and State Employees' Retirement System to purchase part-time or temporary service rendered to a local governmental employer and allows a member of the Local Governmental Employees' Retirement System to purchase part-time or temporary service rendered to a State employer. The members would be paying the "full actuarial cost" for any service purchases.

EFFECTIVE DATE: July 1, 1998

ESTIMATED IMPACT: Since the members would be paying the "full actuarial cost" for any service purchases, there would be no cost to the State or local governments.

ASSUMPTIONS AND METHODOLOGY:

Teacher's & State Employees' Retirement System: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 263,920 active members with an annual payroll of \$6.845 billion and 88,605 retired members in receipt of annual pensions totaling \$1.096 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Local Governmental Employees' Retirement System: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 104,454 active members with an annual payroll of \$2.594 billion and 24,028 retired members in receipt of annual pensions totaling \$227.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service

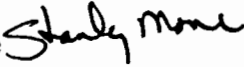
based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
 General Assembly Actuary - Hartman & Associates

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore



APPROVED BY: Tom Covington

DATE: June 8, 1998

June 2, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

House Bill 1522

Dear Mr. Pruitt:

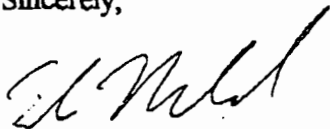
We have received your letter of May 28 regarding House Bill 1522 which affects the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.

This legislation appears to permit a member of the Local Governmental Employees' Retirement System, who has had previous temporary or part-time employment with the State, to purchase that time for retirement purposes at full actuarial cost; and, allow a member of the Teachers' and State Employees' Retirement System, who has had previous temporary or part-time employment with a local government, to purchase that time for retirement purposes at full actuarial cost.

Inasmuch as the only additional service purchases allowed by this legislation require payment of the full actuarial liability by members, no additional liability would accrue against the Retirement Systems and employers.

If you have any questions, please do not hesitate to contact us.

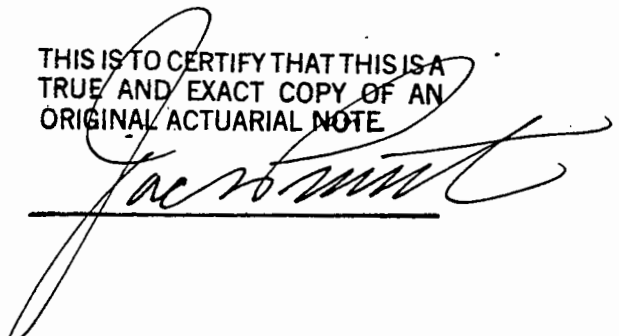
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

DMO:jg
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JC 387 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

June 4, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 1522: An Act to Allow Members of the LGERS to Purchase Service Rendered as a Part-Time Teacher or State Employee and to Allow Members of the TSERS to Purchase Service Rendered as a Local Governmental Employee

Dear Mr. Moore:

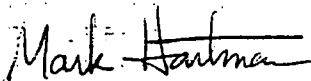
This legislation amends G.S. 128-26 and G.S. 135-4 to allow certain employees to purchase prior temporary or part-time service. The amendments to G.S. 128-26 would allow local government employees to purchase creditable service for employment as a temporary or part-time employee with a state employer as defined in G.S. 135-1(11). The amendments to G.S. 135-4 would allow a state employee to purchase creditable service for employment as a temporary or part-time employee with a local government employer as defined in G.S. 128-21(11). This act would become effective July 1, 1998.

The employee will be allowed to purchase this service at the full actuarial cost of providing credit for such service, plus an administrative fee determined by the Board of Trustees. The payment must be made in a lump sum into the Annuity Savings Fund for the system of which the employee is currently a member.

Based on the above methodology, there is expected to be no additional cost to either the Local Government Employees' Retirement System or the Teachers' and State Employees' Retirement System.

If you have any questions, please let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 6-8-98
Legislative Fiscal Research



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

Attachment VI

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 23, 1998

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee.

FROM: Karen Cochrane Brown, Committee Counsel. *KCB*

RE: House Bill 1522 - Local/ State Purchase of Service.

House Bill 1522 amends provisions in the laws governing the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System to allow members of each System to purchase service rendered as a part-time employee in either System.

Currently, local government employees can purchase part-time service to a local governmental employer and a teacher or state employee can purchase part-time service to an employer as defined in the State System, but an employee in either system may not purchase service rendered to an employer in the other system.

This bill would amend the law to add service to employers in the State System to the law relating to the Local System and a similar provision adding service to employers in the local system to the law governing the State System.

This act would become effective July 1, 1998.

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 1538 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE TOWN OF SHARPSBURG TO PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM WITHOUT PROVIDING PRIOR SERVICE CREDITS TO ITS EMPLOYEES.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #); (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1538

Short Title: Sharpsburg Retirement System.

(Local)

Sponsors: Representatives Arnold; and Tolson.

Referred to: Local and Regional Government I, if favorable, Pensions and Retirement.

May 27, 1998

- 1 A BILL TO BE ENTITLED
2 AN ACT TO AUTHORIZE THE TOWN OF SHARPSBURG TO PARTICIPATE
3 IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
4 WITHOUT PROVIDING PRIOR SERVICE CREDITS TO ITS EMPLOYEES.
5 The General Assembly of North Carolina enacts:
6 Section 1. Notwithstanding any other provision of law, if the Town of
7 Sharpsburg becomes a member of the Local Governmental Employees' Retirement
8 System, the town council may elect to provide no prior service credit in the
9 Retirement System for employees employed prior to the date that the town becomes
10 a participating employer in the Retirement System, and no prior service credit will be
11 given for employees of the town for service provided to the town prior to its
12 participation in the Retirement System, nor shall the town be required to pay for any
13 prior service credits for its employees.
14 Section 2. This act applies only to the Town of Sharpsburg.
15 Section 3. This act is effective when it becomes law.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

George W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

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Suite 401, LOB
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Raleigh, NC 27603-5925
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Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 8, 1998

MEMORANDUM

TO: Representative Gene Arnold

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1538

**Re: Authorizes the Town of Sharpsburg to participate in the
Local Governmental Employees' Retirement System without
granting prior service credits to its employees.**

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, June 4, 1998
- (3) Actuarial Note. Hartman & Associates, June 4, 1998

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1538

SHORT TITLE: Sharpsburg Retirement System

SPONSOR(S): Representative Gene Arnold

SYSTEM AFFECTED: Local Governmental Employees' Retirement System.

FUNDS AFFECTED: Funds of City of Sharpsburg

BILL SUMMARY: Authorizes the Town of Sharpsburg to participate in the Local Governmental Employees' Retirement System without granting prior service credits to its employees.

EFFECTIVE DATE: When it becomes law.

ESTIMATED IMPACT: Both actuaries agree that the Town of Sharpsburg will be required to pay the normal retirement cost of 4.80% of payroll but since they will not grant prior service credits to the employees, there will be no accrued liability contributions. There will be no cost to the Local Governmental Employees Retirement System.

ASSUMPTIONS AND METHODOLOGY:

Local Governmental Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 104,454 active members with an annual payroll of \$2.594 billion and 24,028 retired members in receipt of annual pensions totaling \$227.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives

(919) 733-4910

PREPARED BY: Stanley Moore *Stanley Moore*

APPROVED BY: Tom Covington

DATE: June 8, 1998

June 4, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

House Bill 1538

Dear Mr. Pruitt:

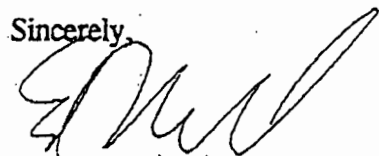
We have received your letter of May 28 regarding House Bill 1538 which affects the Local Governmental Employees' Retirement System.

This legislation appears to exempt the Town of Sharpsburg from the requirement of North Carolina General Statute 128-26(a) which requires a new participating employer to grant credit for prior service with that employer.

There would be no cost to the Retirement System on account of this legislation.

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

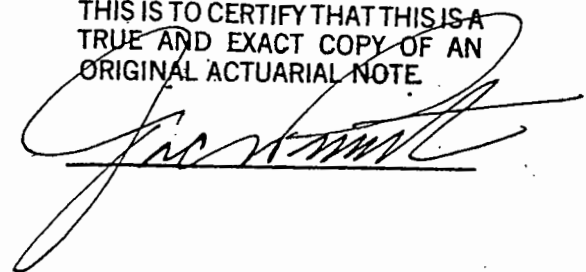
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq
H:\HOME\ACT\LOCAL\1998\CORRU\HB1538.DOC
JC 751 EC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

June 4, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 1538: An Act to Authorize the Town of Sharpsburg
to Participate in the LGERS Without Providing Prior Service
Credits to its Employees

Dear Mr. Moore:

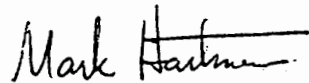
This bill authorizes the Town of Sharpsburg to participate in the Local Governmental Employees Retirement System without providing prior service credits to its employees. Under this option, no service will be credited in the LGERS for employment prior to the date the town becomes a participating employer in the LGERS. This act is effective when it becomes law.

Upon becoming a participating unit in the LGERS, the Town of Sharpsburg would begin paying the plan's normal cost rate as a percentage of its covered payroll. If no prior service credits are granted, no accrued liability would be generated for the town and no accrued liability contribution would be payable.

This act is expected to produce no additional cost to the LGERS.

If you have any questions, please let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 6-8-98
Legislative Fiscal Research



**North Carolina General Assembly
Legislative Services Office**

Attachment DT1

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Tony C. Goldman, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 23, 1998

MEMORANDUM

To: Representative Bobby H. Barbee, Chairman
House Pensions and Retirement Committee

From: Theresa Matula, Legislative Personnel Analyst 
Research Division

Re: House Bill 1538 Sharpsburg Retirement System

House Bill 1538 authorizes the Town of Sharpsburg to become a member of the Local Governmental Employees' Retirement System.

The town council may elect to provide

- no prior service credit in the Retirement System for employees employed prior to the date the town becomes a participating employer in the Retirement System, and
- no prior service credit will be given for employees of the town for service provided to the town prior to its participation,
- nor shall the town be required to pay for any prior service credits for its employees.

This act applies only to the Town of Sharpsburg.

This act would become effective when it becomes law.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

July 1, 1998

Room 415

12:00 Noon

AGENDA

1. OPENING REMARKS

Representative Barbee, Chairman

2. BILLS TO BE CONSIDERED

~~House Bill 1396 Winston-Salem Firemen's Retirement~~
~~Sponsor: Representative Gray~~ *postpone*

House Bill 1739 Retirement/Charter Schools
Sponsor: Representative Daughtry

House Bill 1669 Improve Disability Income Plan
Sponsor: Representative Russell

3. ADJOURNMENT

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
July 1, 1998

The House Committee on Pensions and Retirement met in Room 415 of the Legislative Office Building on July 1, 1998 at 12:00 noon. Representative Barbee, Chairman, called the meeting to order, welcomed guests (Visitors Registration Sheet attached (1)), and introduced Sergeant-at-Arms staff member, John Aman, who assisted with the meeting. Brandon Mosley of Wake County, a page assigned to the committee, was introduced. Representatives present were: McCombs, Beall, Brawley, Carpenter, Goodwin, Grady, Gray, Hardy, Justus, McCrary, Oldham, Preston, Ramsey, G. Wilson, Yongue, Daughtry, Howard, and Wood.

Representative Barbee recognized Representative Leo Daughtry to explain his House Bill 1739, an act to allow charter schools to elect to participate in the North Carolina Teachers' and State Employees' Retirement System, in the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan, or both, to give charter schools the same motor fuel tax exemption as public schools, to allow charter schools to obtain the same permanent license plates as public schools, to make changes in the charter school law, to permit a local board of education to apply for charter status for one or more of its public schools, and to require rules governing charter schools to be subject to review.

He called on Robin Johnson of the Research Division to offer a technical amendment. (Attachment II). She advised that the amendment does two things: (1) adds the word, whether, to make it clear that the charter schools have to elect whether they are going to purchase a pay-in either or both the retirement and health systems. (2) Deletes lines 11 through 18 on Page 12 of the bill. This section was included in another place within the bill. Representative Preston moved for the adoption of the amendment. The vote was unanimous in favor of the amendment. There was much discussion concerning individuals being able to elect to participate and the many effects of the bill on present and future charter schools.

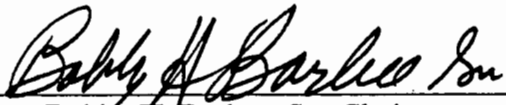
Representative Steve Wood submitted an amendment (Attachment III) for consideration. Robin Johnson was recognized to explained it. Representative Wood moved for the adoption of the amendment. The vote was unanimous in favor of the amendment. Representative Justus made motion that the two amendments be rolled into a committee substitute and be re-referred to the Committee on Finance. Robin Johnson distributed a Section-by-Section Summary: H1739-2nd Edition (Attachment IV).

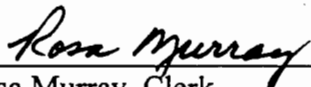
Representative Carolyn Russell was called on to explain House Bill 1669, an Act to amend the law governing the disability income plan of North Carolina to require that the determination of disability be made by the plan's medical board and to make certain other changes. She said there was no uniformity in the entire system. Copy of letter dated June 23, 1998 from Harlan E.

Boyles, State Treasurer, was distributed. (Attachment V). A letter dated May 27, 1998 from Secretary Richard H. Moore, Crime Control and Public Safety, was also distributed. (Attachment VI) Karen Cochrane-Brown was called on for additional information concerning this bill. She distributed memorandum covering House Bill 1669 (Attachment VII) and answered questions from members. Jack Pruitt and Marshall Barnes of the Retirement Systems Division spoke for the bill.

Representative McCombs made motion for a favorable report. The vote was unanimous for the bill, with recommendation that it be re-referred to the Committee on Appropriations.

The meeting was adjourned at 12:45 P.M.


Rep. Bobby H. Barbee, Sr., Chairman


Rosa Murray, Clerk

attachment 1

July 1, 1998
Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

[illegible]

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☒ Committee Substitute for

H.B. 1739 A BILL TO BE ENTITLED AN ACT TO ALLOW CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, IN THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN, OR BOTH, TO GIVE CHARTER SCHOOLS THE SAME MOTOR FUEL TAX EXEMPTION AS PUBLIC SCHOOLS, TO ALLOW CHARTER SCHOOLS TO OBTAIN THE SAME PERMANENT LICENSE PLATES AS PUBLIC SCHOOLS, TO MAKE CHANGES IN THE CHARTER SCHOOL LAW, TO PERMIT A LOCAL BOARD OF EDUCATION TO APPLY FOR CHARTER STATUS FOR ONE OR MORE OF ITS PUBLIC SCHOOLS, AND TO REQUIRE RULES GOVERNING CHARTER SCHOOLS TO BE SUBJECT TO REVIEW.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☒ With a favorable report as to committee substitute bill (# 2), ☐ which changes the title, unfavorable as to ~~original bill~~ (Committee Substitute Bill # 1), (and recommendation that the committee substitute bill # 2) be re-referred to the Committee on FINANCE

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

2

HOUSE BILL 1739*
Committee Substitute Favorable 6/24/98

Short Title: Retirement/Charter Schs.

(Public)

Sponsors:

Referred to:

June 1, 1998

- 1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN
3 THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES'
4 RETIREMENT SYSTEM, IN THE NORTH CAROLINA TEACHERS' AND
5 STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN, OR
6 BOTH, TO GIVE CHARTER SCHOOLS THE SAME MOTOR FUEL TAX
7 EXEMPTION AS PUBLIC SCHOOLS, TO ALLOW CHARTER SCHOOLS TO
8 OBTAIN THE SAME PERMANENT LICENSE PLATES AS PUBLIC
9 SCHOOLS, TO MAKE CHANGES IN THE CHARTER SCHOOL LAW, TO
10 PERMIT A LOCAL BOARD OF EDUCATION TO APPLY FOR CHARTER
11 STATUS FOR ONE OR MORE OF ITS PUBLIC SCHOOLS, AND TO
12 REQUIRE RULES GOVERNING CHARTER SCHOOLS TO BE SUBJECT TO
13 REVIEW.
14 The General Assembly of North Carolina enacts:
15 Section 1. G.S. 115C-238.29F(e) reads as rewritten:
16 "(e) Employees. --
17 (1) An employee of a charter school operated by a private nonprofit
18 corporation is not an employee of the local school administrative
19 unit in which the charter school is located. An employee of a
20 charter school operated by a local school administrative unit is an
21 employee of the local school administrative unit in which the
22 charter school is located. The charter school's board of directors
23 shall employ and contract with necessary teachers to perform the

particular service for which they are employed in the school; at least seventy-five percent (75%) of these teachers in grades kindergarten through five, at least fifty percent (50%) of these teachers in grades six through eight, and at least fifty percent (50%) of these teachers in grades nine through 12 shall hold teacher certificates. The board also may employ necessary employees who are not required to hold teacher certificates to perform duties other than teaching and may contract for other services. The board may discharge teachers and noncertificated employees.

(2) No local board of education shall require any employee of the local school administrative unit to be employed in a charter school.

(3) If a teacher employed by a local school administrative unit makes a written request for an extended leave of absence to teach at a charter school, school operated by a private nonprofit corporation, the local school administrative unit shall grant the leave. The local school administrative unit shall grant a leave for any number of years requested by the teacher, shall extend the leave for any number of years requested by the teacher, and shall extend the leave at the teacher's request. For the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave or extension of leave be made up to 45 days before the teacher would otherwise have to report for duty. For subsequent years, the local school administrative unit may require that the request for a leave or extension of leave be made up to 90 days before the teacher would otherwise have to report for duty. A teacher who has career status under G.S. 115C-325 prior to receiving an extended leave of absence to teach at a charter school may return to a public school in the local school administrative unit with career status at the end of the leave of absence or upon the end of employment at the charter school if an appropriate position is available. If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers and that teacher shall have priority on all positions for which that teacher is qualified in accordance with G.S. 115C-325(e)(2).

(4) The employees of the charter school operated by a private nonprofit corporation shall be deemed employees of the local school administrative unit for purposes of providing certain State-funded employee benefits, including membership in the Teachers' and State Employees' Retirement System and the Teachers' and State Employees' Comprehensive Major Medical Plan. The State Board of Education provides funds to charter schools, schools operated by private nonprofit corporations, approves the original

1 members of the boards of directors of the charter schools, has the
2 authority to grant, supervise, and revoke charters, and demands
3 full accountability from charter schools for school finances and
4 student performance. Accordingly, it is the determination of the
5 General Assembly that charter schools operated by private
6 nonprofit corporations are public schools and that the employees
7 of these charter schools are public school employees and are
8 "teachers" for purposes of membership in the North Carolina
9 Teachers' and State Employees' Retirement System and State
10 Employees' Comprehensive Major Medical Plan. employees.
11 Employees of a charter school operated by a private nonprofit
12 corporation whose board of directors elects to join under G.S. 138-
13 5.3 are 'teachers' for the purpose of membership in the North
14 Carolina Teachers' and State Employees' Retirement System.
15 Employees of a charter school operated by a private nonprofit
16 corporation whose board of directors elects to join under G.S. 135-
17 40.3A are 'teachers' for the purpose of membership in the North
18 Carolina Teachers' and State Employees' Comprehensive Major
19 Medical Plan. In no event shall anything contained in this Part
20 require the North Carolina Teachers' and State Employees'
21 Retirement System to accept employees of a private employer as
22 members or participants of the System."

23 Section 2. Article 1 of Chapter 135 of the General Statutes is amended
24 by adding the following new section:

25 "§ 135-5.3. Optional participation for charter schools operated by private nonprofit
26 corporations.

27 (a) The board of directors of each charter school operated by a private nonprofit
28 corporation shall elect to join the Retirement System in accordance with the laws
29 applicable to that System. This election shall be in writing, shall be made no later
30 than September 1, 1998, and shall be filed with the Retirement System and with the
31 State Board of Education. This election is effective as of the date the board makes
32 the election for each charter school employee who is employed on or before the date
33 the board makes the election. The election is effective as of the date of entry into
34 eligible service for each charter school employee who is employed after the date the
35 board makes the election. This subsection applies only to charter schools that
36 received State Board of Education approval under G.S. 115C-238.29D in 1997 or
37 1998.

38 (b) No later than 30 days after both parties have signed the written charter under
39 G.S. 115C-238.29E, the board of directors of a charter school shall elect to join the
40 Retirement System in accordance with the laws applicable to that System. This
41 election shall be in writing and filed with the Retirement System and with the State
42 Board of Education and is effective for each charter school employee as of the date
43 of entry into eligible service. This subsection applies to charter schools that receive
44 State Board of Education approval under G.S. 115C-238.29D after 1998.

1 (c) A board's election to join the Retirement System under this section is
2 irrevocable and shall require all employees of the charter school to participate.

3 (d) No retirement benefit, death benefit, or other benefit under the Retirement
4 System shall be paid by the State of North Carolina or the Board of Trustees of the
5 Teachers' and State Employees' Retirement System with respect to any employee of a
6 charter school whose board of directors does not elect to join the Retirement System
7 under this section or with respect to any beneficiary of that employee.

8 (e) The board of directors of each charter school shall notify each of its employees
9 as to whether the board elected to join the Retirement System under this section.
10 This notification shall be in writing and shall be provided within 30 days of the
11 board's election or at the time an initial offer for employment is made, whichever
12 occurs last. If the board did not elect to join the Retirement System, the notice shall
13 include a statement that the employee shall have no legal recourse against the board
14 or the State for any possible credit or reimbursement under the Retirement System.
15 The employee shall provide written acknowledgment of the employee's receipt of the
16 notification under this subsection."

17 Section 3. G.S. 135-4 is amended by adding the following new subsection
18 to read:

19 "(bb) Credit for Employment in Charter School Operated by a Private Nonprofit
20 Corporation. -- Any member may purchase creditable service for any employment as
21 an employee of a charter school operated by a private nonprofit corporation whose
22 board of directors did not elect to participate in the Retirement System under G.S.
23 135-5.3 upon completion of five years of membership service after that charter school
24 employment by making a lump-sum payment into the Annuity Savings Fund. The
25 payment by the member shall be equal to the full liability of the service credits
26 calculated on the basis of the assumptions used for purposes of the actuarial valuation
27 of the Retirement System's liabilities, taking into account the additional retirement
28 allowance arising on account of the additional service credits commencing at the
29 earliest age at which the member could retire with an unreduced retirement
30 allowance, as determined by the Board of Trustees upon the advice of the actuary
31 plus an administrative expense fee to be determined by the Board of Trustees.
32 Notwithstanding the foregoing provisions of this subsection that provide for the
33 purchase of service credits, the terms 'full cost', 'full liability', and 'full actuarial cost'
34 include assumed annual postretirement allowance increases, as determined by the
35 Board of Trustees, from the earliest age at which a member could retire on an
36 unreduced service allowance."

37 Section 4. G.S. 135-40.1(6) reads as rewritten:

38 "(6) Employing Unit. -- A North Carolina School System; Community
39 College; State Department, Agency or Institution; Administrative
40 Office of the Courts; or Association or Examining Board whose
41 employees are eligible for membership in a State-Supported
42 Retirement System. An employing unit also shall mean a charter
43 school operated by a private nonprofit corporation in accordance
44 with Part 6A of Chapter 115C of the General Statutes whose

1 ~~employees are deemed to be public employees and members of a~~
2 ~~State-Supported Retirement System, whose board of directors~~
3 ~~elects to join the Plan under G.S. 135-40.3A."~~

4 Section 5. Part 3 of Article 3 of Chapter 135 is amended by adding the
5 following new section:

6 "§ 135-40.3A. Optional participation for charter schools operated by private
7 nonprofit corporations.

8 (a) The board of directors of each charter school operated by a private nonprofit
9 corporation shall elect to join the Plan in accordance with the laws applicable to that
10 Plan. This election shall be in writing, shall be made no later than September 1, 1998,
11 and shall be filed with the Executive Administrator and Board of Trustees and with
12 the State Board of Education. This election is effective as of the date the board
13 makes the election for each charter school employee who is employed on or before
14 the date the board makes the election. The election is effective as of the date of
15 entry into eligible service for each charter school employee who is employed after the
16 date the board makes the election. This subsection applies only to charter schools
17 that received State Board of Education approval under G.S. 115C-238.29D in 1997 or
18 1998.

19 (b) No later than 30 days after both parties have signed the written charter under
20 G.S. 115C-238.29E, the board of directors of a charter school shall elect to join the
21 Plan in accordance with the laws applicable to that Plan. This election shall be in
22 writing and filed with the Executive Administrator and Board of Trustees and with
23 the State Board of Education and is effective for each charter school employee as of
24 the date of entry into eligible service. This subsection applies to charter schools that
25 receive State Board of Education approval under G.S. 115C-238.29D after 1998.

26 (c) A board's election to join the Plan under this section is irrevocable and shall
27 require all employees of the charter school to participate.

28 (d) If a charter school's board of directors does not elect to join the Plan under
29 this section, that school's employees and the dependents of those employees are not
30 eligible for any benefits under the Plan.

31 (e) The board of directors of each charter school shall notify each of its employees
32 as to whether the board elected to join the Plan under this section. This notification
33 shall be in writing and shall be provided within 30 days of the board's election or at
34 the time an initial offer for employment is made, whichever occurs last. If the board
35 did not elect to join the Plan, the notice shall include a statement that the employee
36 shall have no legal recourse against the board or the State for any possible benefit
37 under the Plan. The employee shall provide written acknowledgment of the
38 employee's receipt of the notification under this subsection."

39 Section 6. G.S. 105-228.90(b) reads as rewritten:

40 "(b) Definitions. -- The following definitions apply in this Article:

41 (1) Reserved.

42 (2) Charter school board. -- A nonprofit corporation that has a charter
43 under G.S. 115D-238.29D to operate a charter school.

- 1 ~~(1)~~(3) City. -- A city as defined by G.S. 160A-1(2). The term also
2 includes an urban service district defined by the governing board
3 of a consolidated city-county, as defined by G.S. 160B-2(1).
4 ~~(1a)~~(4) Code. -- The Internal Revenue Code as enacted as of January 1,
5 1997, including any provisions enacted as of that date which
6 become effective either before or after that date.
7 ~~(1b)~~(5) County. -- Any one of the counties listed in G.S. 153A-10. The
8 term also includes a consolidated city-county as defined by G.S.
9 160B-2(1).
10 ~~(2)~~(6) Reserved.
11 ~~(3)~~(7) Electronic Funds Transfer. -- A transfer of funds initiated by using
12 an electronic terminal, a telephone, a computer, or magnetic tape
13 to instruct or authorize a financial institution or its agent to credit
14 or debit an account.
15 ~~(4)~~(8) Reserved.
16 ~~(5)~~(9) Person. -- An individual, a fiduciary, a firm, an association, a
17 partnership, a limited liability company, a corporation, a unit of
18 government, or another group acting as a unit. The term includes
19 an officer or employee of a corporation, a member, a manager, or
20 an employee of a limited liability company, and a member or
21 employee of a partnership who, as officer, employee, member, or
22 manager, is under a duty to perform an act in meeting the
23 requirements of Subchapter I, V, or VIII of this Chapter or of
24 Article 3 of Chapter 119 of the General Statutes.
25 ~~(6)~~(10) Secretary. -- The Secretary of Revenue.
26 ~~(7)~~(11) Tax. -- A tax levied under Subchapter I, V, or VIII of this Chapter
27 or an inspection tax levied under Article 3 of Chapter 119 of the
28 General Statutes. Unless the context clearly requires otherwise, the
29 terms "tax" and "additional tax" include penalties and interest as
30 well as the principal amount.
31 ~~(8)~~(12) Taxpayer. -- A person subject to the tax or reporting requirements
32 of Subchapter I, V, or VIII of this Chapter or of Article 3 of
33 Chapter 119 of the General Statutes."

34 Section 7. G.S. 105-449.88 reads as rewritten:

35 **"§ 105-449.88. Exemptions from the excise tax.**

36 The excise tax on motor fuel does not apply to the following:

- 37 (1) Motor fuel removed, by transport truck or another means of
38 transfer outside the terminal transfer system, from a terminal for
39 export, if the supplier of the motor fuel collects tax on it at the rate
40 of the motor fuel's destination state.
41 (2) Motor fuel sold to the federal government.
42 (3) Motor fuel sold to the State for its use.
43 (4) Motor fuel sold to a local board of education for use in the public
44 school system.

1 (5) Motor fuel sold to a charter school board for use for charter school
2 purposes."

3 Section 8. G.S. 20-84 reads as rewritten:

4 **"§ 20-84. Vehicles owned by State, municipalities or orphanages, etc.; certain vehicles**
5 **operated by the local chapters of American National Red Cross.**

6 The Division upon proper proof being filed with it that any motor vehicle for
7 which registration is herein required is owned by the State or any department
8 thereof, or by any county, township, city or town, or by any board of education, or by
9 any nonprofit corporation that has a charter under G.S. 115C-238.29D to operate a
10 charter school, or by any orphanage or civil air patrol, or incorporated emergency
11 rescue squad, or incorporated REACT ("Radio Emergency Association of Citizen
12 Teams") Team, or for any motor vehicle involved exclusively in the support of a
13 disaster relief effort, shall collect six dollars (\$6.00) for the registration of such motor
14 vehicles, but shall not collect any fee for application for certificate of title in the
15 name of the State or any department thereof, or by any county, township, city or
16 town, or by any board of education or orphanage: Provided, that the term "owned"
17 shall be construed to mean that such motor vehicle is the actual property of the State
18 or some department thereof or of the county, township, city or town, or of the board
19 of education, and no motor vehicle which is the property of any officer or employee
20 of any department named herein shall be construed as being "owned" by such
21 department. Provided, that the above exemptions from registration fees shall also
22 apply to any church-owned bus used exclusively for transporting children and parents
23 to Sunday school and church services and for no other purpose.

24 In lieu of the annual six dollars (\$6.00) registration provided for in this section, the
25 Division may for the license year 1950 and thereafter provide for a permanent
26 registration of the vehicles described in this section and issue permanent registration
27 plates for such vehicles. The permanent registration plates issued pursuant to this
28 paragraph shall be of a distinctive color and shall bear thereon the word
29 "permanent." Such plates may be transferred as provided in G.S. 20-78 to a
30 replacement vehicle of the same classification. For the permanent registration and
31 issuance of permanent registration plates provided for in this paragraph, the Division
32 shall collect a fee of six dollars (\$6.00) for each vehicle so registered and licensed.

33 The provisions of this section are hereby made applicable to vehicles owned by a
34 rural fire department, agency or association.

35 The Division of Motor Vehicles shall issue to the North Carolina Tuberculosis
36 Association, Incorporated, or any local chapter or association of said corporation, for
37 a fee of six dollars (\$6.00) for each plate a permanent registration plate which need
38 not be thereafter renewed for each motor vehicle in the form of a mobile X-ray unit
39 which is owned by said North Carolina Tuberculosis Association, Incorporated, or
40 any local chapter or local association thereof and operated exclusively in this State
41 for the purpose of diagnosis, treatment and discovery of tuberculosis. The initial six
42 dollars (\$6.00) fee required by this section and for this purpose shall be in full
43 payment of the permanent registration plates issued for such vehicle operated as a
44 mobile X-ray unit, and such plates need not thereafter be renewed, and such plates

1 may be transferred as provided in G.S. 20-78 to replacement vehicles to be used for
2 the purposes above described and for which the plates were originally issued.

3 The Division of Motor Vehicles shall issue to the American National Red Cross,
4 upon application of any local chapter thereof and payment of a fee of six dollars
5 (\$6.00) for each plate, a permanent registration plate, which need not be thereafter
6 renewed, for all disaster vans, bloodmobiles, handivans, and such sedans and station
7 wagons as are used for emergency or disaster work, and operated by a local chapter
8 in this State in the business of the American National Red Cross. Such plates may be
9 transferred as provided in G.S. 20-78 to a replacement vehicle to be used for the
10 purposes above described and for which the plates were originally issued. In the
11 event of transfer of ownership to any other person, firm or corporation, or transfer or
12 reassignment of any vehicle bearing such registration plate to any chapter or
13 association of the American National Red Cross in any other state, territory or
14 country, the registration plate assigned to such vehicle shall be surrendered to the
15 Division of Motor Vehicles.

16 In lieu of all other registration requirements, the Commissioner shall each year
17 assign to the State Highway Patrol, upon payment of six dollars (\$6.00) per
18 registration plate, a sufficient number of regular registration plates of the same letter
19 prefix and in numerical sequence beginning with number 100 to meet the
20 requirements of the State Highway Patrol for use on Division vehicles assigned to the
21 State Highway Patrol. The commander of the Patrol shall, when such plates are
22 assigned, issue to each member of the State Highway Patrol a registration plate for
23 use upon the Division vehicle assigned to him pursuant to G.S. 20-190 and assign a
24 registration plate to each Division service vehicle operated by the Patrol. An index of
25 such assignments of registration plates shall be kept at each State Highway Patrol
26 radio station and a copy thereof shall be furnished to the registration division of the
27 Division. Information as to the individual assignments of such registration plates shall
28 be made available to the public upon request to the same extent and in the same
29 manner as regular registration information. The commander, when necessary, may
30 reassign registration plates provided that such reassignment shall be made to appear
31 upon the index required herein within 20 days after such reassignment.

32 The Division of Motor Vehicles shall, upon appropriate certification of financial
33 responsibility, issue to sheltered workshops recognized or approved by the Division of
34 Vocational Rehabilitation Services and to public and nonprofit agencies or
35 organizations which provide transportation for or operate programs subject to and
36 approved in accordance with standards adopted by the Commission for Mental
37 Health, Developmental Disabilities, and Substance Abuse Services of the Department
38 of Health and Human Services upon application and payment of a fee of six dollars
39 (\$6.00) for each plate, a permanent registration plate for vehicles registered to and
40 operated by such agencies. The initial six dollars (\$6.00) fee required by this section
41 and for this purpose shall be in full payment of the permanent registration plate
42 issued for such vehicle operated by a sheltered workshop and such plates need not
43 thereafter be renewed, and such plates may be transferred as provided in G.S. 20-78

1 to a replacement vehicle to be used by the sheltered workshop designated on the
2 registration card.

3 On and after January 1, 1972, permanent registration plates used on all vehicles
4 owned by the State of North Carolina or a department thereof shall be of a
5 distinctive color and design which shall be readily distinguishable from all other
6 permanent registration plates issued pursuant to this section or G.S. 20-84.1. For the
7 purpose of carrying out the intent of this paragraph, all vehicles owned by the State
8 of North Carolina or a department thereof in operation as of October 1, 1971, and
9 bearing a permanent registration shall be reregistered during the months of October,
10 November and December, 1971, and upon reregistration, registration plates issued for
11 such vehicles shall be of a distinctive color and design as provided for hereinabove."

12 Section 9. G.S. 115C-238.29B(a) reads as rewritten:

13 "(a) Any person, group of persons, ~~or nonprofit corporation~~ corporation, or local
14 board of education seeking to establish a charter school may apply to establish a
15 charter school. If ~~the~~ an applicant other than a local board of education seeks to
16 convert a public school to a charter school, the application shall include a statement
17 signed by a majority of the teachers and instructional support personnel currently
18 employed at the school indicating that they favor the conversion and evidence that a
19 significant number of parents of children enrolled in the school favor conversion. If a
20 local board of education seeks a charter for a school, the application shall include a
21 statement that the local board understands that no employee shall be required to
22 work at the charter school and no student shall be assigned to the school except at
23 the request of the student's parent or guardian."

24 Section 10. G.S. 115C-238.29B(b)(3) reads as rewritten:

25 "(3) The governance structure of the ~~school~~ school, if the applicant is
26 not a local board of education, including the names of the
27 proposed initial members of the board of directors of the
28 nonprofit, tax-exempt corporation and the process to be followed
29 by the school to ensure parental involvement."

30 Section 11. G.S. 115C-238.29B(b)(11) reads as rewritten:

31 "(11) The procedures by which students can be excluded from the
32 charter school and returned to a public ~~school~~ school other than
33 a charter school. Notwithstanding any law to the contrary, any
34 local board may refuse to admit any student who is suspended or
35 expelled from a charter school due to actions that would lead to
36 suspension or expulsion from a public school under G.S. 115C-391
37 until the period of suspension or expulsion has expired."

38 Section 12. G.S. 115C-238.29B(c) reads as rewritten:

39 "(c) An applicant shall submit the application to a chartering entity for
40 preliminary approval. A chartering entity may be:

41 (1) The local board of education of the local school administrative
42 unit in which the charter school will be ~~located~~; located, unless the
43 applicant is a local board of education;

- (2) The board of trustees of a constituent institution of The University of North Carolina, so long as the constituent institution is involved in the planning, operation, or evaluation of the charter school; or
- (3) The State Board of Education.

Regardless of which chartering entity receives the application for preliminary approval, the State Board of Education shall have final approval of the charter school.

Notwithstanding the provisions of this subsection, if the State Board of Education finds that an applicant (i) submitted an application to a local board of education and received final approval from the State Board of Education, but (ii) is unable to find a suitable location within that local school administrative unit to operate, the State Board of Education may authorize the charter school to operate within an adjacent local school administrative unit for one year only. The charter school cannot operate for more than one year unless it reapplies, in accordance with subdivision (1), (2), or (3) of this subsection, and receives final approval from the State Board of Education."

Section 13. G.S. 115C-238.29B(d) is repealed.

Section 14. G.S. 115C-238.29D(b) is repealed.

Section 15. G.S. 115C-238.29E reads as rewritten:

"§ 115C-238.29E. Charter school operation.

(a) A charter school that is approved by the State shall be a public school within the local school administrative unit in which it is located. It shall be accountable to the local board of education if the applicant for the charter is the local board of education or if it applied for and received preliminary approval from that local board for purposes of ensuring compliance with applicable laws and the provisions of its charter. All other charter schools shall be accountable to the State Board for ensuring compliance with applicable laws and the provisions of their charters, except that any of these charter schools may agree to be accountable to the local board of the school administrative unit in which the charter school is located rather than to the State Board.

(b) A charter school other than a charter school for which the applicant is a local board of education shall be operated by a private nonprofit corporation that shall have received federal tax-exempt status no later than 24 months following final approval of the application. A charter school for which the applicant is a local board of education shall be operated by the local board of education.

~~(c) A charter school shall operate under the written charter signed by the entity to which it is accountable under subsection (a) of this section and the applicant. A charter school is not required to enter into any other contract. The charter shall incorporate the information provided in the application, as modified during the charter approval process, and any terms and conditions imposed on the charter school by the State Board of Education. No other terms may be imposed on the charter school as a condition for receipt of local funds. The State Board shall issue the written charter no later than 30 days after the date on which the State Board grants final approval for the charter. The written charter shall incorporate the information provided in the application, as modified during the charter approval~~

1 process, and any terms and conditions applicable to all charter schools under the
2 rules of the State Board. The charter school is not required to agree to any
3 additional terms, whether requested by the State Board, the local board where the
4 charter school is located, or the entity to which the charter school is accountable. No
5 additional terms may be imposed on the charter school as a condition for receipt of
6 local funds. The charter school shall operate under the written charter signed by the
7 entity to which it is accountable and the applicant.

8 (d) The board of directors of the charter school operated by a private nonprofit
9 corporation shall decide matters related to the operation of the school, including
10 budgeting, curriculum, and operating procedures. The local board of education shall
11 decide these matters for a charter school operated by a local board.

12 (e) ~~A charter school's specific location~~ The specific location of a charter school
13 operated by a private nonprofit corporation shall not be prescribed or limited by a
14 local board or other authority except a zoning authority. The school may lease space
15 from a local board of education or as is otherwise lawful in the local school
16 administrative unit in which the charter school is located. If a charter school leases
17 space from a sectarian organization, the charter school classes and students shall be
18 physically separated from any parochial students, and there shall be no religious
19 artifacts, symbols, iconography, or materials on display in the charter school's
20 entrance, classrooms, or hallways. Furthermore, if a charter school leases space from
21 a sectarian organization, the charter school shall not use the name of that
22 organization in the name of the charter school.

23 At the request of the charter school, the local board of education of the local
24 school administrative unit in which the charter school will be located shall lease any
25 available building or land to the charter school unless the board demonstrates that
26 the lease is not economically or practically feasible or that the local board does not
27 have adequate classroom space to meet its enrollment needs. Notwithstanding any
28 other law, a local board of education may provide a school facility to a charter school
29 free of charge; however, the charter school is responsible for the maintenance of and
30 insurance for the school facility.

31 (f) Except as provided in this Part and pursuant to the provisions of its charter, a
32 charter school is exempt from statutes and rules applicable to a local board of
33 education or local school administrative unit. The State Board shall not adopt any
34 rules, policies, procedures, requirements, standards, terms, conditions, or regulations
35 governing charter schools unless they are authorized specifically under this Part; they
36 are applicable uniformly to all charter schools; and the Board proceeds under
37 Chapter 150B of the General Statutes. Only those rules, policies, procedures,
38 requirements, standards, terms, conditions, and regulations that are adopted by the
39 Board shall apply to charter schools and may be included in the written charter and
40 amendments to that charter. The Board may adopt guidelines to assist charter
41 schools. These guidelines are not binding on charter schools and shall not be
42 included in any written charter unless the charter school agrees to the inclusion."

43 Section 16. G.S. 115C-238.29F(b) reads as rewritten:

"(b) School Nonsectarian. -- A charter school shall be nonsectarian in its programs, admission policies, employment practices, and all other operations and shall not charge ~~tuition or~~ tuition, application fees, or admission fees. A charter school shall not be affiliated with a nonpublic sectarian school or a religious institution."

Section 17. G.S. 115C-238.29F(c) is amended by adding the following new subdivision:

"(3) The civil liability for a charter school operated by a local school administrative unit shall be the same as for any other school operated by the unit."

Section 18. G.S. 115C-238.29F(d)(5) reads as rewritten:

"(5) The school is subject to and shall comply with Article 27 of Chapter 115C of the General Statutes, except that a charter school operated by a private nonprofit corporation or a charter school operated by a local school administrative unit may also exclude a student from the charter school and return that student to another school in the local school administrative unit in accordance with the terms of its charter."

Section 19. G.S. 115C-238.29F(h) reads as rewritten:

"(h) Transportation. -- The charter school may provide transportation for students enrolled at the school. The charter school shall develop a transportation plan so that transportation is not a barrier to any student who resides in the local school administrative unit in which the school is located. The charter school is not required to provide transportation to any student who lives within one and one-half miles of the school. At the request of the charter school and if the local board of the local school administrative unit in which the charter school is located operates a school bus system, then that local board may contract with the charter school to provide transportation in accordance with the charter school's transportation plan to students who reside in the local school administrative unit and who reside at least one and one-half miles of the charter school. A local board may charge the charter school a reasonable charge that is sufficient to cover the cost of providing this transportation. Furthermore, a local board may refuse to provide transportation under this subsection if it demonstrates there is no available space on buses it intends to operate during the term of the contract or it would not be practically feasible to provide this transportation.

A student who attends a charter school operated by a local board of education and who resides within the local school administrative unit in which the school is located has the same right to school transportation as students assigned to other public schools in the local school administrative unit."

Section 20. G.S. 115C-238.29F(d) reads as rewritten:

"(d) Instructional Program. --

(1) The school shall provide instruction each year for at least 180 days.

- 1 (2) The school shall design its programs to at least meet the student
2 performance standards adopted by the State Board of Education
3 and the student performance standards contained in the charter.
4 (3) A charter school shall ~~conduct the student assessments required for~~
5 ~~charter schools by the State Board of Education.~~ administer the
6 tests adopted by the State Board of Education under G.S. 115C-
7 174.11 and that are used to implement the School-Based
8 Management and Accountability Program in other public schools.
9 (4) The school shall comply with policies adopted by the State Board
10 of Education for charter schools relating to the education of
11 children with special needs.
12 (5) The school is subject to and shall comply with Article 27 of
13 Chapter 115C of the General Statutes, except that a charter school
14 may also exclude a student from the charter school and return that
15 student to another school in the local school administrative unit in
16 accordance with the terms of its charter."

17 Section 21. G.S. 115C-238.29G(c) reads as rewritten:

18 "(c) The State Board and the charter school are encouraged to make a good-faith
19 attempt to resolve the differences that may arise between them. They Furthermore,
20 the local board of the local school administrative unit in which the charter school is
21 located and the charter school are encouraged to make a good-faith attempt to
22 resolve any differences that may arise between them. The parties in dispute may
23 agree to jointly select a mediator. The mediator shall act as a neutral facilitator of
24 disclosures of factual information, statements of positions and contentions, and efforts
25 to negotiate an agreement settling the differences. The mediator shall, at the request
26 of either the State Board or a charter school, party, commence a mediation
27 immediately or within a reasonable period of time. The mediation shall be held in
28 accordance with rules and standards of conduct adopted under Chapter 7A of the
29 General Statutes governing mediated settlement conferences but modified as
30 appropriate and suitable to the resolution of the particular issues in disagreement.

31 Notwithstanding Article 33C of Chapter 143 of the General Statutes, the mediation
32 proceedings shall be conducted in private. Evidence of statements made and conduct
33 occurring in a mediation are not subject to discovery and are inadmissible in any
34 court action. However, no evidence otherwise discoverable is inadmissible merely
35 because it is presented or discussed in a mediation. The mediator shall not be
36 compelled to testify or produce evidence concerning statements made and conduct
37 occurring in a mediation in any civil proceeding for any purpose, except disciplinary
38 hearings before the State Bar or any agency established to enforce standards of
39 conduct for mediators. The mediator may determine that an impasse exists and
40 discontinue the mediation at any time. The mediator shall not make any
41 recommendations or public statement of findings or conclusions. ~~The State Board and~~
42 ~~the charter school~~ parties in dispute shall share equally the mediator's compensation
43 and expenses. The mediator's compensation shall be determined according to rules
44 adopted under Chapter 7A of the General Statutes."

1 Section 22. G.S. 115C-238.29H reads as rewritten:

2 **"§ 115C-238.29H. State and local funds for a charter school.**

3 (a) The State Board of Education shall allocate to each charter school (i) an
4 amount equal to the average per pupil allocation for average daily membership from
5 the local school administrative unit allotments in which the charter school is located
6 for each child attending the charter school except for the allocation for children with
7 special needs and (ii) an additional amount for each child attending the charter
8 school who is a child with special needs. In accordance with G.S. 115C-238.29D(d),
9 the State Board shall allow for annual adjustments to the amount allocated to a
10 charter school based on its enrollment growth in school years subsequent to the initial
11 year of operation.

12 In the event a child with special needs leaves the charter school and enrolls in a
13 public school during the first 60 school days in the school year, the charter school
14 shall return a pro rata amount of funds allocated for that child to the State Board,
15 and the State Board shall reallocate those funds to the local school administrative
16 unit in which the public school is located. In the event a child with special needs
17 enrolls in a charter school during the first 60 school days in the school year, the State
18 Board shall allocate to the charter school the pro rata amount of additional funds for
19 children with special needs.

20 (a1) Funds allocated by the State Board of Education may be used to enter into
21 operational and financing leases for real property or mobile classroom units for use as
22 school facilities for charter schools and may be used for payments on loans made to
23 charter schools for facilities or equipment. However, State funds shall not be used to
24 obtain any other interest in real property or mobile classroom units. No indebtedness
25 of any kind incurred or created by the charter school shall constitute an indebtedness
26 of the State or its political subdivisions, and no indebtedness of the charter school
27 shall involve or be secured by the faith, credit, or taxing power of the State or its
28 ~~political subdivisions.~~ subdivisions, unless the charter school is operated by a local
29 board of education. Every contract or lease into which a charter school enters except
30 for contracts or leases entered into by a local board of education shall include the
31 previous sentence. The school also may own land and buildings it obtains through
32 non-State sources.

33 (b) If a student attends a charter school, the local school administrative unit in
34 which the child resides shall transfer to the charter school an amount equal to the per
35 pupil local current expense appropriation to the local school administrative unit for
36 the fiscal year. The per pupil local current expense appropriation shall be calculated
37 by dividing the total county appropriation to the local school administrative unit's
38 local current expense fund, including appropriations funded by supplemental taxes,
39 by the unit's average daily membership for the budget year as determined by and
40 certified to the unit and the board of county commissioners by the State Board. In
41 order to establish the number of children for whom these funds are to be transferred,
42 the local administrative unit may require the charter school to provide electronically
43 an invoice that identifies each child for whom these funds are to be remitted, that
44 child's address, and that child's Student Information Management System

1 identification number. The local school administrative unit shall not require any
2 other information from the charter school as a condition of the unit's remission of
3 these funds. If the local school administrative unit requires this invoice, the unit shall
4 provide to the charter school the local current expense appropriation based on the
5 number of children in the most recent invoice. If no invoice is required, the local
6 current expense appropriation shall be based on the number of children as mutually
7 agreed upon by the local school administrative unit and the charter school. The local
8 school administrative unit shall remit these funds to the charter school at times that
9 are mutually agreed upon by the unit and the charter school, but if no agreement is
10 reached, then the unit shall remit these funds to the charter school no later than one
11 week after the unit receives the funds from the board of county commissioners as
12 established under G.S. 115C-437 and upon receipt of an invoice, if required. The
13 State Board may withhold money used for payment of salaries for the superintendent
14 and school finance officer of any local school administrative unit if the Board finds
15 that the unit is not using its best efforts to remit these funds on a timely basis.

16 (c) The board of county commissioners of the county in which the charter school
17 is located may allocate to the charter school funds that may be used for capital outlay
18 purposes."

19 Section 23. G.S. 115C-452 reads as rewritten:

20 "**§ 115C-452. Fines and forfeitures.**

21 The clear proceeds of all penalties and forfeitures and of all fines collected in the
22 General Court of Justice in each county shall be remitted by the clerk of the superior
23 court to the county finance officer, who shall forthwith determine what portion of the
24 total is due to each local school administrative unit and to each charter school in the
25 county and remit the appropriate portion of the amount to the finance officer of each
26 local school administrative ~~unit.~~ unit and each charter school. Fines The first twenty-
27 five percent (25%) of fines and forfeitures shall be apportioned according to the
28 projected average daily membership of each local school administrative unit as
29 determined by and certified to the local school administrative units and the board of
30 county commissioners by the State Board of Education pursuant to G.S. 115C-430.
31 The remainder of the fines and forfeitures shall be apportioned according to the
32 projected average daily membership of each local school administrative unit and each
33 charter school as determined by and certified to the local school administrative units,
34 the charter schools, and the board of county commissioners by the State Board of
35 Education pursuant to G.S. 115C-430 or G.S. 115C-238.29H(b)."

36 Section 24. G.S. 115C-457.3 reads as rewritten:

37 "**§ 115C-457.3. Transfer of funds to the State School Technology Fund.**

38 The Office of State Budget and Management shall transfer funds accruing to the
39 Civil Penalty and Forfeiture Fund to the State School Technology Fund. ~~These~~ The
40 first twenty-five percent (25%) of these funds shall be allocated to local school
41 administrative units on the basis of average daily membership. The remaining funds
42 shall be allocated to local school administrative units and charter schools on the basis
43 of average daily membership. Notwithstanding any other law, the funds allocated to
44 charter schools under this section shall be used for school technology; however, in

1 accordance with G.S. 115C-238.29E(f), the charter school is not required to develop
2 or submit a school technology plan under Part 3A of Article 8 of this Chapter."

3 Section 25. (a) G.S. 150B-2(8a) reads as rewritten:

4 "(8a) 'Rule' means any agency regulation, standard, or statement of
5 general applicability that implements or interprets an enactment of
6 the General Assembly or Congress or a regulation adopted by a
7 federal agency or that describes the procedure or practice
8 requirements of an agency. The term includes the establishment of
9 a fee and the amendment or repeal of a prior rule. The term also
10 includes any State Board of Education or Department of Public
11 Instruction rule, policy, procedure, requirement, standard, term,
12 condition, or regulation that is authorized specifically under Part
13 6A of Article 16 of Chapter 115C of the General Statutes. The
14 term does not include the following:

- 15 a. Statements concerning only the internal management of an
16 agency or group of agencies within the same principal office
17 or department enumerated in G.S. 143A-11 or 143B-6,
18 including policies and procedures manuals, if the statement
19 does not directly or substantially affect the procedural or
20 substantive rights or duties of a person not employed by the
21 agency or group of agencies.
- 22 b. Budgets and budget policies and procedures issued by the
23 Director of the Budget, by the head of a department, as
24 defined by G.S. 143A-2 or G.S. 143B-3, by an occupational
25 licensing board, as defined by G.S. 93B-1, or by the State
26 Board of Elections.
- 27 c. Nonbinding interpretative statements within the delegated
28 authority of an agency that merely define, interpret, or
29 explain the meaning of a statute or rule.
- 30 d. A form, the contents or substantive requirements of which
31 are prescribed by rule or statute.
- 32 e. Statements of agency policy made in the context of another
33 proceeding, including:
 - 34 1. Declaratory rulings under G.S. 150B-4.
 - 35 2. Orders of establishing or fixing rates or tariffs.
- 36 f. Requirements, communicated to the public by the use of
37 signs or symbols, concerning the use of public roads,
38 bridges, ferries, buildings, or facilities.
- 39 g. Statements that set forth criteria or guidelines to be used by
40 the staff of an agency in performing audits, investigations, or
41 inspections; in settling financial disputes or negotiating
42 financial arrangements; or in the defense, prosecution, or
43 settlement of cases.

- 1 h. Scientific, architectural, or engineering standards, forms, or
2 procedures, including design criteria and construction
3 standards used to construct or maintain highways, bridges,
4 or ferries.
5 i. Job classification standards, job qualifications, and salaries
6 established for positions under the jurisdiction of the State
7 Personnel Commission.
8 j. Establishment of the interest rate that applies to tax
9 assessments under G.S. 105-241.1 and the variable
10 component of the excise tax on motor fuel under G.S. 105-
11 449.80."

12 (b) Article 2A of Chapter 150B of the General Statutes is amended by
13 adding the following new Part:

14 "Part 6. Rules Affecting Charter Schools.

15 "§ 150B-21.30. Procedures applicable to rules affecting charter schools.

16 (a) G.S. 150B-21.2(a)(1) shall not apply to proposed rules adopted by the State
17 Board of Education if the proposed rules are authorized specifically under Part 6A of
18 Article 16 of Chapter 115C of the General Statutes.

19 (b) Notwithstanding G.S. 150B-21.3(b), a permanent rule that is adopted by the
20 State Board of Education, is approved by the Rules Review Commission, and is
21 authorized specifically under Part 6A of Article 16 of Chapter 115C of the General
22 Statutes, becomes effective five business days after the Commission delivers the rule
23 to the Codifier of Rules, unless the rule specifies a later effective date. If the State
24 Board of Education specifies a later effective date, the rule becomes effective upon
25 that date. A permanent rule that is adopted by the State Board of Education to
26 implement Part 6A of Article 16 of Chapter 115C of the General Statutes, but is not
27 approved by the Rules Review Commission, shall not become effective.

28 (c) G.S. 150B-21.4(b1) shall not apply to permanent rules the State Board of
29 Education proposes to adopt if those rules are authorized specifically under Part 6A
30 of Article 16 of Chapter 115C of the General Statutes.

31 (d) The rule proposed by the State Board of Education may create, amend, or
32 repeal a rule. The State Board of Education shall indicate in the notice of proposed
33 text that the rule is authorized specifically under Part 6A of Article 16 of Chapter
34 115C of the General Statutes and that the State Board of Education is proceeding
35 under that authority.

36 "§ 150B-21.31. Procedures applicable to charters.

37 The State Board of Education shall submit to the Commission the standard written
38 charter agreement that the State Board of Education approved and issued under Part
39 6A of Article 16 of Chapter 115C of the General Statutes to charter schools that
40 received State Board approval under G.S. 115C-238.29D in 1997 or 1998. The State
41 Board of Education also shall submit to the Commission any modifications to that
42 written charter agreement that the State Board approves after July 1, 1998, for
43 issuance to charter schools approved in subsequent years. The Commission shall
44 review each portion of the charter and each modification to that charter as if it is a

1 rule and shall follow the procedure established in Part 3 of this Article. The
2 Commission shall determine whether each portion or modification is authorized
3 specifically under Part 6A of Article 16 of Chapter 115C of the General Statutes.
4 The Commission may approve only portions and modifications of the charter that are
5 so authorized. All approved portions and modifications of the charter are binding on
6 the charter school. Each portion or modification of the charter that is not approved
7 is void and shall not apply to any charter school unless the charter school's board of
8 directors agrees to its applicability. The board of directors is not required to agree to
9 any portion or modification of the charter that the Commission does not approve.
10 This section shall not apply to information in a charter school's application, as
11 modified during the approval process, that is incorporated in each charter school's
12 charter agreement."

13 Section 26. (a) The State Board of Education, in collaboration with the
14 Charter School Professional Association, shall evaluate the Uniform Education
15 Reporting System to determine whether this is the best way for charter schools to
16 report information to the State Board or whether there is a mutually functional
17 alternative that could be implemented. The State Board shall report the results of
18 this evaluation and its recommendations, including any proposed legislative changes,
19 to the Joint Legislative Commission on Governmental Operations by December 1,
20 1998.

21 (b) If, at any time, a majority of charter schools present to the State
22 Board of Education an alternative reporting system that is the functional equivalent
23 of the Uniform Education Reporting System and the alternative system has been
24 benchmarked, the State Board shall consider the adoption of that system for charter
25 schools.

26 Section 27. G.S. 105-164.14(c) reads as rewritten:

27 "(c) Certain Governmental Entities. -- A governmental entity listed in this
28 subsection is allowed an annual refund of sales and use ~~tax~~ taxes paid by it under this
29 Article, except under G.S. 105-164.4(a)(4a) and G.S. 105-164.4(a)(4c), on direct
30 purchases of tangible personal property. Sales and use tax liability indirectly incurred
31 by a governmental entity on building materials, supplies, fixtures, and equipment that
32 become a part of or annexed to any building or structure that is owned or leased by
33 the governmental entity and is being erected, altered, or repaired for use by the
34 governmental entity is considered a sales or use tax liability incurred on direct
35 purchases by the governmental entity for the purpose of this subsection. A request for
36 a refund must be in writing and must include any information and documentation
37 required by the Secretary. A request for a refund is due within six months after the
38 end of the governmental entity's fiscal year.

39 This subsection applies only to the following governmental entities:

- 40 (1) A county.
- 41 (2) A city as defined in G.S. 160A-1.
- 42 (2a) A consolidated city-county as defined in G.S. 160B-2.
- 43 (2b) A local school administrative unit for charter schools operated by
44 the local board of education. Notwithstanding any other provisions

of law, a refund payable under this subdivision of the local sales and use taxes to cities levied under Articles 39, 40, and 42 of this Chapter and under the Mecklenburg County Sales and Use Tax Act, Chapter 1096 of the 1967 Session Laws, as amended, shall be drawn from the General Fund and shall not be deducted from the distribution to the cities.

- (3) A metropolitan sewerage district or a metropolitan water district in this State.
- (4) A water and sewer authority created under Chapter 162A of the General Statutes.
- (5) A lake authority created by a board of county commissioners pursuant to an act of the General Assembly.
- (6) A sanitary district.
- (7) A regional solid waste management authority created pursuant to G.S. 153A-421.
- (8) An area mental health, developmental disabilities, and substance abuse authority, other than a single-county area authority, established pursuant to Article 4 of Chapter 122C of the General Statutes.
- (9) A district health department.
- (10) A regional council of governments created pursuant to G.S. 160A-470.
- (11) A regional planning and economic development commission or a regional economic development commission created pursuant to Chapter 158 of the General Statutes.
- (12) A regional planning commission created pursuant to G.S. 153A-391.
- (13) A regional sports authority created pursuant to G.S. 160A-479.
- (14) A public transportation authority created pursuant to Article 25 of Chapter 160A of the General Statutes.
- (14a) A facility authority created pursuant to Part 4 of Article 20 of Chapter 160A of the General Statutes.
- (15) A regional public transportation authority created pursuant to Article 26 of Chapter 160A of the General Statutes.
- (16) A local airport authority that was created pursuant to a local act of the General Assembly and has at least one of the following characteristics:
 - a. It has all of the rights of a municipality.
 - b. A local act of the General Assembly declares it to be a municipality.
 - c. A local act of the General Assembly specifically authorizes it to receive a refund under this section.
- (17) A joint agency created by interlocal agreement pursuant to G.S. 160A-462 to operate a public broadcasting television station.

- 1 (18) The North Carolina Low-Level Radioactive Waste Management
2 Authority created pursuant to Chapter 104G of the General
3 Statutes.
4 (19) The North Carolina Hazardous Waste Management Commission
5 created pursuant to Chapter 130B of the General Statutes.
6 (20) A constituent institution of The University of North Carolina, but
7 only with respect to sales and use tax paid by it for tangible
8 personal property acquired by it through the expenditure of
9 contract and grant funds.
10 (21) The University of North Carolina Hospitals at Chapel Hill."
11 Section 28. This act becomes effective July 1, 1998. Section 27 of this
12 act applies to taxes paid on or after January 1, 1999.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

Ernest W. Robinson, Director
Administrative Division
Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 18, 1998

MEMORANDUM

TO: Representative Leo Daughtry

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note Proposed Committee Substitute for House Bill 1739

Re: Allows each individual charter school to make an irrevocable election whether or not to participate in the Teachers' and State Employees' Retirement System. The bill also allows any charter school employee, whose employer did not elect to participate in the System, and who later becomes a member of the System and has five years of creditable service, to purchase the service to the charter school.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, June 18, 1998
- (3) Actuarial Note, Hartman & Associates, June 17, 1998

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Committee Substitute House Bill 1739

SHORT TITLE: Charter School Benefits

SPONSOR(S): Representative Leo Daughtry

SYSTEM AFFECTED: The Teachers' and State Employees' Retirement System

BILL SUMMARY: : Require each charter school boards of directors to make an irrevocable election, in writing, whether the employees of the school will be members of the Teachers' and State Employees' Retirement System. The boards of directors of charter schools must make this election by September 1, 1998. The election would be effective on the date the election is made for current employees. For employees hired after that date, it would be effective on their date of entry into eligible service. For charter schools approved after 1998, the election must be made with 30 days after the charter agreement is signed. This election would be effective for all employees on their date of entry into eligible service. The boards of directors must notify in writing their employees as to whether they elected to join, and the employees must acknowledge in writing that they received this notice.

The bill also allows charter school employees, who subsequently return to a public school or State employment, to purchase the years of service that they were employed in a charter school, whose board of directors did not elect to join the Retirement System. To be eligible for this purchase, the member must complete five years of creditable service after the charter school employment and the member must pay the "full actuarial cost" for the service purchase.

EFFECTIVE DATE: July 1, 1998.

ESTIMATED IMPACT ON STATE: ESTIMATED IMPACT

Retirement System Actuary: Buck Consultants states that there is anti-selection against the Retirement System since some boards with older, higher cost employees have chosen to join the System and those with younger, lower cost employees have chosen not to participate. Buck Consultants estimates there would be no cost to the Retirement System for any purchases of charter school employment since the members would be paying the "full actuarial cost".

General Assembly Actuary: Hartman & Associates states, that if the demographics of the employees of the charter schools electing coverage is similar to the current covered employees in the State System, the current rate is sufficient, but since each employer will make an election, the potential exists for anti-selection on the part of the schools. The data, of current 623 charter school employees of which 130 are participating in the Retirement System, reveals that anti-selection is occurring, as the participating rate for employees over age 40 is more than double that for employees under age 40.

Hartman & Associates estimates there would be no cost to the Retirement System for any purchases of charter school employment since the members would be paying the "full actuarial cost".

ASSUMPTIONS AND METHODOLOGY: Teacher's & State Employees' Retirement System: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 263,920 active members with an annual payroll of \$6.845 billion and 88,605 retired members in receipt of annual pensions totaling \$1.096 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : Retirement System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore *Stanley Moore*

APPROVED BY: Tom Covington

DATE: June 18, 1998

June 18, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Proposed Committee Substitute for House Bill 1739

Dear Mr. Pruitt:

We have received your letter of June 3 regarding the Proposed Committee Substitute for House Bill 1739 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to allow the Board of Directors of a Charter School to make an irrevocable election, no later than September 1, to participate in the Retirement System. All eligible employees, both present and future, would be impressed by retirement coverage in the event of favorable action by the Board. No employee of a Charter School whose Board rejects participation could be a contributing member. It is our understanding that under current policy Charter School Boards already have an option of whether or not to join the Retirement System. In the absence of legislation, beginning July 1, 1998 membership will become mandatory for all Charter School teachers.

Based on the data we received from Mr. Stanley Moore, anti-selection against the Retirement System has occurred since it appears that some School Boards with older, higher cost employees have chosen to participate while School Boards with younger, lower cost employees have chosen not to participate.

This legislation also contains a service purchase option for members of the Retirement System with five or more years of credited membership service to purchase service for periods of employment in a Charter School whose board of directors did not elect to participate in the Retirement System. The cost to the member to purchase this service shall be equal to the full actuarial cost.

There would be no additional cost associated with the service purchase provisions in that the member would pay the full actuarial cost.

Mr. Jack Pruitt
June 18, 1998
Page 2

As a technical observation; unlike other purchase options, this legislation does not require that five years of service be rendered after uncovered Charter School service.

If we can be of further assistance, please do not hesitate to call.

Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:jg

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KC 387 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



BUCK
CONSULTANTS

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

June 17, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Committee Substitute to House Bill 1739 (Certain Sections):
An Act to Allow Charter Schools to Elect to Participate in
the North Carolina Teachers' and State Employees' Retirement
System and Comprehensive Major Medical Plan

Dear Mr. Moore:

This bill amends G.S. 135-5.3 to provide optional participation for charter schools in the North Carolina Teachers' and State Employees' Retirement System. The bill provides that the Board of Directors of each charter school must make an irrevocable election to join the retirement system, and if elected, all employees of the charter school are required to participate. Charter schools that receive State Board of Education approval in 1997 or 1998 must make the election by September 1, 1998. For charter schools receiving approval after 1998, the Board of Directors will have 30 days after the date the charter is signed to make the election.

If the demographics of the employees in charter schools electing coverage are similar to those of current covered employees in the TSERS, the estimated cost of providing the retirement, death, disability, and retiree health benefits under this plan would be 10.83% of the payroll of covered employees. However, since each school will be given the option to participate in the plan or not, the potential exists for antiselection on the part of the schools. In particular, schools with a heavy concentration of younger employees may elect not to participate in the TSERS. This would increase the cost to cover those charter schools who elect to participate in the retirement plan.

You provided data covering 623 employees in existing charter schools. Of these, 130 participate in the TSERS. The data reveals that antiselection is occurring, as the participation rate for employees over age 40 is more than double that for employees under 40. Thus, allowing each school to elect to participate in the TSERS will increase the cost to that system.

Mr. Stanley Moore,
June 17, 1998

Page 2

Determining the magnitude of that increase would require performing separate actuarial valuations for the charter schools. No estimate is included in this note.

This bill also amends G.S. 135-4 to allow a member of the TSERS to purchase creditable service for employment as an employee of a charter school whose Board of Directors did not elect to participate in the retirement system. To purchase the service, the employee must have 5 years of membership service in the TSERS and must make a lump-sum payment into the Annuity Savings Fund to cover the full actuarial cost of the service being purchased, plus an administrative fee. As such, this provision is expected to create no additional cost to the retirement plan.

If you have any questions, let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By *Stanley Moore* Date: *6-18-98*
Legislative Fiscal Research



Attachment II

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1739

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)
Page 1 of

H1739-ARH-006

Date _____, 1998

Comm. Sub. ☒
Amends Title ☐
Second Edition

Representative Daughtry

1 moves to amend the bill on page 3, lines 27-44, by deleting the
2 lines and by substituting the following:

3 "(a) The board of directors of each charter school operated by a
4 private nonprofit corporation shall elect whether to join the
5 Retirement System in accordance with the laws applicable to that
6 System. This election shall be in writing, shall be made no later
7 than September 1, 1998, and shall be filed with the Retirement
8 System and with the State Board of Education. For each charter
9 school employee who is employed on or before the date the board
10 makes the election, this election is effective as of the date the
11 board makes the election. For each charter school employee who is
12 employed after the date the board makes the election, the election
13 is effective as of the date of that employee's entry into eligible
14 service. This subsection applies only to charter schools that
15 received State Board of Education approval under G.S. 115C-238.29D
16 in 1997 or 1998.

17 (b) No later than 30 days after both parties have signed the
18 written charter under G.S. 115C-238.29E, the board of directors of a
19 charter school operated by a private nonprofit corporation shall
20 elect whether to join the Retirement System in accordance with the
21 laws applicable to that System. This election shall be in writing
22 and filed with the Retirement System and with the State Board of
23 Education and is effective for each charter school employee as of
24 the date of that employee's entry into eligible service. This
25 subsection applies to charter schools that receive State Board of
26 Education approval under G.S. 115C-238.29D after 1998."

27
28 and on page 5, lines 8-25, by deleting the lines and substituting
29 the following:



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1739

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H1739-ARH-006

Page 2 of

1 "(a) The board of directors of each charter school operated by a
2 private nonprofit corporation shall elect whether to join the Plan
3 in accordance with the laws applicable to that Plan. This election
4 shall be in writing, shall be made no later than September 1, 1998,
5 and shall be filed with the Executive Administrator and Board of
6 Trustees and with the State Board of Education. For each charter
7 school employee who is employed on or before the date the board
8 makes the election, this election is effective as of the date the
9 board makes the election. For each charter school employee who is
10 employed after the date the board makes the election, the election
11 is effective as of the date of that employee's entry into eligible
12 service. This subsection applies only to charter schools that
13 received State Board of Education approval under G.S. 115C-238.29D
14 in 1997 or 1998.
15 (b) No later than 30 days after both parties have signed the
16 written charter under G.S. 115C-238.29E, the board of directors of a
17 charter school operated by a private nonprofit corporation shall
18 elect whether to join the Plan in accordance with the laws
19 applicable to that Plan. This election shall be in writing and
20 filed with the Executive Administrator, the Board of Trustees, and
21 the State Board of Education. This election is effective for each
22 charter school employee as of the date of that employee's entry into
23 eligible service. This subsection applies to charter schools that
24 receive State Board of Education approval under G.S. 115C-238.29D
25 after 1998.";
26
27 and on page 12, lines 11-18, by deleting the lines;
28
29 and by renumbering the remaining sections accordingly.
30

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____



Attachment III

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1739

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)
Page 1 of 2

H1739-ARH-005

Date _____, 1998

Comm. Sub. ☒ [X]
Amends Title ☐ []
Second Edition

Representative

1 moves to amend the bill on page 13, lines 16-17, by inserting
2 between the lines the following new section:
3 "Section 21. G.S. 115C-238.29F(g)(5) reads as rewritten:
4 '(5) A charter school shall not discriminate against any
5 student on the basis of ethnicity, national origin,
6 gender, or disability. Except as otherwise provided by
7 law or the mission of the school as set out in the
8 charter, the school shall not limit admission to
9 students on the basis of intellectual ability,
10 measures of achievement or aptitude, athletic ability,
11 disability, race, creed, gender, national origin,
12 religion, or ancestry. The charter school may give
13 enrollment priority to siblings of currently enrolled
14 students who were admitted to the charter school in a
15 previous year and to children of the school's
16 principal, teachers, and teacher assistants. In
17 addition, and only for its first year of operation,
18 the charter school may give enrollment priority to
19 children of the initial members of the charter
20 school's board of directors, so long as (i) these
21 children are limited to no more than ten percent (10%)
22 of the school's total enrollment or to 20 students,
23 whichever is less, and (ii) the charter school is not
24 a former public or private school. Within one year
25 after the charter school begins operation, The charter
26 school shall make a good faith effort to attract and
27 enroll students so that the population of the school
28 shall reasonably reflect reflects the racial and
29 ethnic composition of the general population residing
30 within the local school administrative unit in which

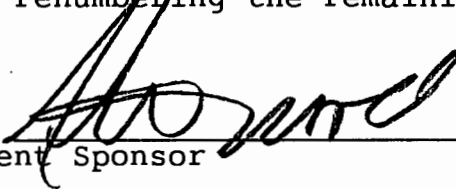


NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1739

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)
Page 2 of 2

H1739-ARH-005

1 the school is located or the racial and ethnic
2 composition of the special population that the school
3 seeks to serve residing within the local school
4 administrative unit in which the school is located.
5 The school shall be subject to any court-ordered
6 desegregation plan in effect for the local school
7 administrative unit.'";
8
9 and by renumbering the remaining sections accordingly.
10

SIGNED 
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

⇒ Emm Mame
Robert Seale



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

Attachment IV

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
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Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

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Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

TO: Representative Barbee, Chair, House Pensions & Retirement
FROM: Robin S. Johnson, Staff Attorney
DATE: June 30, 1998
RE: **SECTION-BY-SECTION SUMMARY: H1739 – 2nd EDITION**

SECTION 1 would amend G.S. 115C-238.29F(e)(4) to clarify that while all charter school employees are public employees,¹ they will be eligible for participation in the State Retirement System, State Health Plan, or both, only if their charter school's board of directors elect to participate. This section will not apply to charter schools operated by a local board of education.

SECTION 2 would create a new G.S. 135-5.3 to require charter school boards of directors to elect, in writing, whether to join the State Retirement System. This would be an irrevocable election. The boards of directors of charter schools that received State Board of Education approval in 1997 or 1998 must make this election by September 1, 1998. The election would be effective on the date the election is made for current employees. For employees hired after that date, it would be effective on their date of entry into eligible service. The boards of directors of charter schools that receive State Board of Education approval after 1998 must make the election within 30 days after the State Board of Education and the charter school applicant sign the written charter agreement. This election would be effective for all employees on their date of entry into eligible service. The boards of directors must notify in writing their employees as to whether they elected to join, and the employees must acknowledge in writing that they received this notice. This section will not apply to charter schools operated by a local board of education.

SECTION 3 would amend G.S. 135-4 to allow charter school employees who subsequently return to a public school or State employment to "buy back" years of service for the time they were employed in a charter school whose board of directors did not elect to join the Retirement System. To be eligible for this "buy-back", the employee would be required to have at least five years of creditable service. This section will not apply to charter schools operated by a local board of education.

¹ The IRS has issued a private letter ruling that says the employees of charter schools may participate in the Retirement System without jeopardizing the status of the System as a governmental plan. Last year, the General Assembly enacted legislation (SB 297) directing the System's Board of Trustees, through the AG's Office, to request such a ruling. The legislation made the employees eligible for participation on the first day of the calendar month following the State's receipt of a favorable ruling. However, because the ruling was issued in the middle of the school year and charter schools had entered into other arrangements for the provision of retirement benefits, the AG's Office issued a letter to delay until July 1, 1998, this participation.

SECTIONS 4 and 5 would provide that only employees of charter schools whose boards of directors elect to join the State Health Plan are eligible for participation in that Plan. The election, and its applicability, is similar to the election to participate in the Retirement System. These sections will not apply to charter schools operated by a local board of education.

SECTIONS 6 and 7 would exempt from the motor fuel tax any motor fuel sold to the nonprofit corporations that have charters to operate charter schools. Motor fuel sold to local boards of education is currently exempt from this tax.

SECTION 8 would amend G.S. 20-84 to allow nonprofit corporations that have charters to operate charter schools to pay a one-time fee of \$6.00 for each permanent vehicle registration plate for each vehicle they register. Currently, local boards of education may purchase these permanent plates.

SECTIONS 1, 9, 10, 11, 12, 15, 17, 18, 19, and 27 would amend a number of statutes to allow local boards of education to apply for a charter for one or more of its schools. If a local board wishes to obtain a charter, it cannot require its employees to work at that school and cannot assign any student to that school unless the student's parent or guardian requests that assignment. Students who reside in the school system who attend a charter school operated by a local board have the same right to school transportation as students assigned to other schools in that system. If the local board wishes to obtain a charter, it must obtain preliminary approval from either the State Board or the board of trustees of one of UNC's constituent institutions. A local school administrative unit whose local board operates a charter school would be entitled to a refund of sales and use taxes for the charter school.

SECTION 13 would repeal G.S. 115C-238.29B(d), which allows local boards of education to offer information concerning an application for a charter school. This subsection also requires the State Board, when determining whether to approve an application, to consider this information and the impact of the charter school on the local school administrative unit's ability to provide a sound basic education to its students.

SECTION 14 would repeal G.S. 115C-238.29D(b), which limits the number of charter schools to a total of 100 in the State and to no more than five per year per local school administrative unit.

SECTION 15 would amend G.S. 115C-238.29E to require the State Board to issue a written charter within 30 days following the date it grants final approval for a charter. The charter incorporates the information in the application, as modified during the approval process, and any terms and conditions applicable to all charter schools. Currently, these terms and conditions are not required to be applicable on a uniform basis. **SECTION 15** also would amend G.S. 115C-238.29E(f) to require the State Board to go through rulemaking before any rule, policy, procedure, requirement, standard, term, condition or regulation is applicable to charter schools. These "rules"

must apply to all charter schools and must be authorized specifically by the Charter School Act.

SECTION 16 would amend G.S. 115C-238.29F(b) to allow charter schools to charge fees, so long as they are not application or admission fees.

SECTION 20 would amend G.S. 115C-238.29F(d) to require charter schools to administer those tests adopted by the State Board that are used to implement the ABC's Program in other public schools.

SECTION 21 would amend G.S. 115C-238.29G(c) to provide for a mediation process between charter schools and local boards of education.

SECTION 22 would amend G.S. 115C-238.29H. Currently, the local school administrative unit where a child resides must transfer the per pupil local current expense appropriation to the charter school. Section 22 would define this appropriation to include revenue from all sources of funds, including any supplemental taxes, that go into a county's appropriation to the local school administrative unit's local current expense fund. This section also would require a local school administrative unit to remit the funds at times as agreed upon by the unit and the charter school or on the same timeline as they receive the funds from the county. In most cases, this would be on a monthly basis, but it could be on a quarterly or yearly basis. Section 22 also would allow local school administrative units to request an invoice with the child's name, address, and SIMS identification number in order to determine the number of students for whom this appropriation is to be made. If an invoice is required, the local school administrative unit must use the number of students as the basis for the appropriation to the charter school. Failure to remit these funds in a timely manner could result in the State Board's withholding of funds used to pay the salaries of the superintendent and school finance officer. Section 22 would allow county commissioners to allocate to a charter school funds to be used for capital outlay purposes.

SECTIONS 23 and 24 would amend G.S. 115C-452 and G.S. 115C-457.3 to require proceeds from fines, forfeitures, and penalties to be apportioned to charter schools. Section 7 of Article IX of the North Carolina Constitution states, "All moneys, stocks, bonds, and other property belonging to a county school fund, and the clear proceeds of all penalties and forfeitures and of all fines collected in the several counties for any breach of the penal laws of the State, shall belong to and remain in the several counties, and shall be faithfully appropriated and used exclusively for maintaining free public schools." The bill would provide that the first 25% of these funds would continue to be apportioned only among local school administrative units. The remainder of the funds would be apportioned among local school administrative units and charter schools. Funds from the Civil Penalty and Forfeiture Fund, which are transferred first to the State School Technology Fund, must be used for school technology, but the charter schools are not required to develop and implement school technology plans.

SECTION 25 (a) would amend G.S. 150B-2(8a) to include any State Board of Education or Department of Public Instruction rule, policy, procedure, requirement, standard, term, condition, or regulation that is authorized under the Charter School Act

in the definition of a "rule" for the purpose of the Administrative Procedure Act. **Subsection (b)** adds a new Part 6, Rules Affecting Charter Schools, to the Administrative Procedure Act. G.S. 150B-21.30 would allow the State Board to use a streamlined procedure for adopting rules specifically authorized by the Charter School Act. The Board may publish the text of any proposed rule as the first step in the rulemaking procedure; a rule may take effect without waiting for submission to the General Assembly; and no fiscal note is required unless the rule affects the expenditures or revenues of a unit of local government. The State Board must indicate on its notice that the rule is authorized specifically by the Charter School Act. G.S. 150B-21.31 would require the State Board to submit to the Rules Review Commission the standard written charter agreement that the Board has approved and issued to charter schools to date. The Commission must review each portion of the charter agreement, and each subsequent modification to that charter agreement, as if it is a rule. The Commission may approve only the portions and modifications that are authorized specifically under the Charter School Act. If they are approved, then they are binding on the charter schools. If they are not approved, then they are void and will apply only if a charter school's board of directors agrees to its applicability.

SECTION 26 would require the State Board of Education, in collaboration with the Charter School Professional Association, to evaluate whether the Uniform Education Reporting System (UERS) is the best way for charter schools to report information or whether there is a mutually functional alternative that could be implemented. The Board must report the results of this evaluation to the Joint Legislative Commission on Governmental Operations by December 1, 1998. This section also would require the State Board to consider the adoption of an alternative reporting system that a majority of charter schools present to the Board if it is the functional equivalent of the UERS and if it has been benchmarked.

The bill would take effect July 1, 1998. Section 27 would apply to sales and use taxes paid on or after January 1, 1999.

H1739-SMRH-004

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 1669 A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW GOVERNING THE DISABILITY INCOME PLAN OF NORTH CAROLINA TO REQUIRE THAT THE DETERMINATION OF DISABILITY BE MADE BY THE PLAN'S MEDICAL BOARD AND TO MAKE CERTAIN OTHER CHANGES.

☐ With a favorable report.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on
☒ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1669

Short Title: Improve Disability Income Plan.

(Public)

Sponsors: Representatives Russell; and Hurley.

Referred to: Pensions and Retirement, if favorable, Appropriations.

May 28, 1998

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE LAW GOVERNING THE DISABILITY INCOME
3 PLAN OF NORTH CAROLINA TO REQUIRE THAT THE DETERMINATION
4 OF DISABILITY BE MADE BY THE PLAN'S MEDICAL BOARD AND TO
5 MAKE CERTAIN OTHER CHANGES.
6 The General Assembly of North Carolina enacts:
7 Section 1. G.S. 135-102(d) reads as rewritten:
8 "(d) The Department of State Treasurer and the Board of Trustees shall designate
9 a one or more Medical Board Boards to be composed of not fewer than three nor
10 more than five 10 physicians not eligible for benefits under the Plan. physicians. It
11 shall be the responsibility of the participant to provide, at no cost to the Plan,
12 medical documentation of his or her disability sufficient to determine his or her
13 eligibility for benefits under the Plan. In disputed cases, other Other physicians,
14 medical clinics, institutions or agencies may be employed to conduct such medical
15 examinations and tests necessary to provide the Medical Board with clinical evidence
16 as may be needed to determine eligibility for benefits under the Plan. Physicians
17 retained upon the recommendation of the Medical Board to examine and report on
18 disability applicants and/or reexaminations of disability beneficiaries shall be paid fees
19 commensurate with the usual, customary, and reasonable charges, as determined by
20 the Medical Board, for such tests, examinations, procedures, and reports as the
21 Medical Board might request. The Medical Board shall investigate the results of
22 medical examinations, clinical evidence, all essential statements and certifications by
23 and on behalf of applicants for benefits and shall report in writing to the Board of
24 Trustees the conclusions and recommendations upon all matters referred to it."

1 Section 2. G.S. 135-103 is amended by adding a new subsection to read:
2 "(c) A person receiving benefits who returns to contributing membership service
3 in the Teachers' and State Employees' Retirement System or the Optional
4 Retirement Program shall not become an eligible participant, as defined in subsection
5 (a) of this section, and such person shall not be eligible for additional disability
6 benefits on account of becoming disabled for the further performance of the
7 subsequent State employment, while receiving benefits under this Article."

8 Section 3. G.S. 135-105 reads as rewritten:

9 "**§ 135-105. Short-term disability benefits.**

10 (a) Upon the application of a participant or of his or her legal representative or
11 any person deemed by the Board of Trustees to represent the participant, Any any
12 participant who becomes disabled and is no longer able to perform his usual
13 occupation may, after at least 365 calendar days succeeding his date of initial
14 employment as a teacher or employee and at least one year of contributing
15 membership service, receive a benefit commencing on the first day succeeding the
16 waiting period; provided the participant makes application for such benefit within 90
17 days after the onset of disability as determined under G.S. 135-104(a), after salary
18 continuation payments cease, or after monthly payments for workers' compensation
19 cease, whichever is later; provided further that the participant's employer and
20 attending physician Medical Board shall certify that such participant is mentally or
21 physically incapacitated for the further performance of duty, that such incapacity was
22 incurred at the time of active employment and has been continuous thereafter; but
23 the Medical Board shall not certify any participant as disabled who is in receipt of
24 any payments on account of the same incapacity which existed when the participant
25 first established membership in the Retirement System, provided further that the The
26 requirement for one year of contributing membership service must have been earned
27 within 36 calendar months immediately preceding the date of disability and further,
28 salary continuation used during the period as provided in G.S. 135-104 shall count
29 toward the aforementioned one year requirement. The Board of Trustees may extend
30 the 90-day filing requirement upon receipt of clear and convincing evidence that the
31 application was delayed due to the employer's miscalculation of the end of the 90-day
32 filing period. However, in no instance shall the filing period be extended beyond an
33 additional 90 days.

34 Notwithstanding the requirement that the incapacity was incurred at the time of
35 active employment, any participant who becomes disabled while on an employer
36 approved leave of absence and who is eligible for and in receipt of temporary total
37 benefits under The North Carolina Workers' Compensation Act, Article 1 of Chapter
38 97 of the General Statutes, will be eligible for all benefits provided under this Article.

39 (b) The benefits as provided for in subsection (a) of this section shall commence
40 on the first day following the waiting period and shall be payable for a period of 365
41 days as long as the participant continues to meet the definition of disability. However,
42 a disabled participant may elect to receive any salary continuation as provided in
43 G.S. 135-104 in lieu of short-term disability benefits; provided further, such election
44 shall not extend the 365 days duration of short-term payments. An election to receive

1 any salary continuation for any part of a given day shall be in lieu of any short-term
2 benefit otherwise payable for that day, provided further, any lump-sum payout for
3 vacation leave shall be treated as if the beneficiary or participant had exhausted the
4 leave and shall be in lieu of any short-term benefit otherwise payable.

5 (c) (See note) The monthly benefit as provided in subsection (a) of this section
6 shall be equal to fifty percent (50%) of 1/12th of the annual base rate of
7 compensation last payable to the participant prior to the beginning of the short-term
8 benefit period as may be adjusted for percentage increases as provided under G.S.
9 135-108 plus fifty percent (50%) of 1/12th of the annual longevity payment to which
10 the participant would be eligible, to a maximum of three thousand dollars (\$3,000)
11 per month reduced by monthly payments for Workers' Compensation to which the
12 participant may be entitled. The monthly benefit shall be further reduced by the
13 amount of any payments from the federal Veterans Administration, any other federal
14 agency, or any payments made under the provisions of G.S. 127A-108, to which the
15 participant or beneficiary may be entitled on account of the same disability. Provided,
16 that should a participant have earnings in an amount greater than the short-term
17 benefit, the amount of the short-term benefit shall be reduced on a dollar-for-dollar
18 basis by the amount that exceeds the short-term benefit.

19 (d) The provisions of this section shall be administered by the employer and
20 further, the benefits during the first six months of the short-term disability period
21 shall be the full responsibility of and paid by the employer; Provided, further, that
22 upon the completion of the initial six months of the short-term disability period, the
23 employer will continue to be responsible for the short-term benefits to the
24 participant, however, such employer shall notify the Plan, at the conclusion of the
25 short-term disability period or upon termination of short-term disability benefits, if
26 earlier, of the amount of short-term benefits paid and the Plan shall reimburse the
27 employer the amounts so paid.

28 (e) During the short-term disability period, a beneficiary may return to service for
29 trial rehabilitation for periods of not greater than 40 continuous days of service. Such
30 return will not cause the beneficiary to become a participant and will not require a
31 new waiting period or short-term disability period to commence unless a different
32 incapacity occurs. The period of rehabilitative employment shall not extend the
33 period of the short-term disability benefits.

34 (f) A participant or beneficiary of short-term disability benefits or his legal
35 representative or any person deemed by the Board of Trustees to represent the
36 participant or beneficiary, or the employer of the participant or beneficiary, may
37 request the Board of Trustees to have the Medical Board make a determination of
38 eligibility for the short-term disability benefits as provided in this section or to make
39 a preliminary determination of eligibility for the long-term disability benefits as
40 provided in G.S. 135-106. A preliminary determination of eligibility for long-term
41 disability benefits shall not preclude the requirement that the Medical Board make a
42 determination of eligibility for long-term disability benefits.

43 (g) Upon the application of a beneficiary or participant or his or her legal
44 representative or any person deemed by the Board of Trustees to represent the

1 beneficiary or participant. The the Board of Trustees may extend the short-term
2 disability benefits of a beneficiary or participant beyond the benefit period of 365
3 days for an additional period of not more than 365 days; provided the Medical Board
4 determines that the beneficiary's or participant's disability is temporary and likely to
5 end within the extended period of short-term disability benefits. benefits; provided
6 further, the beneficiary or participant makes application for such benefit within 90
7 days after the short-term disability period ceases, after salary continuation payments
8 cease, or after monthly payments for workers' compensation cease, whichever is later.
9 The Board of Trustees may extend this 90-day filing requirement upon receipt of
10 clear and convincing evidence that the application was delayed due to the employer's
11 miscalculation of the end of the 90-day filing period. However, in no instance shall
12 the filing period be extended beyond an additional 90 days. During the extended
13 period of short-term disability benefits, payment of benefits shall be made by the Plan
14 directly to the beneficiary."

15 Section 4. G.S. 135-111 reads as rewritten:

16 "**§ 135-111. Applicability of other pension laws.**

17 Subject to the provisions of this Article, the provisions of G.S. 135-9, entitled
18 "Exemption from taxes, garnishment, attachment, etc."; G.S. 135-10, entitled
19 "~~Protection against fraud~~"; and G.S. 135-17, entitled 'Facility of payment' shall be
20 applicable to this Article and to benefits paid pursuant to the provisions of this
21 Article."

22 Section 5. Article 6 of Chapter 135 is amended by adding a new section
23 to read:

24 "**§ 135-115. Protection against fraud.**

25 A participant, beneficiary, physician, or any other person who shall knowingly make
26 any false statement or shall falsify or permit to be falsified any record or records,
27 including medical, in an attempt to defraud the Plan shall be guilty of a Class 1
28 misdemeanor. Should any false statement or falsified record or records result in a
29 beneficiary receiving more than he or she would have been entitled to receive had
30 the records been correct, such overpayment of benefits may be offset against any
31 short-term or long-term benefit, any retirement allowance, return of contributions, or
32 any other right accruing under this Chapter to the same person, the person's estate,
33 or designated beneficiary. The Board of Trustees may contract with such private
34 investigators as it deems necessary to investigate reports of abuse or fraud. Private
35 investigators shall be paid fees commensurate with the usual, customary, and
36 reasonable charges for such investigations, as determined by the Board of Trustees."

37 Section 6. This act becomes effective October 1, 1998, and applies to
38 disability applications filed on or after that date.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 19, 1998

MEMORANDUM

TO: Representative Carolyn Russell

FROM: Stanley Moore *Sm*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1669

Re: To make changes in the Disability Income Plan for Teachers and State Employees

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, June 9, 1998
- (3) Actuarial Note. Hartman & Associates, June 11, 1998

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1669

SHORT TITLE: Improve Disability Income Plan

SPONSOR(S): Representatives Russell and Hurley

SYSTEM AFFECTED: Disability Income Plan of North Carolina

BILL SUMMARY: :

Section 1. Under present law, the Department of State Treasurer and the Board of Trustees is authorized to designate a Medical Board to be composed of between three and five doctors. This section amends the provision relating to the administration of the Disability Income Plan to allow the Department and the Board of Trustees to designate more than one Medical Board and to increase the maximum number of doctors on the Medical Boards from five to ten. It also clarifies that it is the responsibility of the participant to provide medical proof of disability, and also adds language to clarify that, in the event the Medical Board retains and independent medical consultant to provide information, it may determine the fees to be paid to the independent consultant.

Section 2. Amends the description of "eligible participants" to clarify that a beneficiary of disability benefits who returns to State employment does not again become a participant in the Plan and is ineligible to receive additional disability benefits as a result of becoming disabled from the second State employment.

Section 3. Makes several changes to the provision governing eligibility for short-term disability benefits, including:

- creating a requirement that the participant apply for disability benefits within 90 days after the onset of disability, the cessation of salary continuation payments, or the cessation of Workers' Compensation payments, whichever is later;
- changing the party responsible for making the determination of disability from the participant's employer and physician to the Medical Board. This is the way the determination is made for long term disability, except that the filing period is 180 days in the long term disability context;
- authorizing the Board of Trustees to extend the 90 day filing period up to an additional 90 days, if it determines that the application was delayed by employer error;
- creating a 90 day filing requirement for extension of short-term disability benefits, with authorization for the Board to extend it up to an additional 180 days.

Section 4. Makes a conforming change to delete reference to a section of law which is being added to this Article by a subsequent amendment.

Section 5. Adds a new provision to this Article entitled **Protection against fraud.** This provision makes it a Class 1 misdemeanor to knowingly make false statements or to falsify records in an attempt to defraud the Plan. The new provision also authorizes the Board of Trustees to contract with private investigators to investigate reports of abuse or

fraud. The Board may determine usual, customary and reasonable fees for any private investigator which it retains.

EFFECTIVE DATE: October 1, 1998.

ESTIMATED IMPACT There would not be any cost to the Disability Income Plan since this bill does not increase any benefits. There would be a significant increase in the administrative cost.

ASSUMPTIONS AND METHODOLOGY: Disability Income Plan of North Carolina for Teacher's & State Employees: Claim cost for LTD benefits were calculated using the one-year term cost method, i.e., the cost of coverage is the present value of all LTD benefit payments that will be made on expected claims incurred during the year following the calculation date. Claims cost for STD benefits were calculated on a pay-as-you-go basis. LTD claim liabilities are equal to the present value as of the valuation date of all future LTD payments to be made for disabilities incurred up to that date, net of Plan offsets payable. The present value of claim liabilities was determined by discounting the future net benefits payable for interest and for the probability of termination of disability. The plan assumes 7.5% interest, compounded annually. The assumed rate of approval for Social Security disability benefits prior to completion of four years of disability from the conclusion of the waiting period is 75%. Social Security disability benefits are assumed to increase by 4% per year. The across-the-board salary increases are assumed to be 6% per year.

SOURCES OF DATA: : Retirement System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: June 19, 1998

June 9, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

House Bill 1669

Dear Mr. Pruitt:

We have received your letter of June 1 regarding House Bill 1669 which affects the Disability Income Plan.

The proposed legislation transfers the responsibility of certifying medical disability during the short-term disability benefit period from the "participant's employer and attending physician" to the Medical Board of the Retirement System.

This legislation appears to specify that a beneficiary under the Plan, who returns as a contributing member of the Teachers' and State Employees' Retirement System while in receipt of disability benefits, shall not be eligible to receive additional disability benefits on account of becoming disabled to perform the duties of the subsequent employment.

Further, the proposed legislation appears to require that a participant must make application for short-term disability benefits under the Plan and imposes a 90-day filing requirement following the later of: the onset of disability; the end of salary continuation; or the end of Workers' Compensation payments. Additionally, the legislation requires the participant to make application for extended short-term disability benefits under the Plan within 90 days following the later of: the end of the short-term disability benefit period; the end of salary continuation; or the end of Workers' Compensation benefits.

The legislation also appears to prohibit the payment of short-term disability benefits on any disability which existed at the time the participant established membership in the Retirement System and tracks the language in the laws governing long-term disability benefits under the plan.

There would be no cost to the Disability Income Plan for this legislation. However, there would be a significant increase in administrative costs.

Mr. Jack Mr. Jack Pruitt

June 9, 1998

Page 2

The proposed changes made in this legislation, specifically as outlined in paragraphs 3 through 5, could, perhaps, be problematic in view of the adverse court decisions in the Faulkenbury and Bailey cases.

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

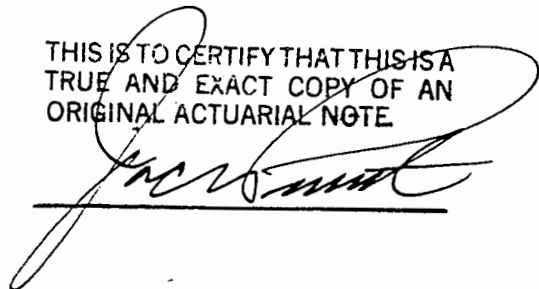
Sincerely,



Donald M. Overholser
Principal and Consulting Actuary

DMO:jg
K:\HOME\ACT\NCTE\H81669.DOC
JC 3029 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



BUCK
CONSULTANTS

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

June 11, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: House Bill 1669: An Act to Amend the Law Governing the Disability Income Plan of North Carolina to Require That the Determination of Disability Be Made By the Plan's Medical Board and To Make Certain Other Changes

Dear Mr. Moore:

This bill amends various provisions of the Disability Income Plan of North Carolina. These provisions are primarily related to administrative procedures.

Section 1 amends G.S. 135-102 to require that the determination of disability be made by the plan's Medical Board. The board is expanded to include not more than ten physicians, and multiple boards may exist. The Medical Board may retain other physicians as needed.

Section 2 amends G.S. 135-103 to provide that a person receiving benefits who returns to service is not an eligible participant for purposes of receiving additional disability benefits.

Section 3 amends G.S. 135-105 to require a participant or his legal representative to apply for disability benefits within 90 days of the later of the date of disability, the date salary continuation ceases, or the date workers' compensation ceases. The Board of Trustees may extend this deadline for an additional 90 days in certain circumstances. The application requirements also applies to extensions of the benefit period beyond 365 days.

Section 5 adds G.S. 135-115 to add protection against fraud. This provision would make an attempt to defraud the plan a Class 1 misdemeanor. If the fraud resulted in a beneficiary receiving additional benefits, the excess may be offset against future disability or retirement allowances.

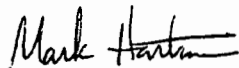
Mr. Stanley Moore
June 11, 1998

Page 2

This act becomes effective October 1, 1998 and applies to disability applications filed on or after that date. The overall financial impact on benefit payments is expected to be negligible. The act may produce additional administrative costs to the plan.

If you have any questions, let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By: Stanley Moore Date: 6-19-98
Legislative Fiscal Research

Attachment 2



State of North Carolina
Department of the Treasurer

June 23, 1998

HARLAN E. BOYLES
STATE TREASURER

325 NORTH SALISBURY STREET
RALEIGH, NORTH CAROLINA 27603-1385

The Honorable Carolyn B. Russell
North Carolina General Assembly
Legislative Building, Room 2207
Raleigh, North Carolina 27601-1096

Re: House Bill 1669

Dear Representative Russell:

We are writing relative to House Bill 1569, An Act to Amend the Law Governing the Disability Income Plan of North Carolina to Require That the Determination of Disability Be Made by the Plan's Medical Board and to Make Certain Other Changes. As you know, we believe that the changes embodied in your Bill will strengthen the Disability Income Plan.

We do wish to confirm previous discussions our staff has had with both you and the House Select Committee for Personnel Review concerning the need for additional administrative positions to implement the proposed changes. We have analyzed the proposed changes and have determined the need for six positions, two salary grade 59 positions, two salary grade 61 positions, one salary grade 63 position, and one salary grade 68 position. We believe these additional positions will enable us to comply with the requirements of this legislation and the Committee's desires at a cost that is far less than the current methodology requires. Also, since we are a receipt supported program, no General Fund monies will be required. We are, therefore, seeking your assistance in securing these additional administrative positions.

You may wish to refer to the enclosed actuarial note prepared by Buck Consultants dated June 9, 1998. In this note, the actuary states that while there would be no cost to the Disability Income Plan for this legislation, there would be a significant increase in administrative costs.

We appreciate your interest in the Disability Income Plan and your support in assisting us in securing these additional administrative positions. As always, please contact us if you require any assistance in this or any other matter.

Sincerely,

Harlan E. Boyles

Enclosure

cc: Representative John W. Hurley
Representative Wilma M. Sherrill
Representative William Ives



File - Disability
Attachment VI
B. 11
(check #)
MAY 29 1998

North Carolina Department of Crime Control and Public Safety

James B. Hunt Jr., Governor

Richard H. Moore, Secretary

May 27, 1998

The Honorable Harlan E. Boyles
State Treasurer
Albemarle Building
Raleigh, NC 27603-1388

Harlan
Dear Mr. Boyles:

I wanted to share with you a concern I have about the way disability proceedings work in state government. This is an area I'm relatively unfamiliar with and I hope you will be able to shed some light on the subject.

During my brief tenure at Crime Control, I've seen two instances when an employee has used the disability process in order to avoid disciplinary actions being taken against them. If it happens at least once a year in this agency, I am worried that it may happen on a greater scale throughout state government.

In both instances in my Department, the employee had either poor performance reviews or active written warnings. When dismissal appeared imminent, these employees suddenly complained of ailments that prevented them from returning to work on a full-time basis. In one case, the employee was unable to work at all.

As I understand it, when a person is on short-term disability, the agency's hands are tied; we cannot replace the missing individual and their workload must be dispersed among others in the work unit. The other workers are given no additional compensation for taking on extra work. Particularly in the two cases I am mentioning here, these situations cause terrible morale problems. While we could establish a policy within our agency to disallow Leave Without Pay status for disability purposes, this approach would produce harsh results and unfairly penalize those with legitimate claims.

In one case in this department, the person on disability obtained a real estate license and engaged in the business of brokering properties, while collecting full benefits. Her peers saw her frequently in the community working at another part-time job. Meanwhile, her work unit had to take up the slack to ensure her duties were performed.



The Honorable Harlan E. Boyles
May 27, 1998
Page Two

Certainly I understand the need for compensating those who are truly unable to do their work. I support helping loyal state employees get back on their feet. But I am concerned about those few who abuse the system, sometimes for years, and against whom the agency seemingly has no recourse.

If I understand the process correctly, the employee presents a letter from his physician stating the disability and that he cannot perform the specific tasks as outlined in the job description. The Medical Review Board then decides whether the illness merits short-term or long-term disability status. I'm told that it is rare that the Board questions the decision of another physician.

It seems to me that there must be some way to have greater oversight for these matters. Perhaps we can institute some type of adversarial proceeding in which the agency can refute the employee's claim. Possibly we could require the claimant to be examined by a physician of our choosing. Certainly in this Department we could utilize our Highway Patrol physician's expertise.

If we (the agency) research FMLA eligibility and find that the employer's second opinion information conflicts with the employee's own physician's report, can we submit the contrary physician's documentation? If this is allowed, how much weight will it have in the determination of whether a benefit is paid from this agency's budget to the employee?

While I realize that the system works the way it should for the majority of situations, I am frustrated by the abuses I have seen. I welcome your advice on how this department can better address these issues and appreciate your assistance.

Thanks for
your attention to
this issue - it
has really
gotten under
my skin.

RHM:sp

Sincerely,



Richard H. Moore
Secretary



North Carolina General Assembly Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

Attachment VII

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 23, 1998

MEMORANDUM

To: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee.

From: Karen Cochrane Brown, Committee Counsel *KB*

Re: House Bill 1669 - Improve Disability Income Plan.

A SECTION BY SECTION ANALYSIS

Section 1.

Under present law, the Department of State Treasurer and the Board of Trustees is authorized to designate a Medical Board to be composed of between three and five doctors. This section amends the provision relating to the administration of the Disability Income Plan to allow the Department and the Board of Trustees to designate more than one Medical Board and to increase the maximum number of doctors on the Medical Boards from five to ten. It also clarifies that it is the responsibility of the participant to provide medical proof of disability, and also adds language to clarify that, in the event the Medical Board retains and independent medical consultant to provide information, it may determine the fees to be paid to the independent consultant.

Section 2.

Section 2 amends the description of "eligible participants" to clarify that a beneficiary of disability benefits who returns to State employment does not again become a participant in the Plan and is ineligible to receive additional disability benefits as a result of becoming disabled from the second State employment.

Section 3.

This section makes several changes to the provision governing eligibility for short-term disability benefits, including:

- creating a requirement that the participant apply for disability benefits within 90 days after the onset of disability, the cessation of salary continuation payments, or the cessation of Workers' Compensation payments, whichever is later;
- changing the party responsible for making the determination of disability from the participant's employer and physician to the Medical Board. This is the way the determination is made for long term disability, except that the filing period is 180 days in the long term disability context;
- authorizing the Board of Trustees to extend the 90 day filing period up to an additional 90 days, if it determines that the application was delayed by employer error;
- creating a 90 day filing requirement for extension of short-term disability benefits, with authorization for the Board to extend it up to an additional 180 days.

Section 4.

This section makes a conforming change to delete reference to a section of law which is being added to this Article by a subsequent amendment.

Section 5.

This section adds a new provision to this Article entitled **Protection against fraud.** This provision makes it a Class 1 misdemeanor to knowingly make false statements or to falsify records in an attempt to defraud the Plan. The new provision also authorizes the Board of Trustees to contract with private investigators to investigate reports of abuse or fraud. The Board may determine usual, customary and reasonable fees for any private investigator which it retains.

Section 6.

Section 6 makes the act effective October 1, 1998, and makes it applicable to disability applications filed on or after that date.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

July 15, 1998
Room 415
12:00 Noon

AGENDA

1. OPENING REMARKS

Representative McCombs, Vice Chairman

2. BILLS TO BE CONSIDERED

House Bill 1396 Winston-Salem Firemen's
Retirement

Sponsor: Representative Gray

~~House Bill 1516 Retirement Benefits Act~~

~~Sponsor: Representative Barbee~~ *postponed*

Senate Bill 1138 Credit for Probationary
Employment

Sponsor: Senator Hartsell

3. ADJOURNMENT

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
July 15, 1998

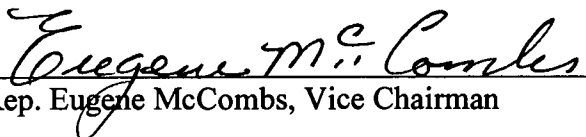
The House Committee on Pensions and Retirement met in Room 415 of the Legislative Office Building on July 15, 1998 at 12:00 Noon. Due to the absence of Representative Barbee, Committee Chairman, Representative McCombs, Vice Chairman, called the meeting to order. He recognized the pages assigned to the committee, Kathleen Cure of Pittsboro, N. C. and Jenny Holmes of Raleigh, N. C. The visitors present signed the Visitor Registration Sheet (Attachment I). Members present for the meeting were Representatives Rogers, Beall, Gray, McCrary, Mercer, Oldham, G. Wilson and Yongue.

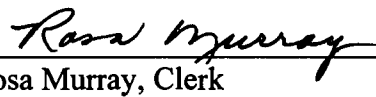
Representative McCombs called on Representative Gray to explain his House Bill 1396, An Act to Amend the Provisions of the Winston-Salem Firemen's Fund Association. He advised the committee that the Winston-Salem Firemen's Retirement Fund Association has too many retirees in it and unless some changes are made, it will go bust. This bill would fix it. He stated that the Firemen's Association approves it. A proposed committee substitute bill H1396-PCS7473, prepared by Stanley Moore, Fiscal Analyst, was distributed (Attachment II). A memorandum covering this bill prepared by Theresa Matula of the Research Division (Attachment III) was passed to members. Representative Yongue made motion for a favorable report on the committee substitute and unfavorable on the original bill. The vote was unanimous in favor of the committee substitute.

Senator Hartsell was recognized to present his Senate Bill 1138, an Act to Allow Members of the Teachers' and State Employees' Retirement System to Purchase Credit for Probationary Employment With a Local Government. It permits members to purchase time served on a probationary basis and there is no cost to the state. Karen Cochrane-Brown distributed a memorandum explaining this bill (Attachment IV). Representative G. Wilson made motion for a favorable report on Senate Bill 1138. The vote was unanimous in favor of the bill.

Representative McCombs advised that since Representative Barbee wasn't present, the committee would not take up House Bill 1516, Retirement Benefits Act.

The meeting was adjourned at 12:18 P.M.


Rep. Eugene McCombs, Vice Chairman


Rosa Murray, Clerk

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) McCombs for the Committee on **PENSIONS AND RETIREMENT.**

☐ Committee Substitute for

H.B. 1396 A BILL TO BE ENTITLED AN ACT TO AMEND THE PROVISIONS OF
THE WINSTON-SALEM FIREMEN'S FUND ASSOCIATION.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐

☒ With a favorable report as to committee substitute bill (~~#~~), ☐ which changes the title;
unfavorable as to original bill (~~Committee Substitute Bill #~~), (and recommendation
~~that the committee substitute bill #~~ be re-referred to the Committee on ~~the~~)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1396

Short Title: Winston-Salem Firemen's Retirement.

(Local)

Sponsors: Representatives Gray; Womble and Sexton.

Referred to: Pensions and Retirement.

May 21, 1998

1 A BILL TO BE ENTITLED

2 AN ACT TO AMEND THE PROVISIONS OF THE WINSTON-SALEM
3 FIREMEN'S FUND ASSOCIATION.

4 The General Assembly of North Carolina enacts:

5 Section 1. Chapter 388 of the 1973 Session Laws, as amended by Chapter
6 15 of the 1977 Session Laws, Chapter 284 of the 1979 Sessions Laws, Chapter 647 of
7 the 1981 Session Laws, Chapter 464 of the 1983 Session Laws, Chapter 508 of the
8 1987 Session Laws, and Chapter 793 of the 1989 Session Laws, reads as rewritten:

9 "Sec. 1. That the name of the Association herein established shall be Winston-
10 Salem Firemen's Retirement Fund Association, hereinafter referred to as the
11 Association. References to the Association as of a date prior to April 3, 1979, and
12 following July 1, 1973, shall mean the Winston-Salem Fire-Public Safety Retirement
13 Fund Association, which was the name of the Association during such period.

14 Sec. 2. Subject to the provisions of Section 16 hereof, the following persons shall
15 automatically be members of the Association:

16 (a) As of July 1, 1987, any person who was a member of the Association following
17 the close of business of the Association immediately preceding such date.

18 (b) As of July 1, 1987, and thereafter, any person not covered under (a) above
19 who shall have been regularly and continuously employed full time by the Fire
20 Department of the City of Winston-Salem (hereinafter referred to as the Fire
21 Department), including any Fire Department mechanic or electrician, who shall have
22 attained his 18th birthday and shall not have attained his 40th birthday. Any person
23 not covered under (a) above who was hired by the Fire Department prior to July 1,
24 1987, and continues to be employed by the Fire Department on such date, and who

1 had attained his 30th birthday when hired but had not then attained his 40th
2 birthday, may elect within 90 days following July 1, 1987, to become a member by
3 contributing to the Association the sum of twelve dollars (\$12.00) per month from his
4 date of hire by the Fire Department, plus interest at the rate of eight percent (8%),
5 applicable to any payments made on and after July 1, 1989, per annum, computed on
6 the amount accrued as of the end of each fiscal year of the Association.

7 (c) Notwithstanding the provisions of subsection (b) immediately preceding, as a
8 condition to any person's becoming a member of the Association pursuant to the
9 provisions of subsection 2(b) or 16(a), the Trustees may require such person to
10 undergo a physical examination by a physician or physicians of good standing or
11 repute selected by the Trustees. If it shall be found from such physician's report that
12 such person is not in good physical or mental condition as of the date he would be
13 eligible to become a member of the Association, such person shall be denied
14 membership in the Association. The determinations of whether or not such person
15 shall be required to undergo a physical examination and whether or not he is in good
16 physical or mental condition shall be made by the Trustees. In making such
17 determinations, all persons similarly situated shall be treated alike. The cost of any
18 medical examination required pursuant to the provisions of this subsection (c) shall
19 be borne by the person seeking membership in the Association.

20 Sec. 3. The Association may provide and raise funds in any legal manner to be
21 used as a pension fund for such person or persons as may be entitled thereto under
22 the provisions of this act and to such extent as is hereinafter set out.

23 Sec. 4. The governing body of the Association shall consist of a Board of Trustees
24 five in number, four from the membership of the Fire Department, and one to be
25 appointed by the Insurance Commissioner of the State of North Carolina.

26 Sec. 5. The Trustees from the membership of the Fire Department shall be elected
27 by the members of the Fire Department for four-year terms. Such terms shall be
28 staggered, so that two of the Trustees shall be elected during the month of January of
29 each year ~~evenly divisible by two. Prior to each election, each fire company may, by~~
30 ~~majority vote of the active members of the company, nominate one candidate for~~
31 ~~election as Trustee. Only members of the Association, in good standing, who have~~
32 divisible evenly by two. Trustees that are slated to leave the Board are automatically
33 candidates for reelection unless they choose not to serve another term. In addition,
34 the elected Association Trustees shall select from the members of the Fire
35 Department four members in good standing, each of whom continuously served in
36 the Fire Department for a period of at least four years shall be eligible for election as
37 Trustees. The two nominees receiving the highest number of votes cast in such
38 election shall be elected. years. A general election shall then be held by the
39 membership of the Fire Department to elect from the list of candidates two Trustees
40 to serve a four-year term. Each member of the Fire Department in good standing
41 may cast two votes for the member's choice of nominees. The nominee receiving the
42 highest number of votes in the election will be a member of the Winston-Salem
43 Firemen's Relief Fund Board as well as the Association Board. In the event that a
44 Trustee is unable to complete the Trustee's term, the nominee receiving the next

1 highest number of votes in the last election held and who is not then serving as a
2 Trustee shall complete the unexpired term of the Trustee who resigned from the
3 Board. A tie shall be resolved by casting lots. ~~In such election, each member of the~~
4 ~~Association in good standing may vote for two nominees. For purposes of this~~
5 ~~Section 5, the administrative offices of the Fire Department shall be deemed to be a~~
6 ~~fire company.~~

7 Sec. 6. Any Trustee may resign at any time by giving notice in writing to the other
8 Trustees. Should any Trustee who is a member of the Fire Department cease to be a
9 member of the Fire Department for any reason, he shall automatically cease to be a
10 Trustee. With regard to any Trustee elected by the members of the Association who
11 resigns or ceases to be a Trustee for any reason, his successor shall be elected as
12 provided in Section 5 of this act; ~~provided, that such election shall be held as soon as~~
13 ~~practicable following such resignation or cessation, each member of the Association~~
14 ~~in good standing may vote for only one nominee, the one nominee receiving the~~
15 ~~highest number of votes shall be elected, and the election shall be only for the~~
16 ~~remaining unexpired term of the predecessor Trustee.~~ act. Should the Trustee who
17 was appointed by the Insurance Commissioner of the State of North Carolina resign
18 or cease to be a Trustee for any reason, his successor shall be appointed by the said
19 Insurance Commissioner.

20 Sec. 7. The Board of Trustees is herein fully vested with the exclusive right and
21 authority to pay out the funds of this Association, as provided for in this act. All
22 matters and claims provided for under this act shall be passed upon by said Trustees
23 and all decisions and actions of said Trustees shall be binding upon the Association
24 and the members thereof. Every Trustee shall be entitled to one vote except the
25 chairman of the Board of Trustees, who shall be entitled to vote only to break a tie.
26 At every annual meeting of the Board of Trustees, the Trustees shall elect a
27 chairman, vice-chairman, secretary and treasurer. The secretary and treasurer need
28 not be Trustees, and the offices of secretary and treasurer may be combined into a
29 single office, in the discretion of the Trustees. The annual meeting of the Board of
30 Trustees shall be held as soon as is practicable following the end of each calendar
31 year at such place and at such time as shall be determined by the Trustees.

32 Sec. 8. The secretary of the Association (or the secretary-treasurer if such offices
33 shall be combined into a single office) shall be entitled to receive monthly
34 compensation in an amount not to exceed one hundred dollars (\$100.00) per month,
35 ~~as determined by the Trustees.~~ the amount of the monthly normal retirement benefit
36 payable for the month for which compensation is payable, determined pursuant to
37 Section 19 of this act. The Trustees, as such, including the chairman and the vice-
38 chairman, shall serve without compensation. The Trustees may authorize
39 reimbursement by the Association to any officer or Trustee of the Association for all
40 expenses incurred by such person in connection with services rendered in behalf of
41 the Association.

42 Sec. 9. The Trustees shall elect a custodian of all funds and property of the
43 Association, provided that such custodian shall have first offered proof satisfactory to
44 the Trustees, by bond or otherwise, that it is and will be financially responsible for all

1 property coming into its hands in a fiduciary capacity. Said custodian shall not
2 release any of the funds or property of the Association for reasons other than
3 investment of such funds or property except upon the written authorization of the
4 Trustees.

5 The Trustees shall also elect an investment manager who may or may not be the
6 same person as the custodian. Any such investment manager shall be a bank, or an
7 insurance company, or an entity registered under the Investment Advisor's Act of
8 1940. The investment manager shall be authorized to invest and reinvest the funds or
9 property of the Association in the investment manager's own judgment and
10 discretion. The investment manager shall report to the Trustees on a periodic basis,
11 but not less frequently than each calendar quarter. The investment manager
12 (including said custodian when acting as investment manager) shall not be liable to
13 the Association for any act of failure to act by it, except for gross negligence or
14 willful misconduct.

15 Sec. 10. A special meeting of the Board of Trustees may be called by the
16 chairman or vice-chairman, or by any two Trustees, upon 24 hours' written notice
17 delivered in person to the members of said Board or mailed to the last known
18 address of each member of said Board. A majority of the Trustees in office shall
19 constitute a quorum at any meeting and a majority vote of the Trustees at a meeting
20 at which a quorum is present shall constitute action by the Trustees.

21 Sec. 11. The chairman of the Board of Trustees, when present, shall preside at all
22 meetings. In the absence of the chairman, the vice-chairman shall act as chairman.

23 Sec. 12. The secretary shall keep in complete form such data as shall be necessary
24 for actuarial valuation of the funds of the Association and for checking the
25 disbursements for and on behalf of the Association. He shall keep minutes of all
26 proceedings of the Board of Trustees and of the Association, and the same shall be
27 kept in a place selected by the Trustees. The treasurer of the Association shall post
28 yearly at each fire station and at the office of ~~each police district~~, fire administration,
29 as soon as practicable following the end of each year, a financial statement of the
30 Association.

31 Sec. 13. The treasurer of the Association shall deposit with the custodian all funds
32 and property that may come into his hands for the Association. The said treasurer
33 shall obtain a receipt from the custodian for all funds and property delivered to the
34 custodian by the treasurer. Said custodian shall invest and reinvest such funds and
35 property as directed by the investment manager appointed under Section 9.
36 Notwithstanding any contrary provisions of Section 9 or of this section, the Trustees
37 are specifically authorized and empowered to invest funds of the Association by
38 depositing such funds with the Winston-Salem Firemen's Credit Union on condition
39 that the Association shall receive interest at an annual rate agreed upon by the
40 Association and such credit union.

41 Sec. 14. The custodian and the investment manager shall receive compensation for
42 services rendered as may be agreed upon from time to time in writing by the Trustees
43 and by the custodian (with respect to services rendered by the custodian) or the
44 investment manager (with respect to services rendered by the investment manager).

1 The Trustees shall have the authority to employ legal counsel when, in the opinion of
2 the Trustees, legal counsel is necessary. In case of such employment, said counsel
3 shall be paid such fees as may be fair and reasonable as agreed upon in writing by the
4 Trustees and the counsel so employed.

5 Sec. 15. On or before August 31, 1987, the Board of Trustees of the Winston-
6 Salem Firemen's Relief Fund shall transfer to the Board of Trustees of the Winston-
7 Salem Firemen's Retirement Fund Association out of properties and funds belonging
8 to the Winston-Salem Firemen's Relief Fund the sum of fifty-four thousand dollars
9 (\$54,000) in cash or assets. The assets so transferred pursuant to the immediately
10 preceding sentence shall be transferred upon the basis of the fair market value
11 thereof as of the date of transfer, and the particular assets to be transferred shall be
12 determined by joint action of the Board of Trustees of the Winston-Salem Firemen's
13 Relief Fund and the Board of Trustees of the Winston-Salem Firemen's Retirement
14 Fund Association. All property of the Association is hereby relieved from any and
15 all claims of the persons entitled to relief from the Winston-Salem Firemen's Relief
16 Fund. The North Carolina Firemen's Association, its officers, members, boards and
17 committees, are also hereby relieved of any claim of any kind whatsoever which may
18 be based on past service, present service or future service in the Winston-Salem Fire
19 Department. The Winston-Salem Firemen's Relief Fund and the officers, members,
20 boards and committees of said Fund, are also hereby relieved of any claim of any
21 kind whatsoever which may be based on past, present or future service in the
22 Winston-Salem Fire Department, if any, so long as any claimant is entitled to benefits
23 or pension under the provisions of this act.

24 Sec. 16. (a) Notwithstanding the provisions of subsection (b) immediately
25 following, if a person who shall not be a member of the Association shall be
26 transferred to the employment of the Fire Department from the employment of the
27 City of Winston-Salem (hereinafter referred to as the City), the following provisions
28 shall apply in determining whether he shall be a member of the Association following
29 such transfer:

30 (1) If he shall have attained at least his 18th birthday and shall not
31 have attained his 40th birthday on the date of such transfer, he
32 shall automatically become a member on such date of transfer. In
33 determining such transferred employee's number of years of
34 continuous employment by the City, employment with the City
35 prior to such transfer shall be taken into account only if such
36 employee shall elect to contribute to the Association the ~~amount~~
37 sum of (i) plus (ii) plus (iii), where (i) is the amount of twelve
38 dollars (\$12.00) per month month, measured from the date of his
39 hire by the City until earlier of the date of such transfer, plus
40 interest transfer and June 30, 1998; (ii) is the aggregate amount
41 that the person would have contributed, determined in accordance
42 with Section 17 of this act, measured from July 1, 1998, until the
43 date of the transfer, if the transfer occurs on or after July 1, 1998;
44 and (iii) is interest accrued at the rate of eight percent (8%),

1 ~~applicable~~ (8%) with respect to any payments made on and after
2 July 1, 1989, per annum, ~~computed~~ compounded annually on the
3 amount accrued as of the end of each fiscal year of the
4 Association.

5 (2) If he shall have attained at least his 40th birthday on the date of
6 transfer, but had not attained such birthday when last employed by
7 the City, he may elect within 90 days following such transfer to
8 become a member. If he elects to become a member, he shall
9 contribute to the Association the amount he would have
10 contributed if he had become a member on the day next preceding
11 his 40th birthday. In addition, at the option of such employee, he
12 may further elect to contribute such additional amount as he
13 would have contributed prior to his 40th birthday if his
14 employment with the City had been with the Fire Department.
15 Any such contributions shall include interest at the rate of eight
16 percent (8%), applicable to any payments made on and after July
17 1, 1989, per annum, computed on the amount accrued as of the
18 end of each fiscal year of the Association.

19 (3) If he shall have attained at least his 40th birthday when last
20 employed by the City, he shall be ineligible to become a member
21 following such transfer.

22 (4) The elections specified in subdivisions (1) and (2) hereof shall be
23 made in writing to the Trustees within 90 days following such
24 transfer, and shall be irrevocable when made (subject to
25 termination of membership upon subsequent separation from
26 employment with the Fire Department). Any contributions (and
27 interest) payable pursuant to such election shall be paid in cash in
28 a lump sum at the time such election shall be filed.

29 (b) Notwithstanding the provisions of subsection (a) of Section 2 hereof, as soon
30 as practicable following April 3, 1979, (but in no event more than 60 days thereafter),
31 the Trustees gave each person who was then employed by the City of Winston-Salem
32 as a Public Safety Officer an election to be a member or not to be a member of the
33 Association. Each such election was to be made in accordance with procedures
34 established by the Trustees and was irrevocable when made (subject to termination of
35 membership upon a subsequent separation from the employment of the City, and
36 subject to the provisions of subsection (a) of this Section 16). If a Public Safety
37 Officer failed to file a timely election, he was deemed to have elected not to be a
38 member. If a Public Safety Officer who was a member on the date of the election
39 elected to discontinue membership (or shall have been deemed to have so elected),
40 within 30 days following such date there should have been refunded to him the full
41 amount of his prior contributions to the Association, if any, without interest. If a
42 Public Safety Officer who failed to make contributions prior to the election date
43 elected to be a member, he shall have within 30 days following such election paid to
44 the Association the full amount he would have contributed if he had made required

1 contributions during the entire period that he was eligible to be a member. Such
2 contributions included interest at the rate of six percent (6%) per annum, computed
3 on the amount accrued as of the end of each fiscal year of the Association.

4 (c) Any member whose employment by the Fire Department as a Public Safety
5 Officer shall be terminated on or after June 27, 1981, for any reason, including
6 transfer to another department in the employment of the City, shall be terminated
7 immediately as a member; provided, that any member who is transferred on or after
8 July 1, 1981, to another department of the City in a fire-related job shall not become
9 a terminated member if the following conditions are met: (i) within 15 days following
10 the date of such transfer he shall file with the Trustees a written election to continue
11 as a member; and (ii) such member shall be notified in writing by the secretary of the
12 Association on or before the date of transfer of his right to make the election. If a
13 terminated member shall reenter employment of the Fire Department, his eligibility
14 to become a member shall be determined at that time in accordance with Section 2
15 hereof, except to the extent such individual may be entitled to elect to become a
16 member upon a transfer of employment as provided in subsection (a) of this Section
17 16.

18 (d) In determining the number of years of continuous employment of a member,
19 there shall be taken into account all years for which he shall make contributions in
20 accordance with subsection (a) or (e) of this Section 16 or Section 19. For purposes
21 of computing a member's years of continuous employment with the City, any period
22 of unused sick leave with the Fire Department accrued by the member on the date of
23 his retirement shall be deemed to be a period of continuous employment with the
24 Fire Department.

25 (e) If any member of the Association was employed by the Fire Department as a
26 cadet, such member's number of years of employment as a cadet may be added to the
27 period of his continuous employment with the City if, by July 31, 1981, such member
28 contributed to the Association an amount equal to twelve dollars (\$12.00) per month
29 for the time he was a cadet, plus interest at the rate of six percent (6%) per annum,
30 computed on the amount accrued as of the end of each fiscal year of the Association.

31 (f) If a member has been employed by the City continuously for a period of 10
32 years and has any military service, and is not otherwise treated under Section 26 as
33 being in the employment of the City during the period of such military service, the
34 period of such military service shall nevertheless be added to his period of continuous
35 employment with the City upon such member's paying to the Association an amount
36 equal to twelve dollars (\$12.00) for each month of such military service plus interest
37 at the rate of eight percent (8%), applicable to any payments made on and after July
38 1, 1989, per annum, compounded annually. Such military service shall be limited to
39 the initial period of active duty in the armed forces of the United States up to the
40 time the member was first eligible to be separated or released therefrom, and
41 subsequent periods of such active duty as required by the armed forces of the United
42 States up to the date of first eligibility for separation or release therefrom. The
43 member must submit evidence satisfactory to the Trustees of the military service
44 claimed. Such election must be made within one year after the member first

1 becomes eligible to contribute for such military service. Credit for military service
2 under this subsection shall not be considered service creditable under another
3 retirement system for purposes of G.S. 128-26(a).

4 (g) If an individual who is an active participant in the North Carolina Local
5 Governmental Employees' Retirement System (the 'System') shall terminate service
6 with the employer enabling the individual to participate in the System (the 'System
7 Employer'), and shall immediately enter the employment of the Fire Department, he
8 may elect to have his period of service under the System considered as continuous
9 employment with the Fire Department for purposes of this act; provided, that such
10 election shall be permitted only if the individual was under age 40 when he entered
11 the employment of the System Employer. This election shall be made in writing to
12 the Trustees within 90 days of the individual's commencement of employment with
13 the Fire Department (or, with respect to an individual who becomes employed by the
14 Fire Department prior to July 1, 1989, this election shall be made on or before
15 September 30, 1989). The election, if made, shall be accompanied by a cash
16 contribution to the Association ~~of an amount~~ equal to the sum of (i) plus (ii) plus
17 (iii), where (i) is the amount of twelve dollars (\$12.00) per month during the period
18 of his service under the System, plus interest measured from the date of the person's
19 hiring by the City until the earlier of the transfer and June 30, 1998; (ii) is the
20 aggregate amount that the person would have contributed, determined in accordance
21 with Section 17 of this act, measured from July 1, 1998, until the date of the transfer,
22 if the transfer occurs on or after July 1, 1998; and (iii) is interest accrued at the rate
23 of eight percent (8%) per annum, compounded annually on the amount accrued as of
24 the end of each fiscal year of the Association. The election shall be irrevocable when
25 made. If the election is not made in a timely fashion, the right to make the election
26 is forfeited.

27 Sec. 17. The Treasurer of the City shall make a ~~monthly~~ deduction from the
28 salary of each member of the Association ~~(except for members in the employ of the~~
29 ~~Police Department) due him by the City in the amount directed in writing by the~~
30 ~~Trustees, not to exceed twelve dollars (\$12.00) per month, and the~~ due him by the
31 City. The amount of each such deduction shall be determined as of the first day of
32 each fiscal year of the City, and shall be equal to the quotient obtained by dividing (i)
33 the product, rounded to the nearest dollar, of .007 multiplied by the annual starting
34 salary of a firefighter employed by the Fire Department in effect at the beginning of
35 that fiscal year; by (ii) the number of payroll periods in that fiscal year. The amount
36 so deducted shall be turned over monthly as soon as practicable after the applicable
37 payroll period by the said Treasurer to the custodian of the Association as
38 hereinbefore provided, and the Association shall have the authority to accept
39 donations from any and all sources whatsoever.

40 Sec. 18. If at any time there shall not be sufficient assets in the retirement fund of
41 the Association to pay fully the persons entitled to benefits provided herein, such
42 persons shall be paid such benefits on a pro rata basis to the extent the assets of such
43 fund will allow, as shall be determined by the Trustees; provided, that the assets of
44 such fund determined as of the close of any fiscal year of the Association shall in no

1 event be less than ~~one million five hundred thousand dollars (\$1,500,000)~~. one
2 hundred thirty percent (130%) of the present value of current retirees determined as
3 of the close of that fiscal year. Effective on or after July 1, 1998, the Trustees shall
4 obtain a written report from the Association's actuary as of July 1 of each year evenly
5 divisible by two, or more frequently if the Trustees deem advisable, setting forth the
6 present value of the assets of the fund and the present value of current liabilities of
7 current retirees.

8 Sec. 19. Whenever any member of the Association has been employed by the City
9 continuously for a period off at least 30 years, such member may make written
10 application to the trustees for his normal retirement benefit, and whenever any
11 member of the Association has been employed by the City continuously for a period
12 of at least 25 years but not more than 30 years, such member may make written
13 application to the Trustees for his early retirement benefit; provided, however, that
14 such member must retire from the service of the City to receive such benefits. The
15 normal and early retirement benefits of such member shall be a monthly pension for
16 the remainder of his life, as provided hereinbelow. For this purpose and for the
17 purpose of Section 20 hereof, a member shall be deemed to have been employed by
18 the City continuously if such member shall have been employed continuously by any
19 combination of the Fire Department or Police Department (but only such
20 employment by the Police Department as is described in subsection 16(b) and (c)
21 hereof), and the transfer of a member from the employ of one of such organizations
22 to the employ of the other such organization shall not be deemed to be a termination
23 of employment by the City. Provided, that if a member has at least 25 years of
24 employment with the City, but such service is not continuous solely because of a
25 leave of absence lasting not more than a year and not described in Section 26, such
26 member shall be deemed to have continuous employment with the City during such
27 leave of absence; and provided further, that if a member has less than 25 years of
28 employment with the City but the sum of his years of employment with the City plus
29 any leave of absence lasting not more than one year and not described in Section 26,
30 equals or exceeds 25 years, the period of such leave shall be deemed to be continuous
31 employment with the City if such member contributes to the Association twelve
32 dollars (\$12.00) for each month he was on such leave, plus interest at the rate of eight
33 percent (8%), applicable to any payments made on and after July 1, 1989, per annum,
34 computed on the amount accrued as of the end of each fiscal year of the Association.

35 Effective beginning July 1, 1989, and ending June 30, 1990, the The amount of the
36 monthly pension for each member who is entitled to receive a normal retirement
37 benefit (including members who retired prior to July 1, 1989) shall be two hundred
38 dollars (\$200.00). Effective beginning July 1, 1990, and ending June 30, 1998, the
39 amount of the monthly pension for each member who is entitled to receive a normal
40 retirement benefit, including members who retired prior to July 1, 1990, shall be two
41 hundred fifteen dollars (\$215.00). Effective on and after July 1, 1990, 1998, the
42 amount of the monthly pension for each member who is entitled to receive a normal
43 retirement benefit (including members who retired prior to ~~this that~~ date) shall be
44 ~~two hundred fifteen dollars (\$215.00).~~ two hundred five dollars (\$205.00). The

1 amount of the monthly pension for each member who is entitled to receive an early
2 retirement benefit as of any date prior to July 1, 1998, shall be the product of (1) and
3 (2), where (1) is the applicable percentage listed in the following table based on his
4 years of continuous employment at his early retirement date, and (2) is the amount of
5 the payment that he would have received as a normal retirement benefit under this
6 section as of that date:

7	8	9
	Years of Employment at	Percentage of Normal
	Retirement Date	Retirement Benefit
10	25	85%
11	26	88%
12	27	91%
13	28	94%
14	29	97%

15 Effective on and after July 1, 1998, the amount of the monthly pension for each
16 member who began receiving an early retirement benefit prior to July 1, 1998 shall
17 be further reduced by multiplying the monthly pension amount by 0.9535.

18 Effective on and after July 1, 1998, the amount of the monthly pension of each
19 member who retires on or after that date and is entitled to receive an early
20 retirement benefit shall be the product of (1) the applicable percentage listed in the
21 following table based on the member's years of continuous employment at the
22 member's early retirement date, and (2) the amount of the payment that the member
23 would have received as a normal retirement benefit under this section as of that date:

24	25	26
	<u>Years of Employment at</u>	<u>Percentage of Normal</u>
	<u>Retirement Date</u>	<u>Retirement Benefit</u>
27	<u>25</u>	<u>70%</u>
28	<u>26</u>	<u>76%</u>
29	<u>27</u>	<u>82%</u>
30	<u>28</u>	<u>88%</u>
31	<u>29</u>	<u>94%</u>

32 Payment shall be subject to the provisions of Section 18 of this act. Section 16(d)
33 governs the determinations of a member's years of continuous employment.

34 Sec. 20. Whenever any member of the Association becomes totally and
35 permanently unable, because of infirmity or disease affecting mind or body (whether
36 or not induced by injury) to perform his duties for the City, which inability shall be
37 determined by a medical examination by a physician or physicians of good standing
38 and repute selected by the Trustees, he shall be deemed to be a disabled member. If
39 a disabled member has been employed by the City for at least five full years prior to
40 suffering disability, he shall be entitled to retire and receive a monthly benefit
41 payable for the remainder of his life.

42 Effective beginning July 1, 1989, and ending June 30, 1989, the monthly benefit of
43 a member who retires as a disabled member (including a member who retired as a
44 disabled member prior to July 1, 1989) shall equal eight dollars (\$8.00) times his

1 years of service but in no event more than two hundred dollars (\$200.00) per month.
2 ~~Effective on and after July 1, 1990, beginning July 1, 1990, and ending June 30, 1998,~~
3 the monthly benefit of a member (including a member who retires as a disabled
4 member prior to this date) shall equal eight dollars and sixty cents (\$8.60) times his
5 years of service, but in no event more than two hundred fifteen dollars (\$215.00) per
6 month. Effective on and after July 1, 1998, the monthly benefit of a member who
7 retires as a disabled member, including a member who retires as a disabled member
8 prior to July 1, 1998, shall equal eight dollars and twenty cents (\$8.20) times his years
9 or service, but in no event more than two hundred fifty dollars (\$250.00) per month.
10 For this purpose only, years of service shall mean the number of his earned years of
11 service in the employment of the City (as determined pursuant to Section 16(d) of
12 this act). Payments shall be subject to the provisions of Section 18 of this act.
13 Notwithstanding the foregoing provisions of this Section 20, in the case of a
14 disabled member whose disability shall arise out of injuries incurred in fire safety
15 activities, such as fire fighting, fire training and fire inspection, such monthly benefit
16 shall in no event be less than forty dollars (\$40.00) per month, whether or not such
17 disabled member was employed by the City for at least five years prior to suffering
18 such disability. The determination of whether such disability arises out of injuries
19 incurred in fire safety activities shall be made by the Trustees.
20 Sec. 21. Any disabled member of the Association who retires under Section 19
21 hereof and who had not been employed by the City for a period of at least 30 years
22 prior to retirement, shall be subject to call by the Trustees for reexamination by a
23 physician of good standing and repute selected by the Trustees and, if based upon
24 such examination it is determined by the Trustees that such member is able to
25 perform active duties for the City, such member may be reinstated and receive for his
26 services the same compensation paid to other employees of the City of his rank or
27 classification. If such member, upon being called by the Trustees, shall refuse to
28 submit to an examination or shall refuse to be reinstated to active duty in the employ
29 of the City after being found to be able to perform active duty, such benefits as he is
30 then receiving under the provisions of this act shall immediately terminate and his
31 membership in this Association shall automatically terminate. But in the event that
32 such member is physically unable to resume active employment, or in the event he is
33 able and willing to resume active employment but no job with the City is open for
34 him at such time, his pension or compensation shall continue until there shall be an
35 opening for such member and he is reemployed by the City. For the purpose of this
36 Section 21, employment with the City shall mean only employment with the Fire
37 Department or Police Department (but employment with the Police Department shall
38 be included only with regard to any such member who was employed with the Police
39 Department prior to his retirement under Section 20 hereof).
40 Sec. 22. When any member of the Association shall resign or be dismissed from
41 employment by the City (which for this purpose shall include only employment with
42 the Fire Department or Police Department), he shall receive a sum of money equal to
43 all monies paid into the Association by him. Upon the death of any member of the
44 Association while in the employment of the City, a sum of money equal to all monies

1 paid into the Association by such deceased member shall be paid to the beneficiary
2 or beneficiaries designated in writing by such deceased member, or in default thereof,
3 to his estate. If, after retirement, a member of the Association shall die before having
4 received an amount equal to his contributions to the Association, there shall be paid
5 to the beneficiary or beneficiaries designated by such member, or in default thereof to
6 his estate, an amount equal to his contributions less the sum of retirement benefits
7 paid to such member. The reimbursements provided in this Section 22 shall be in
8 cash in a lump sum, unless otherwise determined by the Trustees with the consent in
9 writing of the recipient thereof less interest, if any, previously contributed to the
10 Association by the member pursuant to Section 16 or Section 19.

11 Sec. 23. No amount payable or held by the Association under this act for the
12 benefit of any member or beneficiary thereof shall be subject in any manner to
13 anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge,
14 nor shall any amount payable or held under this act for the benefit of any member or
15 beneficiary thereof be in anywise liable for his debts, contracts, liabilities,
16 engagements, or torts, nor be subject to any legal process to levy upon or attach, but
17 the provisions of this Section 22 shall not be applicable as regards any dealings with
18 or obligations to the Winston-Salem Firemen's Credit Union.

19 Sec. 24. Out of the amount paid to the Insurance Commissioner of the State of
20 North Carolina upon the amount of all premiums on fire and lightning policies
21 covering property situated in the corporate limits of the City, the Insurance
22 Commissioner of the State of North Carolina shall pay annually to the Treasurer of
23 the City ninety-five percent (95%), and the Treasurer of the City shall immediately
24 pay over the same to the treasurer of the Association, or if the treasurer of the
25 Association shall so direct, the Treasurer of the City shall pay such amount directly
26 to the custodian.

27 Sec. 25. No member of this Association or Trustee shall be personally liable in
28 any manner whatsoever to any person, association, firm or corporation by reason of
29 his connection with, or act or acts on behalf of, said Association, unless such act or
30 acts are fraudulently committed.

31 Sec. 26. If a member of the Association, or an employee of the Fire Department
32 or Police Department who is not a member of the Association due to failure to meet
33 the minimum age requirements of subsection 2(b) hereof, is granted a leave of
34 absence from employment by the City on account of accidental injury or temporary
35 illness, military service during time of active warfare, compulsory military service in
36 time of peace, or other good cause, for the purpose of this act such employee shall be
37 deemed to have remained in the employment of the City during the period of such
38 leave of absence or any extension thereof if he shall return to active service with the
39 City promptly following the end of the period of such leave of absence or extension
40 thereof. During such leave of absence or extension thereof, the Treasurer of the City
41 shall make no deductions from the salary, if any, of such member, and such member
42 shall not otherwise be required to make any contributions to the Association during
43 or with respect to such period.

1 Sec. 27. If any person entitled to benefits under this act shall be physically or
2 mentally incapable of receiving or acknowledging receipt of such benefits, the
3 Trustees, upon receipt of satisfactory evidence of such incapacity and that another
4 person or institution is maintaining such person entitled to benefits, and that no
5 guardian or committee has been appointed for him, may cause any benefits otherwise
6 payable to him to be made to such person or institution so maintaining him.

7 Sec. 28. The provisions of this act shall be administered on an equitable and
8 nondiscriminatory basis, it being the intent hereof that where the Trustees are given
9 discretionary powers, such powers shall be exercised in an equitable manner and so
10 as to prevent discrimination between persons similarly situated. All assets of the
11 Association shall be administered for the exclusive benefit of the members of the
12 Association and their beneficiaries, and as a fund to provide for such members or
13 beneficiaries the benefits provided in this act. It shall be impossible for any part of
14 the principal or income of the retirement fund of the Association to be used for or
15 diverted to purposes other than for the exclusive benefit of the members of the
16 Association or their beneficiaries as provided in this act; except that the Trustees may
17 use such assets to pay the reasonable expenses incurred in administering the said fund
18 and any debts, liabilities or obligations of said fund. The assets and income of the
19 fund shall be exempt from all taxes, including income taxes, imposed by the State of
20 North Carolina or any political subdivision thereof.

21 Sec. 29. The fiscal year of the Association shall end on June 30 of each year.

22 Sec. 30. Throughout this act, use of the masculine pronoun shall include the
23 feminine.

24 Sec. 31. If any part or section of this act shall be declared unconstitutional or
25 invalid by the Supreme Court of North Carolina or any other court of last resort of
26 competent jurisdiction it shall in no wise affect the remainder of this act, and the
27 remainder shall remain in full force and effect.

28 Sec. 32. All the laws and clauses of laws in conflict with the provisions of this act
29 are hereby repealed."

30 Section 2. None of the provisions of this act shall create an additional
31 liability for the Winston-Salem Firemen's Fund Association unless sufficient funds are
32 available to pay fully for the liability.

33 Section 3. This act becomes effective July 1, 1987.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 22, 1998

MEMORANDUM

TO: Representative Lyons Gray

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note House Bill 1396

Re: City of Winston-Salem Firemen's Retirement Fund Association

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial/fiscal note on the above subject as prepared by the General Assembly's Consulting Actuary and this Division.

cc: Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):
Actuarial/Fiscal Note, House Bill 1396, June 17, 1998



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Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 17, 1998

The Honorable Lyons Gray
North Carolina House of Representatives
300 N. Salisbury Street
Legislative Office Building
Raleigh, North Carolina 27603-5925

Re: Actuarial/Fiscal Note (House Bill 1396)
City of Winston-Salem Firemen's Retirement Fund Association

Dear Representative Gray:

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, we hereby submit an Actuarial/Fiscal Note on the following changes to the City of Winston-Salem Firemen's Retirement Fund Association. (1) The bill changes the election of the membership of the Association Board. (2) The secretary of the Association is to receive a compensation increase from \$100 per month to \$205 per month. (3) Effective July 1, 1998, the bill sets the monthly contribution that each individual firefighter who participates in the Fund will pay. This new monthly amount is .007 multiplied by the annual starting salary of a firefighter employed by the City in effect at the beginning of the fiscal year divided by the number of payroll period in a year. The bill also allows an individual hired by the City as a firefighter who was either (a) an employee of the City other than as a firefighter or (b) an employee of another local government participating in the Local Retirement System. The firefighter may purchase his service by paying \$12 per month of service plus interest for service prior to July 1, 1998 plus .007 multiplied by the annual starting salary of a firefighter employed by the City in effect at the beginning of the fiscal year for service after July 1, 1998 plus interest. (4) Changes the minimum amount of assets in the Fund from \$1,500,000 to an amount of not less than 130% of the present value of current retirees. Also requires the Fund to have an actuarial valuation every two years. (5) Decreases the monthly benefit for firefighters who have retired with at least 30 years of service prior to July 1, 1998 and also to those who retire with at least 30 years of service after July 1, 1998 from \$215 to \$205. Also the reduction factor for those retiring on an early retirement with at least 25 years but not 30 years of service are changed to reflect a greater reduction for early retirement. The disability benefit of those firefighters who have retired on a disability benefit is being reduced from \$215 per month to \$205 per month.

June 17, 1998
Page 2 of 2

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: The City of Winston-Salem Firemen's Retirement Fund Association is financed by contributions by the firefighters for the City of Winston-Salem and the transfer of funds from the Firemen's Local Relief Fund on a annual money-purchase basis. Since the total amount of benefits payable from the Fund each year is limited to the amount of its assets, the Fund is supported on a pay-as-you-go basis,.

Actuarial Endorsement:

Charles W. Dunn

Charles W. Dunn
Consulting Actuary
Dilts, Umstead & Dunn
Durham, North Carolina

Sincerely,

Stanley Moore

Stanley Moore
Fiscal Analyst
Fiscal Research Division

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: *Stanley Moore* Date: *6-23-98*
Legislative Fiscal Research

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1997

H

D

HOUSE BILL 1396
Proposed Committee Substitute H1396-PCS7473

Short Title: Winston-Salem Firemen's Retirement.

(Local)

Sponsors:

Referred to:

May 21, 1998

- 1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE PROVISIONS OF THE WINSTON-SALEM
3 FIREMEN'S FUND ASSOCIATION.
4 The General Assembly of North Carolina enacts:
5 Section 1. Chapter 388 of the 1973 Session Laws, as amended by Chapter
6 15 of the 1977 Session Laws, Chapter 284 of the 1979 Sessions Laws, Chapter 647 of
7 the 1981 Session Laws, Chapter 464 of the 1983 Session Laws, Chapter 508 of the
8 1987 Session Laws, and Chapter 793 of the 1989 Session Laws, reads as rewritten:
9 "Sec. 1. That the name of the Association herein established shall be Winston-
10 Salem Firemen's Retirement Fund Association, hereinafter referred to as the
11 Association. References to the Association as of a date prior to April 3, 1979, and
12 following July 1, 1973, shall mean the Winston-Salem Fire-Public Safety Retirement
13 Fund Association, which was the name of the Association during such period.
14 Sec. 2. Subject to the provisions of Section 16 hereof, the following persons shall
15 automatically be members of the Association:
16 (a) As of July 1, 1987, any person who was a member of the Association following
17 the close of business of the Association immediately preceding such date.
18 (b) As of July 1, 1987, and thereafter, any person not covered under (a) above
19 who shall have been regularly and continuously employed full time by the Fire
20 Department of the City of Winston-Salem (hereinafter referred to as the Fire
21 Department), including any Fire Department mechanic or electrician, who shall have
22 attained his 18th birthday and shall not have attained his 40th birthday. Any person
23 not covered under (a) above who was hired by the Fire Department prior to July 1,

1 1987, and continues to be employed by the Fire Department on such date, and who
2 had attained his 30th birthday when hired but had not then attained his 40th
3 birthday, may elect within 90 days following July 1, 1987, to become a member by
4 contributing to the Association the sum of twelve dollars (\$12.00) per month from his
5 date of hire by the Fire Department, plus interest at the rate of eight percent (8%),
6 applicable to any payments made on and after July 1, 1989, per annum, computed on
7 the amount accrued as of the end of each fiscal year of the Association.

8 (c) Notwithstanding the provisions of subsection (b) immediately preceding, as a
9 condition to any person's becoming a member of the Association pursuant to the
10 provisions of subsection 2(b) or 16(a), the Trustees may require such person to
11 undergo a physical examination by a physician or physicians of good standing or
12 repute selected by the Trustees. If it shall be found from such physician's report that
13 such person is not in good physical or mental condition as of the date he would be
14 eligible to become a member of the Association, such person shall be denied
15 membership in the Association. The determinations of whether or not such person
16 shall be required to undergo a physical examination and whether or not he is in good
17 physical or mental condition shall be made by the Trustees. In making such
18 determinations, all persons similarly situated shall be treated alike. The cost of any
19 medical examination required pursuant to the provisions of this subsection (c) shall
20 be borne by the person seeking membership in the Association.

21 Sec. 3. The Association may provide and raise funds in any legal manner to be
22 used as a pension fund for such person or persons as may be entitled thereto under
23 the provisions of this act and to such extent as is hereinafter set out.

24 Sec. 4. The governing body of the Association shall consist of a Board of Trustees
25 five in number, four from the membership of the Fire Department, and one to be
26 appointed by the Insurance Commissioner of the State of North Carolina.

27 Sec. 5. The Trustees from the membership of the Fire Department shall be elected
28 by the members of the Fire Department for four-year terms. Such terms shall be
29 staggered, so that two of the Trustees shall be elected during the month of January of
30 each year ~~evenly divisible by two. Prior to each election, each fire company may, by~~
31 ~~majority vote of the active members of the company, nominate one candidate for~~
32 ~~election as Trustee. Only members of the Association, in good standing, who have~~
33 divisible evenly by two. Trustees that are slated to leave the Board are automatically
34 candidates for reelection unless they choose not to serve another term. In addition,
35 the elected Association Trustees shall select from the members of the Fire
36 Department four members in good standing, each of whom continuously served in
37 the Fire Department for a period of at least four years shall be eligible for election as
38 Trustees. The two nominees receiving the highest number of votes cast in such
39 election shall be elected. years. A general election shall then be held by the
40 membership of the Fire Department to elect from the list of candidates two Trustees
41 to serve a four-year term. Each member of the Fire Department in good standing
42 may cast two votes for the member's choice of nominees. The nominee receiving the
43 highest number of votes in the election will be a member of the Winston-Salem
44 Firemen's Relief Fund Board as well as the Association Board. In the event that a

1 Trustee is unable to complete the Trustee's term, the nominee receiving the next
2 highest number of votes in the last election held and who is not then serving as a
3 Trustee shall complete the unexpired term of the Trustee who resigned from the
4 Board. A tie shall be resolved by casting lots. ~~In such election, each member of the~~
5 ~~Association in good standing may vote for two nominees. For purposes of this~~
6 ~~Section 5, the administrative offices of the Fire Department shall be deemed to be a~~
7 ~~fire company.~~

8 Sec. 6. Any Trustee may resign at any time by giving notice in writing to the other
9 Trustees. Should any Trustee who is a member of the Fire Department cease to be a
10 member of the Fire Department for any reason, he shall automatically cease to be a
11 Trustee. With regard to any Trustee elected by the members of the Association who
12 resigns or ceases to be a Trustee for any reason, his successor shall be elected as
13 provided in Section 5 of this act; ~~provided, that such election shall be held as soon as~~
14 ~~practicable following such resignation or cessation, each member of the Association~~
15 ~~in good standing may vote for only one nominee, the one nominee receiving the~~
16 ~~highest number of votes shall be elected, and the election shall be only for the~~
17 ~~remaining unexpired term of the predecessor Trustee.~~ act. Should the Trustee who
18 was appointed by the Insurance Commissioner of the State of North Carolina resign
19 or cease to be a Trustee for any reason, his successor shall be appointed by the said
20 Insurance Commissioner.

21 Sec. 7. The Board of Trustees is herein fully vested with the exclusive right and
22 authority to pay out the funds of this Association, as provided for in this act. All
23 matters and claims provided for under this act shall be passed upon by said Trustees
24 and all decisions and actions of said Trustees shall be binding upon the Association
25 and the members thereof. Every Trustee shall be entitled to one vote except the
26 chairman of the Board of Trustees, who shall be entitled to vote only to break a tie.
27 At every annual meeting of the Board of Trustees, the Trustees shall elect a
28 chairman, vice-chairman, secretary and treasurer. The secretary and treasurer need
29 not be Trustees, and the offices of secretary and treasurer may be combined into a
30 single office, in the discretion of the Trustees. The annual meeting of the Board of
31 Trustees shall be held as soon as is practicable following the end of each calendar
32 year at such place and at such time as shall be determined by the Trustees.

33 Sec. 8. The secretary of the Association (or the secretary-treasurer if such offices
34 shall be combined into a single office) shall be entitled to receive monthly
35 compensation in an amount not to exceed one hundred dollars (\$100.00) per month,
36 ~~as determined by the Trustees.~~ the amount of the monthly normal retirement benefit
37 payable for the month for which compensation is payable, determined pursuant to
38 Section 19 of this act. The Trustees, as such, including the chairman and the vice-
39 chairman, shall serve without compensation. The Trustees may authorize
40 reimbursement by the Association to any officer or Trustee of the Association for all
41 expenses incurred by such person in connection with services rendered in behalf of
42 the Association.

43 Sec. 9. The Trustees shall elect a custodian of all funds and property of the
44 Association, provided that such custodian shall have first offered proof satisfactory to

1 the Trustees, by bond or otherwise, that it is and will be financially responsible for all
2 property coming into its hands in a fiduciary capacity. Said custodian shall not
3 release any of the funds or property of the Association for reasons other than
4 investment of such funds or property except upon the written authorization of the
5 Trustees.

6 The Trustees shall also elect an investment manager who may or may not be the
7 same person as the custodian. Any such investment manager shall be a bank, or an
8 insurance company, or an entity registered under the Investment Advisor's Act of
9 1940. The investment manager shall be authorized to invest and reinvest the funds or
10 property of the Association in the investment manager's own judgment and
11 discretion. The investment manager shall report to the Trustees on a periodic basis,
12 but not less frequently than each calendar quarter. The investment manager
13 (including said custodian when acting as investment manager) shall not be liable to
14 the Association for any act of failure to act by it, except for gross negligence or
15 willful misconduct.

16 Sec. 10. A special meeting of the Board of Trustees may be called by the
17 chairman or vice-chairman, or by any two Trustees, upon 24 hours' written notice
18 delivered in person to the members of said Board or mailed to the last known
19 address of each member of said Board. A majority of the Trustees in office shall
20 constitute a quorum at any meeting and a majority vote of the Trustees at a meeting
21 at which a quorum is present shall constitute action by the Trustees.

22 Sec. 11. The chairman of the Board of Trustees, when present, shall preside at all
23 meetings. In the absence of the chairman, the vice-chairman shall act as chairman.

24 Sec. 12. The secretary shall keep in complete form such data as shall be necessary
25 for actuarial valuation of the funds of the Association and for checking the
26 disbursements for and on behalf of the Association. He shall keep minutes of all
27 proceedings of the Board of Trustees and of the Association, and the same shall be
28 kept in a place selected by the Trustees. The treasurer of the Association shall post
29 yearly at each fire station and at the office of ~~each police district~~, fire administration,
30 as soon as practicable following the end of each year, a financial statement of the
31 Association.

32 Sec. 13. The treasurer of the Association shall deposit with the custodian all funds
33 and property that may come into his hands for the Association. The said treasurer
34 shall obtain a receipt from the custodian for all funds and property delivered to the
35 custodian by the treasurer. Said custodian shall invest and reinvest such funds and
36 property as directed by the investment manager appointed under Section 9.
37 Notwithstanding any contrary provisions of Section 9 or of this section, the Trustees
38 are specifically authorized and empowered to invest funds of the Association by
39 depositing such funds with the Winston-Salem Firemen's Credit Union on condition
40 that the Association shall receive interest at an annual rate agreed upon by the
41 Association and such credit union.

42 Sec. 14. The custodian and the investment manager shall receive compensation for
43 services rendered as may be agreed upon from time to time in writing by the Trustees
44 and by the custodian (with respect to services rendered by the custodian) or the

1 investment manager (with respect to services rendered by the investment manager).
2 The Trustees shall have the authority to employ legal counsel when, in the opinion of
3 the Trustees, legal counsel is necessary. In case of such employment, said counsel
4 shall be paid such fees as may be fair and reasonable as agreed upon in writing by the
5 Trustees and the counsel so employed.

6 Sec. 15. On or before August 31, 1987, the Board of Trustees of the Winston-
7 Salem Firemen's Relief Fund shall transfer to the Board of Trustees of the Winston-
8 Salem Firemen's Retirement Fund Association out of properties and funds belonging
9 to the Winston-Salem Firemen's Relief Fund the sum of fifty-four thousand dollars
10 (\$54,000) in cash or assets. The assets so transferred pursuant to the immediately
11 preceding sentence shall be transferred upon the basis of the fair market value
12 thereof as of the date of transfer, and the particular assets to be transferred shall be
13 determined by joint action of the Board of Trustees of the Winston-Salem Firemen's
14 Relief Fund and the Board of Trustees of the Winston-Salem Firemen's Retirement
15 Fund Association. All property of the Association is hereby relieved from any and
16 all claims of the persons entitled to relief from the Winston-Salem Firemen's Relief
17 Fund. The North Carolina Firemen's Association, its officers, members, boards and
18 committees, are also hereby relieved of any claim of any kind whatsoever which may
19 be based on past service, present service or future service in the Winston-Salem Fire
20 Department. The Winston-Salem Firemen's Relief Fund and the officers, members,
21 boards and committees of said Fund, are also hereby relieved of any claim of any
22 kind whatsoever which may be based on past, present or future service in the
23 Winston-Salem Fire Department, if any, so long as any claimant is entitled to benefits
24 or pension under the provisions of this act.

25 Sec. 16. (a) Notwithstanding the provisions of subsection (b) immediately
26 following, if a person who shall not be a member of the Association shall be
27 transferred to the employment of the Fire Department from the employment of the
28 City of Winston-Salem (hereinafter referred to as the City), the following provisions
29 shall apply in determining whether he shall be a member of the Association following
30 such transfer:

31 (1) If he shall have attained at least his 18th birthday and shall not
32 have attained his 40th birthday on the date of such transfer, he
33 shall automatically become a member on such date of transfer. In
34 determining such transferred employee's number of years of
35 continuous employment by the City, employment with the City
36 prior to such transfer shall be taken into account only if such
37 employee shall elect to contribute to the Association the ~~amount~~
38 sum of (i) plus (ii) plus (iii), where (i) is the amount of twelve
39 dollars (\$12.00) per ~~month~~ month, measured from the date of his
40 hire by the City until earlier of the date of such ~~transfer~~, ~~plus~~
41 interest ~~transfer~~ and June 30, 1998; (ii) is the aggregate amount
42 that the person would have contributed, determined in accordance
43 with Section 17 of this act, measured from July 1, 1998, until the
44 date of the transfer, if the transfer occurs on or after July 1, 1998;

1 and (iii) is interest accrued at the rate of eight percent (8%),
2 applicable (8%) with respect to any payments made on and after
3 July 1, 1989, per annum, computed compounded annually on the
4 amount accrued as of the end of each fiscal year of the
5 Association.

6 (2) If he shall have attained at least his 40th birthday on the date of
7 transfer, but had not attained such birthday when last employed by
8 the City, he may elect within 90 days following such transfer to
9 become a member. If he elects to become a member, he shall
10 contribute to the Association the amount he would have
11 contributed if he had become a member on the day next preceding
12 his 40th birthday. In addition, at the option of such employee, he
13 may further elect to contribute such additional amount as he
14 would have contributed prior to his 40th birthday if his
15 employment with the City had been with the Fire Department.
16 Any such contributions shall include interest at the rate of eight
17 percent (8%), applicable to any payments made on and after July
18 1, 1989, per annum, computed on the amount accrued as of the
19 end of each fiscal year of the Association.

20 (3) If he shall have attained at least his 40th birthday when last
21 employed by the City, he shall be ineligible to become a member
22 following such transfer.

23 (4) The elections specified in subdivisions (1) and (2) hereof shall be
24 made in writing to the Trustees within 90 days following such
25 transfer, and shall be irrevocable when made (subject to
26 termination of membership upon subsequent separation from
27 employment with the Fire Department). Any contributions (and
28 interest) payable pursuant to such election shall be paid in cash in
29 a lump sum at the time such election shall be filed.

30 (b) Notwithstanding the provisions of subsection (a) of Section 2 hereof, as soon
31 as practicable following April 3, 1979, (but in no event more than 60 days thereafter),
32 the Trustees gave each person who was then employed by the City of Winston-Salem
33 as a Public Safety Officer an election to be a member or not to be a member of the
34 Association. Each such election was to be made in accordance with procedures
35 established by the Trustees and was irrevocable when made (subject to termination of
36 membership upon a subsequent separation from the employment of the City, and
37 subject to the provisions of subsection (a) of this Section 16). If a Public Safety
38 Officer failed to file a timely election, he was deemed to have elected not to be a
39 member. If a Public Safety Officer who was a member on the date of the election
40 elected to discontinue membership (or shall have been deemed to have so elected),
41 within 30 days following such date there should have been refunded to him the full
42 amount of his prior contributions to the Association, if any, without interest. If a
43 Public Safety Officer who failed to make contributions prior to the election date
44 elected to be a member, he shall have within 30 days following such election paid to

1 the Association the full amount he would have contributed if he had made required
2 contributions during the entire period that he was eligible to be a member. Such
3 contributions included interest at the rate of six percent (6%) per annum, computed
4 on the amount accrued as of the end of each fiscal year of the Association.

5 (c) Any member whose employment by the Fire Department as a Public Safety
6 Officer shall be terminated on or after June 27, 1981, for any reason, including
7 transfer to another department in the employment of the City, shall be terminated
8 immediately as a member; provided, that any member who is transferred on or after
9 July 1, 1981, to another department of the City in a fire-related job shall not become
10 a terminated member if the following conditions are met: (i) within 15 days following
11 the date of such transfer he shall file with the Trustees a written election to continue
12 as a member; and (ii) such member shall be notified in writing by the secretary of the
13 Association on or before the date of transfer of his right to make the election. If a
14 terminated member shall reenter employment of the Fire Department, his eligibility
15 to become a member shall be determined at that time in accordance with Section 2
16 hereof, except to the extent such individual may be entitled to elect to become a
17 member upon a transfer of employment as provided in subsection (a) of this Section
18 16.

19 (d) In determining the number of years of continuous employment of a member,
20 there shall be taken into account all years for which he shall make contributions in
21 accordance with subsection (a) or (e) of this Section 16 or Section 19. For purposes
22 of computing a member's years of continuous employment with the City, any period
23 of unused sick leave with the Fire Department accrued by the member on the date of
24 his retirement shall be deemed to be a period of continuous employment with the
25 Fire Department.

26 (e) If any member of the Association was employed by the Fire Department as a
27 cadet, such member's number of years of employment as a cadet may be added to the
28 period of his continuous employment with the City if, by July 31, 1981, such member
29 contributed to the Association an amount equal to twelve dollars (\$12.00) per month
30 for the time he was a cadet, plus interest at the rate of six percent (6%) per annum,
31 computed on the amount accrued as of the end of each fiscal year of the Association.

32 (f) If a member has been employed by the City continuously for a period of 10
33 years and has any military service, and is not otherwise treated under Section 26 as
34 being in the employment of the City during the period of such military service, the
35 period of such military service shall nevertheless be added to his period of continuous
36 employment with the City upon such member's paying to the Association an amount
37 equal to twelve dollars (\$12.00) for each month of such military service plus interest
38 at the rate of eight percent (8%), applicable to any payments made on and after July
39 1, 1989, per annum, compounded annually. Such military service shall be limited to
40 the initial period of active duty in the armed forces of the United States up to the
41 time the member was first eligible to be separated or released therefrom, and
42 subsequent periods of such active duty as required by the armed forces of the United
43 States up to the date of first eligibility for separation or release therefrom. The
44 member must submit evidence satisfactory to the Trustees of the military service

1 claimed. Such election must be made within one year after the member first
2 becomes eligible to contribute for such military service. Credit for military service
3 under this subsection shall not be considered service creditable under another
4 retirement system for purposes of G.S. 128-26(a).

5 (g) If an individual who is an active participant in the North Carolina Local
6 Governmental Employees' Retirement System (the 'System') shall terminate service
7 with the employer enabling the individual to participate in the System (the 'System
8 Employer'), and shall immediately enter the employment of the Fire Department, he
9 may elect to have his period of service under the System considered as continuous
10 employment with the Fire Department for purposes of this act; provided, that such
11 election shall be permitted only if the individual was under age 40 when he entered
12 the employment of the System Employer. This election shall be made in writing to
13 the Trustees within 90 days of the individual's commencement of employment with
14 the Fire Department (or, with respect to an individual who becomes employed by the
15 Fire Department prior to July 1, 1989, this election shall be made on or before
16 September 30, 1989). The election, if made, shall be accompanied by a cash
17 contribution to the Association ~~of an amount~~ equal to the sum of (i) plus (ii) plus
18 (iii), where (i) is the amount of twelve dollars (\$12.00) per month during the period
19 of his service under the System, plus interest measured from the date of the person's
20 hiring by the City until the earlier of the transfer and June 30, 1998; (ii) is the
21 aggregate amount that the person would have contributed, determined in accordance
22 with Section 17 of this act, measured from July 1, 1998, until the date of the transfer,
23 if the transfer occurs on or after July 1, 1998; and (iii) is interest accrued at the rate
24 of eight percent (8%) per annum, compounded annually on the amount accrued as of
25 the end of each fiscal year of the Association. The election shall be irrevocable when
26 made. If the election is not made in a timely fashion, the right to make the election
27 is forfeited.

28 Sec. 17. The Treasurer of the City shall make a ~~monthly~~ deduction from the
29 salary of each member of the Association ~~(except for members in the employ of the~~
30 ~~Police Department) due him by the City in the amount directed in writing by the~~
31 ~~Trustees, not to exceed twelve dollars (\$12.00) per month, and the due him by the~~
32 ~~City. The amount of each such deduction shall be determined as of the first day of~~
33 each fiscal year of the City, and shall be equal to the quotient obtained by dividing (i)
34 the product, rounded to the nearest dollar, of .007 multiplied by the annual starting
35 salary of a firefighter employed by the Fire Department in effect at the beginning of
36 that fiscal year; by (ii) the number of payroll periods in that fiscal year. The amount
37 so deducted shall be turned over monthly as soon as practicable after the applicable
38 payroll period by the said Treasurer to the custodian of the Association as
39 hereinbefore provided, and the Association shall have the authority to accept
40 donations from any and all sources whatsoever.

41 Sec. 18. If at any time there shall not be sufficient assets in the retirement fund of
42 the Association to pay fully the persons entitled to benefits provided herein, such
43 persons shall be paid such benefits on a pro rata basis to the extent the assets of such
44 fund will allow, as shall be determined by the Trustees; provided, that the assets of

1 such fund determined as of the close of any fiscal year of the Association shall in no
2 event be less than ~~one million five hundred thousand dollars (\$1,500,000)~~. one
3 hundred thirty percent (130%) of the present value of current retirees determined as
4 of the close of that fiscal year. Effective on or after July 1, 1998, the Trustees shall
5 obtain a written report from the Association's actuary as of July 1 of each year evenly
6 divisible by two, or more frequently if the Trustees deem advisable, setting forth the
7 present value of the assets of the fund and the present value of current liabilities of
8 current retirees.

9 Sec. 19. Whenever any member of the Association has been employed by the City
10 continuously for a period ~~off of~~ of at least 30 years, such member may make written
11 application to the trustees for his normal retirement benefit, and whenever any
12 member of the Association has been employed by the City continuously for a period
13 of at least 25 years but not more than 30 years, such member may make written
14 application to the Trustees for his early retirement benefit; provided, however, that
15 such member must retire from the service of the City to receive such benefits. The
16 normal and early retirement benefits of such member shall be a monthly pension for
17 the remainder of his life, as provided hereinbelow. For this purpose and for the
18 purpose of Section 20 hereof, a member shall be deemed to have been employed by
19 the City continuously if such member shall have been employed continuously by any
20 combination of the Fire Department or Police Department (but only such
21 employment by the Police Department as is described in subsection 16(b) and (c)
22 hereof), and the transfer of a member from the employ of one of such organizations
23 to the employ of the other such organization shall not be deemed to be a termination
24 of employment by the City. Provided, that if a member has at least 25 years of
25 employment with the City, but such service is not continuous solely because of a
26 leave of absence lasting not more than a year and not described in Section 26, such
27 member shall be deemed to have continuous employment with the City during such
28 leave of absence; and provided further, that if a member has less than 25 years of
29 employment with the City but the sum of his years of employment with the City plus
30 any leave of absence lasting not more than one year and not described in Section 26,
31 equals or exceeds 25 years, the period of such leave shall be deemed to be continuous
32 employment with the City if such member contributes to the Association twelve
33 dollars (\$12.00) for each month he was on such leave, plus interest at the rate of eight
34 percent (8%), applicable to any payments made on and after July 1, 1989, per annum,
35 computed on the amount accrued as of the end of each fiscal year of the Association.

36 Effective beginning July 1, 1989, and ending June 30, 1990, the amount of the
37 monthly pension for each member who is entitled to receive a normal retirement
38 benefit (including members who retired prior to July 1, 1989) shall be two hundred
39 dollars (\$200.00). Effective beginning July 1, 1990, and ending June 30, 1998, the
40 amount of the monthly pension for each member who is entitled to receive a normal
41 retirement benefit, including members who retired prior to July 1, 1990, shall be two
42 hundred fifteen dollars (\$215.00). Effective on and after July 1, 1998, the amount of
43 the monthly pension for each member who is entitled to receive a normal retirement
44 benefit (including members who retired prior to that date) shall be two hundred five

dollars (\$205.00). The amount of the monthly pension for each member who is entitled to receive an early retirement benefit as of any date prior to July 1, 1998, shall be the product of (1) and (2), where (1) is the applicable percentage listed in the following table based on his years of continuous employment at his early retirement date, and (2) is the amount of the payment that he would have received as a normal retirement benefit under this section as of that date:

Years of Employment at Retirement Date	Percentage of Normal Retirement Benefit
25	85%
26	88%
27	91%
28	94%
29	97%

Effective on and after July 1, 1998, the amount of the monthly pension for each member who began receiving an early retirement benefit prior to July 1, 1998, shall be further reduced by multiplying the monthly pension amount by 0.9535.

Effective on and after July 1, 1998, the amount of the monthly pension of each member who retires on or after that date and is entitled to receive an early retirement benefit shall be the product of (1) the applicable percentage listed in the following table based on the member's years of continuous employment at the member's early retirement date, and (2) the amount of the payment that the member would have received as a normal retirement benefit under this section as of that date:

<u>Years of Employment at Retirement Date</u>	<u>Percentage of Normal Retirement Benefit</u>
<u>25</u>	<u>70%</u>
<u>26</u>	<u>76%</u>
<u>27</u>	<u>82%</u>
<u>28</u>	<u>88%</u>
<u>29</u>	<u>94%</u>

Payment shall be subject to the provisions of Section 18 of this act. Section 16(d) governs the determinations of a member's years of continuous employment.

Sec. 20. Whenever any member of the Association becomes totally and permanently unable, because of infirmity or disease affecting mind or body (whether or not induced by injury) to perform his duties for the City, which inability shall be determined by a medical examination by a physician or physicians of good standing and repute selected by the Trustees, he shall be deemed to be a disabled member. If a disabled member has been employed by the City for at least five full years prior to suffering disability, he shall be entitled to retire and receive a monthly benefit payable for the remainder of his life.

Effective beginning July 1, 1989, and ending June 30, 1989, the monthly benefit of a member who retires as a disabled member (including a member who retired as a disabled member prior to July 1, 1989) shall equal eight dollars (\$8.00) times his

1 years of service but in no event more than two hundred dollars (\$200.00) per month.
2 ~~Effective on and after July 1, 1990, beginning July 1, 1990, and ending June 30, 1998,~~
3 the monthly benefit of a member (including a member who retires as a disabled
4 member prior to this date) shall equal eight dollars and sixty cents (\$8.60) times his
5 years of service, but in no event more than two hundred fifteen dollars (\$215.00) per
6 month. Effective on and after July 1, 1998, the monthly benefit of a member who
7 retires as a disabled member, including a member who retires as a disabled member
8 prior to July 1, 1998, shall equal eight dollars and twenty cents (\$8.20) times his years
9 of service, but in no event more than two hundred five dollars (\$205.00) per month.

10 For this purpose only, years of service shall mean the number of his earned years of
11 service in the employment of the City (as determined pursuant to Section 16(d) of
12 this act). Payments shall be subject to the provisions of Section 18 of this act.

13 Notwithstanding the foregoing provisions of this Section 20, in the case of a
14 disabled member whose disability shall arise out of injuries incurred in fire safety
15 activities, such as fire fighting, fire training and fire inspection, such monthly benefit
16 shall in no event be less than forty dollars (\$40.00) per month, whether or not such
17 disabled member was employed by the City for at least five years prior to suffering
18 such disability. The determination of whether such disability arises out of injuries
19 incurred in fire safety activities shall be made by the Trustees.

20 Sec. 21. Any disabled member of the Association who retires under Section 19
21 hereof and who had not been employed by the City for a period of at least 30 years
22 prior to retirement, shall be subject to call by the Trustees for reexamination by a
23 physician of good standing and repute selected by the Trustees and, if based upon
24 such examination it is determined by the Trustees that such member is able to
25 perform active duties for the City, such member may be reinstated and receive for his
26 services the same compensation paid to other employees of the City of his rank or
27 classification. If such member, upon being called by the Trustees, shall refuse to
28 submit to an examination or shall refuse to be reinstated to active duty in the employ
29 of the City after being found to be able to perform active duty, such benefits as he is
30 then receiving under the provisions of this act shall immediately terminate and his
31 membership in this Association shall automatically terminate. But in the event that
32 such member is physically unable to resume active employment, or in the event he is
33 able and willing to resume active employment but no job with the City is open for
34 him at such time, his pension or compensation shall continue until there shall be an
35 opening for such member and he is reemployed by the City. For the purpose of this
36 Section 21, employment with the City shall mean only employment with the Fire
37 Department or Police Department (but employment with the Police Department shall
38 be included only with regard to any such member who was employed with the Police
39 Department prior to his retirement under Section 20 hereof).

40 Sec. 22. When any member of the Association shall resign or be dismissed from
41 employment by the City (which for this purpose shall include only employment with
42 the Fire Department or Police Department), he shall receive a sum of money equal to
43 all monies paid into the Association by him. Upon the death of any member of the
44 Association while in the employment of the City, a sum of money equal to all monies

1 paid into the Association by such deceased member shall be paid to the beneficiary
2 or beneficiaries designated in writing by such deceased member, or in default thereof,
3 to his estate. If, after retirement, a member of the Association shall die before having
4 received an amount equal to his contributions to the Association, there shall be paid
5 to the beneficiary or beneficiaries designated by such member, or in default thereof to
6 his estate, an amount equal to his contributions less the sum of retirement benefits
7 paid to such member. The reimbursements provided in this Section 22 shall be in
8 cash in a lump sum, unless otherwise determined by the Trustees with the consent in
9 writing of the recipient thereof less interest, if any, previously contributed to the
10 Association by the member pursuant to Section 16 or Section 19.

11 Sec. 23. No amount payable or held by the Association under this act for the
12 benefit of any member or beneficiary thereof shall be subject in any manner to
13 anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge,
14 nor shall any amount payable or held under this act for the benefit of any member or
15 beneficiary thereof be in anywise liable for his debts, contracts, liabilities,
16 engagements, or torts, nor be subject to any legal process to levy upon or attach, but
17 the provisions of this Section 22 shall not be applicable as regards any dealings with
18 or obligations to the Winston-Salem Firemen's Credit Union.

19 Sec. 24. Out of the amount paid to the Insurance Commissioner of the State of
20 North Carolina upon the amount of all premiums on fire and lightning policies
21 covering property situated in the corporate limits of the City, the Insurance
22 Commissioner of the State of North Carolina shall pay annually to the Treasurer of
23 the City ninety-five percent (95%), and the Treasurer of the City shall immediately
24 pay over the same to the treasurer of the Association, or if the treasurer of the
25 Association shall so direct, the Treasurer of the City shall pay such amount directly
26 to the custodian.

27 Sec. 25. No member of this Association or Trustee shall be personally liable in
28 any manner whatsoever to any person, association, firm or corporation by reason of
29 his connection with, or act or acts on behalf of, said Association, unless such act or
30 acts are fraudulently committed.

31 Sec. 26. If a member of the Association, or an employee of the Fire Department
32 or Police Department who is not a member of the Association due to failure to meet
33 the minimum age requirements of subsection 2(b) hereof, is granted a leave of
34 absence from employment by the City on account of accidental injury or temporary
35 illness, military service during time of active warfare, compulsory military service in
36 time of peace, or other good cause, for the purpose of this act such employee shall be
37 deemed to have remained in the employment of the City during the period of such
38 leave of absence or any extension thereof if he shall return to active service with the
39 City promptly following the end of the period of such leave of absence or extension
40 thereof. During such leave of absence or extension thereof, the Treasurer of the City
41 shall make no deductions from the salary, if any, of such member, and such member
42 shall not otherwise be required to make any contributions to the Association during
43 or with respect to such period.

1 Sec. 27. If any person entitled to benefits under this act shall be physically or
2 mentally incapable of receiving or acknowledging receipt of such benefits, the
3 Trustees, upon receipt of satisfactory evidence of such incapacity and that another
4 person or institution is maintaining such person entitled to benefits, and that no
5 guardian or committee has been appointed for him, may cause any benefits otherwise
6 payable to him to be made to such person or institution so maintaining him.

7 Sec. 28. The provisions of this act shall be administered on an equitable and
8 nondiscriminatory basis, it being the intent hereof that where the Trustees are given
9 discretionary powers, such powers shall be exercised in an equitable manner and so
10 as to prevent discrimination between persons similarly situated. All assets of the
11 Association shall be administered for the exclusive benefit of the members of the
12 Association and their beneficiaries, and as a fund to provide for such members or
13 beneficiaries the benefits provided in this act. It shall be impossible for any part of
14 the principal or income of the retirement fund of the Association to be used for or
15 diverted to purposes other than for the exclusive benefit of the members of the
16 Association or their beneficiaries as provided in this act; except that the Trustees may
17 use such assets to pay the reasonable expenses incurred in administering the said fund
18 and any debts, liabilities or obligations of said fund. The assets and income of the
19 fund shall be exempt from all taxes, including income taxes, imposed by the State of
20 North Carolina or any political subdivision thereof.

21 Sec. 29. The fiscal year of the Association shall end on June 30 of each year.

22 Sec. 30. Throughout this act, use of the masculine pronoun shall include the
23 feminine.

24 Sec. 31. If any part or section of this act shall be declared unconstitutional or
25 invalid by the Supreme Court of North Carolina or any other court of last resort of
26 competent jurisdiction it shall in no wise affect the remainder of this act, and the
27 remainder shall remain in full force and effect.

28 Sec. 32. All the laws and clauses of laws in conflict with the provisions of this act
29 are hereby repealed."

30 Section 2. None of the provisions of this act shall create an additional
31 liability for the Winston-Salem Firemen's Fund Association unless sufficient funds are
32 available to pay fully for the liability.

33 Section 3. This act becomes effective July 1, 1998.



**North Carolina General Assembly
Legislative Services Office**

Attachment III

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Tony C. Goldman, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

July 1, 1998

MEMORANDUM

To: Representative Bobby H. Barbee, Chairman
House Pensions and Retirement Committee

From: Theresa Matula, Legislative Personnel Analyst ✓
Research Division

Re: House Bill 1396 - Winston-Salem Firemen's Retirement

House Bill 1396 rewrites Section 1. Chapter 388 of the 1973 Session Laws, as amended by Chapter 15 of the 1977 Session Laws, Chapter 284 of the 1979 Session Laws, Chapter 647 of the 1981 Session Laws, Chapter 464 of the 1983 Session Laws, Chapter 508 of the 1987 Session Laws, and Chapter 793 of the 1989 Session Laws.

Section 5 amends the composition of the Board of Trustees and the procedure for filling unexpired terms and deletes the references to the process from Section 6.

Section 8 changes the amount of compensation received by the secretary of the Association from one hundred dollars (\$100.00) per month to the amount of the monthly normal retirement benefit payable for the month for which compensation is payable (\$205.00 per month), determined pursuant to Section 19.

Section 12 changes the posting of minutes from the office of each police district to the office of fire administration.

Section 16 (a) (1) amends the membership criteria and contribution calculation method for an individual who is not a member of the Association and is transferred from the City of Winston-Salem to the Fire Department. Section 16 (g) amends the contribution calculation method for an individual transferring from the NC Local Governmental Employees' Retirement System and immediately entering the employment of the Fire Department.

Section 17 amends the City's deduction determination method.

Section 18 amends the minimum asset requirement from \$1.5 million to 130% of the present value of current retirees determined as of the close of the fiscal year and requires an actuarial valuation every two years.

Section 19 decreases the monthly benefit for firefighters who have retired with at least 30 years of services prior to July 1, 1998 and those who retire with at least 30 years of service after July 1, 1998. It also outlines a greater reduction in the early retirement benefit for those having at least 25 years of service, but not 30 years of service.

Section 20 decreases from \$215.00 to \$205.00 the amount of the monthly benefit of a member who retires as a disabled member.

This act becomes effective July 1, 1998.

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) McCombs for the Committee on PENSIONS AND RETIREMENT.

☐ Committee Substitute for

S.B. 1138 A BILL TO BE ENTITLED AN ACT TO ALLOW MEMBERS OF THE
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE
CREDIT FOR PROBATIONARY EMPLOYMENT WITH A LOCAL GOVERNMENT.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the
Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title,
unfavorable as to original bill (Committee Substitute Bill #), (and recommendation
that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☒ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S

1

SENATE BILL 1138

Short Title: Credit for Probationary Employment.

(Public)

Sponsors: Senator Hartsell.

Referred to: Pensions & Retirement and Insurance.

May 18, 1998

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW MEMBERS OF THE TEACHERS' AND STATE
3 EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE CREDIT FOR
4 PROBATIONARY EMPLOYMENT WITH A LOCAL GOVERNMENT.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 135-4 is amended by adding a new subsection to read:
7 "(bb) Credit at Full Cost for Probationary Local Government Employment. --
8 Notwithstanding any other provision of this Chapter, a member may purchase
9 creditable service, prior to retirement, for employment with any local employer as
10 defined in G.S. 128-21(11) when considered to be in a probationary or employer-
11 imposed waiting period status, between the date of employment and the date of
12 membership service with the Local Governmental Employees' Retirement System,
13 provided that the former employer of such a member has revoked this probationary
14 employment or waiting period policy.
15 The member shall purchase this service by making a lump-sum amount payable to
16 the Annuity Savings Fund equal to the full liability of the service credits calculated
17 on the basis of the assumptions used for purposes of the actuarial valuation of the
18 liabilities of the retirement system, and the calculation of the amount payable shall
19 take into account the retirement allowance arising on account of the additional
20 service credit commencing at the earliest age at which the member could retire on an
21 unreduced retirement allowance, as determined by the Board of Trustees upon the
22 advice of the consulting actuary, plus an administrative fee to be set by the Board of
23 Trustees. Notwithstanding the provisions of this subsection that provide for the
24 purchase of service credits, the term 'full liability' includes assumed annual

- 1 postretirement allowance increases, as determined by the Board of Trustees, from the
2 earliest age at which a member could retire on an unreduced service allowance."
3 Section 2. This act becomes effective July 1, 1998.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Strategic Division
5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 2, 1998

MEMORANDUM

TO: Senator Fletcher Hartsell, Jr.

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note Senate Bill 1138

Re: Allows members of the Teachers' and State Employees' Retirement System to purchase credit for probationary employment with a local government.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, Senate Committee on Pensions & Retirement
Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, June 2, 1998
- (3) Actuarial Note. Hartman & Associates, May 26, 1998

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: Senate Bill 1138

SHORT TITLE: Credit for Probationary Employment

SPONSOR(S): Senator Hartsell

SYSTEM AFFECTED: Teachers' and State Employees' Retirement System

BILL SUMMARY: Allows a member of the Teachers' and State Employees' Retirement System to purchase service rendered to a local government employer for probationary employment or employer-imposed waiting periods. The members pay the "full actuarial cost" in which the member pays the full liability that the additional service puts upon the retirement system.

EFFECTIVE DATE: July 1, 1998

ESTIMATED IMPACT

Retirement System Actuary: Buck Consultants estimates that there should be no cost to the Teachers' and State Employees' Retirement System.

General Assembly Actuary: Hartman & Associates estimates that there should be no cost to the Teachers' and State Employees' Retirement System.

ASSUMPTIONS AND METHODOLOGY: Teacher's & State Employees' Retirement System The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 263,920 active members with an annual payroll of \$6.845 billion and 88,605 retired members in receipt of annual pensions totaling \$1.096 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: Retirement System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives.

(919) 733-4910

PREPARED BY: Stanley Moore *Stanley Moore*

APPROVED BY: Tom Covington

DATE: June 2, 1998

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

June 2, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Senate Bill 1138

Dear Mr. Pruitt:

We have received your letter of May 27 regarding Senate Bill 1138 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to allow members of the Teachers' and State Employees' Retirement System to purchase credit, at full actuarial cost, for probationary employment with a unit of local government.

Inasmuch as the only additional service purchases allowed by this legislation require payment of the full actuarial liability by members, no additional liability would accrue against the Retirement System and employers.

If you have any questions, please do not hesitate to contact us.

Sincerely,

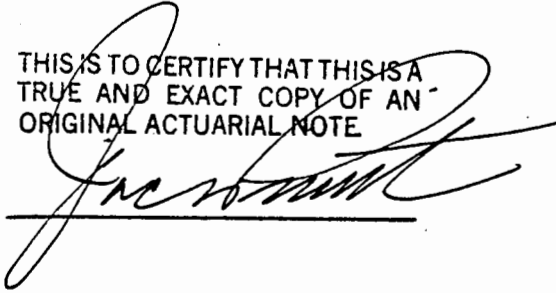


Edward A. Macdonald
Principal and Consulting Actuary

DMO:jg

HAHOMEACTNCTESB1138.DOC
JC 387 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038
Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 26, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Senate Bill 1138: An Act to Allow Members of the TSERS to
Purchase Credit for Probationary Employment with a Local
Government

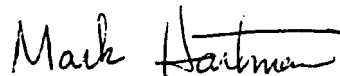
Dear Mr. Moore:

This bill amends G.S. 135-4 to allow members of the Teachers' and State Employees' Retirement System to purchase prior probationary service with a local government employer as defined in G.S. 128-21(11). Such service may be purchased if the former local government employer has revoked the probationary employment policy.

To purchase this service, the member must make a lump-sum payment into the Annuity Savings Fund based on the assumptions used in the actuarial valuation of the retirement system liabilities. The cost for purchasing this service would be the full actuarial cost of providing credit for such service, plus an administrative fee determined by the Board of Trustees. Based on this methodology, there should be no additional cost to the Teachers' and State Employees' Retirement System.

If you have any questions, please let me know.

Sincerely,



Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jjj

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By: Stanley Moore Date: 6-2-98
Legislative Fiscal Research



North Carolina General Assembly
Legislative Services Office

Attachment IV

George R. Hall, Legislative Services Officer
(919) 733-7044

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
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Suite 619, LOB
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Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

July 15, 1998

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee.

FROM: Karen Cochrane Brown, Committee Counsel. *KCB*

RE: Senate Bill 1138 - Credit for Probationary Employment.

Senate Bill 1138 adds a provision to the law governing the Teachers' and State Employees' Retirement System, to allow members of the System to purchase credit for probationary employment with a local government. The member may purchase the service by making a lump-sum payment for the full liability of the service credit.

Currently, a member of the Local Governmental Employees' Retirement System may purchase service for any periods in which the employee was considered to be in a probationary or employer-imposed waiting period status, between the date of employment and the date of membership in the Retirement System, provided the employer has revoked this probationary employment or waiting period policy. However, if a person transfers from the Local System to the State System, without having purchased the service, that person would not be able to purchase the service in the State System.

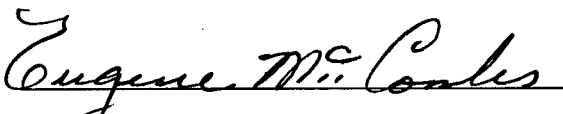
This bill remedies this situation by making this type of service available for purchase by members of the State System on the same terms as it is now available to members of the Local System.

This act becomes effective July 1, 1998.

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
July 16, 1998

The House Committee on Pensions and Retirement met immediately after session on July 16, 1998 at the desk of Representative Eugene McCombs, Vice Chairman of the Committee, to consider House Bill 1516, 1998 RETIREMENT BENEFITS ACT, which enhances the retirement benefits payable from the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, and the Local Governmental Employees' Retirement System. Members present were Representatives Rogers, Beall, Brawley, McCrary, Oldham, Ramsey and Daughtry. Representative Brawley moved that the committee consider the committee substitute. Rep. McCombs recognized Stanley Moore, Fiscal Analyst, to explain the bill substitute which grants a 2.5% COLA to retirees of the State, Local, Judicial and Legislative Systems and increases the formula in the Local System from 1.76% to 1.77% and grants a .6% adjusting increase to retirees. This is the same retirement package as the Senate Budget Bill. Mr. Moore distributed copies of the bill substitute (Attachment I) and Actuarial Note (Attachment II). Rep. Brawley made motion for an unfavorable report on the original bill, favorable report on the committee substitute and that this bill be re-referred to the Committee on Appropriations. The vote was unanimous in favor of the committee substitute bill.

The meeting was adjourned at 12:33 P.M.


Rep. Eugene McCombs, Vice Chairman


Rosa Murray, Clerk

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) McCombs for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

H.B. 1516 A BILL TO BE ENTITLED AN ACT TO ENHANCE THE RETIREMENT BENEFITS PAYABLE FROM THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☒ With a favorable report as to committee substitute bill (~~#~~), ☐ which changes the title, unfavorable as to original bill (~~Committee Substitute Bill #~~), (and recommendation that the committee substitute bill ~~#~~) be re-referred to the Committee on *Appropriations*.

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1516*

Short Title: 1998 Retirement Benefits Act.

(Public)

Sponsors: Representative Barbee (By Request).

Referred to: Pensions & Retirement, if favorable, Appropriations.

May 27, 1998

A BILL TO BE ENTITLED

1
2 AN ACT TO ENHANCE THE RETIREMENT BENEFITS PAYABLE FROM THE
3 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE
4 CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE
5 RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL
6 EMPLOYEES' RETIREMENT SYSTEM.

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 135-5(b17) reads as rewritten:

9 "(b17) Service Retirement Allowance of Members Retiring on or After July 1,
10 ~~1997~~ 1997, but Before July 1, 1998. -- Upon retirement from service in accordance
11 with subsection (a) or (a1) above, on or after July 1, 1997, but before July 1, 1998, a
12 member shall receive the following service retirement allowance.

13 (1) A member who is a law enforcement officer or an eligible former
14 law enforcement officer shall receive a service retirement
15 allowance computed as follows:

16 a. If the member's service retirement date occurs on or after
17 his 55th birthday, and completion of five years of creditable
18 service as a law enforcement officer, or after the completion
19 of 30 years of creditable service, the allowance shall be
20 equal to one and eighty hundredths percent (1.80%) of his
21 average final compensation, multiplied by the number of
22 years of his creditable service.

23 b. If the member's service retirement date occurs on or after
24 his 50th birthday and before his 55th birthday with 15 or

more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 135-5(b17)(1)a, reduced by one-third of one percent ($\frac{1}{3}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 135-5(b17)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty hundredths percent (1.80%) of his average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b17)(2)a., but shall be reduced by one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.
- c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under G.S. 135-5(b17)(2)a. but reduced by the sum of five-twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%)

- 1 thereof for each month by which his 60th birthday
2 precedes the first day of the month coincident with or
3 next following his 65th birthday; or
4 2. The service retirement allowance as computed under
5 G.S. 135-5(b17)(2)a. reduced by five percent (5%)
6 times the difference between 30 years and his
7 creditable service at retirement; or
8 3. If the member's creditable service commenced prior
9 to July 1, 1994, the service retirement allowance
10 equal to the actuarial equivalent of the allowance
11 payable at the age of 60 years as computed in G.S.
12 135-5(b17)(2)b.
13 d. Notwithstanding the foregoing provisions, any member
14 whose creditable service commenced prior to July 1, 1963,
15 shall not receive less than the benefit provided by G.S. 135-
16 5(b)."

17 Section 2. G.S. 135-5 is amended by adding a new subsection to read:

18 "(b18) Service Retirement Allowance of Members Retiring on or After July 1,
19 1998. -- Upon retirement from service in accordance with subsection (a) or (a1)
20 above, on or after July 1, 1998, a member shall receive the following service
21 retirement allowance:

22 (1) A member who is a law enforcement officer or an eligible former
23 law enforcement officer shall receive a service retirement
24 allowance computed as follows:

25 a. If the member's service retirement date occurs on or after
26 his 55th birthday, and completion of five years of creditable
27 service as a law enforcement officer, or after the completion
28 of 30 years of creditable service, the allowance shall be
29 equal to one and eighty-one hundredths percent (1.81%) of
30 his average final compensation, multiplied by the number of
31 years of his creditable service.

32 b. If the member's service retirement date occurs on or after
33 his 50th birthday and before his 55th birthday with 15 or
34 more years of creditable service as a law enforcement officer
35 and prior to the completion of 30 years of creditable service,
36 his retirement allowance shall be equal to the greater of:

- 37 1. The service retirement allowance payable under G.S.
38 135-5(b18)(1)a., reduced by one-third of one percent
39 (1/3 of 1%) thereof for each month by which his
40 retirement date precedes the first day of the month
41 coincident with or next following the month the
42 member would have attained his 55th birthday; or
43 2. The service retirement allowance as computed under
44 G.S. 135-5(b18)(1)a. reduced by five percent (5%)

times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-one hundredths percent (1.81%) of his average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b18)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 135-5(b18)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b18)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance

1 payable at the age of 60 years as computed in G.S.
2 135-5(b18)(2)b.

3 d. Notwithstanding the foregoing provisions, any member
4 whose creditable service commenced prior to July 1, 1963,
5 shall not receive less than the benefit provided by G.S. 135-
6 5(b)."

7 Section 3. G.S. 135-5(m) reads as rewritten:

8 "(m) Survivor's Alternate Benefit. -- Upon the death of a member in service, the
9 principal beneficiary designated to receive a return of accumulated contributions shall
10 have the right to elect to receive in lieu thereof the reduced retirement allowance
11 provided by Option 2 of subsection (g) above computed by assuming that the
12 member had retired on the first day of the month following the date of his death,
13 provided that the following conditions apply:

14 (1) a. The member had attained such age and/or creditable service
15 to be eligible to commence retirement with an early or
16 service retirement allowance, or
17 b. The member had obtained 20 years of creditable service in
18 which case the retirement allowance shall be computed in
19 accordance with ~~G.S. 135-5(b17)(1)b.~~ G.S. 135-5(b18)(1)b.
20 or ~~G.S. 135-5(b17)(2)c.~~ G.S. 135-5(b18)(2)c.
21 notwithstanding the requirement of obtaining age 50.

22 (2) The member had designated as the principal beneficiary to receive
23 a return of his accumulated contributions one and only one person
24 who was living at the time of his death.

25 (3) The member had not instructed the Board of Trustees in writing
26 that he did not wish the provisions of this subsection to apply.

27 For the purpose of this benefit, a member is considered to be in service at the date
28 of his death if his death occurs within 180 days from the last day of his actual service.
29 The last day of actual service shall be determined as provided in subsection (l) of this
30 section. Upon the death of a member in service, the surviving spouse may make all
31 purchases for creditable service as provided for under this Chapter for which the
32 member had made application in writing prior to the date of death, provided that the
33 date of death occurred prior to or within 60 days after notification of the cost to
34 make the purchase. The term "in service" as used in this subsection includes a
35 member in receipt of a benefit under the Disability Income Plan as provided in
36 Article 6 of this Chapter."

37 Section 4. G.S. 135-5 is amended by adding two new subsections to read:

38 "(eee) From and after July 1, 1998, the retirement allowance to or on account of
39 beneficiaries whose retirement commenced on or before July 1, 1997, shall be
40 increased by three and nine-tenths percent (3.9%) of the allowance payable on June
41 1, 1998, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1998,
42 the retirement allowance to or on account of beneficiaries whose retirement
43 commenced after July 1, 1997, but before June 30, 1998, shall be increased by a
44 prorated amount of three and nine-tenths percent (3.9%) of the allowance payable as

1 determined by the Board of Trustees based upon the number of months that a
2 retirement allowance was paid between July 1, 1997, and June 30, 1998.

3 (fff) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1998, --
4 From and after July 1, 1998, the retirement allowance to or on account of
5 beneficiaries on the retirement rolls as of June 1, 1998, shall be increased by five-
6 tenths of one percent (0.5%) of the allowance payable on June 1, 1998. This
7 allowance shall be calculated on the allowance payable and in effect on June 30,
8 1998, so as not to be compounded on any other increase granted by act of the 1997
9 General Assembly, 1998 Regular Session."

10 Section 5. G.S. 135-65 is amended by adding a new subsection to read:

11 "(s) From and after July 1, 1998, the retirement allowance to or on account of
12 beneficiaries whose retirement commenced on or before July 1, 1997, shall be
13 increased by four percent (4%) of the allowance payable on June 1, 1998.
14 Furthermore, from and after July 1, 1998, the retirement allowance to or on account
15 of beneficiaries whose retirement commenced after July 1, 1997, but before June 30,
16 1998, shall be increased by a prorated amount of four percent (4%) of the allowance
17 payable as determined by the Board of Trustees based upon the number of months
18 that a retirement allowance was paid between July 1, 1997, and June 30, 1998."

19 Section 6. G.S. 120-4.22A is amended by adding a new subsection to
20 read:

21 "(m) In accordance with subsection (a) of this section, from and after July 1, 1998,
22 the retirement allowance to or on account of beneficiaries whose retirement
23 commenced on or before January 1, 1998, shall be increased by four percent (4%) of
24 the allowance payable on June 1, 1998. Furthermore, from and after July 1, 1998, the
25 retirement allowance to or on account of beneficiaries whose retirement commenced
26 after January 1, 1998, but before June 30, 1998, shall be increased by a prorated
27 amount of four percent (4%) of the allowance payable as determined by the Board of
28 Trustees based upon the number of months that a retirement allowance was paid
29 between January 1, 1998, and June 30, 1998."

30 Section 7. Required employer salary-related contributions for employees
31 whose salaries are paid from department, office, institution, or agency receipts shall
32 be paid from the same source as the source of the employees' salary. If an
33 employee's salary is paid in part from the General Fund or Highway Fund and in
34 part from department, office, institution, or agency receipts, required employer salary-
35 related contributions may be paid from the General Fund or Highway Fund only to
36 the extent of the proportionate part paid from the General Fund or Highway Fund in
37 support of the salary of the employee, and the remainder of the employer's
38 requirements shall be paid from the source that supplies the remainder of the
39 employee's salary. The requirements of this section as to source of payment are also
40 applicable to payments on behalf of the employee for hospital-medical benefits,
41 longevity pay, unemployment compensation, accumulated leave, workers'
42 compensation, severance pay, separation allowances, and applicable disability income
43 and disability salary continuation benefits.

1 Section 8. Effective July 1, 1998, the State's employer contribution rates
2 budgeted for retirement and related benefits as a percentage of covered salaries for
3 the 1997-98 fiscal year are (i) ten and eighty-three hundredths percent (10.83%) -
4 Teachers and State Employees; (ii) fifteen and eighty-three hundredths percent
5 (15.83%) - State Law Enforcement Officers; (iii) nineteen and fifty-seven hundredths
6 percent (19.57%) - Consolidated Judicial Retirement System; and (iv) twenty-four
7 and fifty-eight hundredths percent (24.58%) - Legislative Retirement System. Each of
8 the foregoing contribution rates includes two percent (2%) for hospital and medical
9 benefits. The rate for State Law Enforcement Officers includes five percent (5%) for
10 the Supplemental Retirement Income Plan. The rates for Teachers and State
11 Employees, State Law Enforcement Officers, and for the University Employees'
12 Optional Retirement Program include fifty-two hundredths percent (0.52%) for the
13 Disability Income Plan.

14 Section 9. G.S. 128-27(b16) reads as rewritten:

15 "(b16) Service Retirement Allowance of Member Retiring on or after July 1, 1997-
16 1997, but before July 1, 1998. -- Upon retirement from service in accordance with
17 subsection (a) or (a1) above, on or after July 1, 1997, but before July 1, 1998, a
18 member shall receive the following service retirement allowance:

- 19 (1) A member who is a law enforcement officer or an eligible former
20 law enforcement officer shall receive a service retirement
21 allowance computed as follows:
- 22 a. If the member's service retirement date occurs on or after
23 his 55th birthday, and completion of five years of creditable
24 service as a law enforcement officer, or after the completion
25 of 30 years of creditable service, the allowance shall be
26 equal to one and seventy-six hundredths percent (1.76%) of
27 his average final compensation, multiplied by the number of
28 years of his creditable service.
- 29 b. If the member's service retirement date occurs on or after
30 his 50th birthday and before his 55th birthday with 15 or
31 more years of creditable service as a law enforcement officer
32 and prior to the completion of 30 years of creditable service,
33 his retirement allowance shall be equal to the greater of:
- 34 1. The service retirement allowance payable under G.S.
35 128-27(b16)(1)a. reduced by one-third of one percent
36 (1/3 of 1%) thereof for each month by which his
37 retirement date precedes the first day of the month
38 coincident with or next following the month the
39 member would have attained his 55th birthday; or
- 40 2. The service retirement allowance as computed under
41 G.S. 128-27(b16)(1)a. reduced by five percent (5%)
42 times the difference between 30 years and his
43 creditable service at retirement.

- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
- a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-six hundredths percent (1.76%) of average final compensation, multiplied by the number of years of creditable service.
 - b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b16)(2)a. but shall be reduced by one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.
 - c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under G.S. 128-27(b16)(2)a. but reduced by the sum of five-twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or
 2. The service retirement allowance as computed under G.S. 128-27(b16)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or
 3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b16)(2)b.

- d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

Section 10. G.S. 128-27 is amended by adding a new subsection to read:

"(b17) Service Retirement Allowance of Member Retiring on or After July 1, 1998. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1998, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and seventy-seven hundredths percent (1.77%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b17)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b17)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-seven hundredths percent

(1.77%) of average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b17)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 128-27(b17)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b17)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b17)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

Section 11. G.S. 128-27(m) reads as rewritten:

"(m) Survivor's Alternate Benefit. -- Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) above computed by assuming that the

1 member had retired on the first day of the month following the date of his death,
2 provided that all three of the following conditions apply:

- 3 (1) a. The member had attained such age and/or creditable service
4 to be eligible to commence retirement with an early or
5 service retirement allowance, or
6 b. The member had obtained 20 years of creditable service in
7 which case the retirement allowance shall be computed in
8 accordance with ~~G.S. 128-27(b16)(1)b.~~ G.S. 128-27(b17)(1)b.
9 or ~~G.S. 128-27(b16)(2)c.~~ G.S. 128-27(b17)(2)c.,
10 notwithstanding the requirement of obtaining age 50.
11 (2) The member had designated as the principal beneficiary to receive
12 a return of his accumulated contributions one and only one person
13 who is living at the time of his death.
14 (3) The member had not instructed the Board of Trustees in writing
15 that he did not wish the provisions of this subsection apply.

16 For the purpose of this benefit, a member is considered to be in service at the date
17 of his death if his death occurs within 180 days from the last day of his actual service.
18 The last day of actual service shall be determined as provided in subsection (1) of this
19 section. Upon the death of a member in service, the surviving spouse may make all
20 purchases for creditable service as provided for under this Chapter for which the
21 member had made application in writing prior to the date of death, provided that the
22 date of death occurred prior to or within 60 days after notification of the cost to
23 make the purchase."

24 Section 12. G.S. 128-27 is amended by adding two new subsections to
25 read:

26 "(uu) From and after July 1, 1998, the retirement allowance to or on account of
27 beneficiaries whose retirement commenced on or before July 1, 1997, shall be
28 increased by four percent (4%) of the allowance payable on June 1, 1998, in
29 accordance with subsection (k) of this section. Furthermore, from and after July 1,
30 1998, the retirement allowance to or on account of beneficiaries whose retirement
31 commenced after July 1, 1997, but before June 30, 1998, shall be increased by a
32 prorated amount of four percent (4%) of the allowance payable as determined by the
33 Board of Trustees based upon the number of months that a retirement allowance was
34 paid between July 1, 1997, and June 30, 1998.

35 (vv) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1998.
36 -- From and after July 1, 1998, the retirement allowance to or on account of
37 beneficiaries on the retirement rolls as of June 1, 1998, shall be increased by six-
38 tenths of one percent (0.6%) of the allowance payable on June 1, 1998. This
39 allowance shall be calculated on the allowance payable and in effect on June 30,
40 1998, so as not to be compounded on any other increase payable under subsection (k)
41 of this section or otherwise granted by act of the 1997 General Assembly."

42 Section 13. This act becomes effective July 1, 1998.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

D

HOUSE BILL 1516*
Proposed Committee Substitute H1516-PCS4204

Short Title: 1998 Retirement Benefits Act.

(Public)

Sponsors:

Referred to:

May 27, 1998

A BILL TO BE ENTITLED

AN ACT TO ENHANCE THE RETIREMENT BENEFITS PAYABLE FROM THE
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE
CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE
RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL
EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

Section 1. G.S. 135-5 is amended by adding a new subsection to read:

"(eee) From and after July 1, 1998, the retirement allowance to or on account of
beneficiaries whose retirement commenced on or before July 1, 1997, shall be
increased by two and one-half percent (2.5%) of the allowance payable on June 1,
1998, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1998, the
retirement allowance to or on account of beneficiaries whose retirement commenced
after July 1, 1997, but before June 30, 1998, shall be increased by a prorated amount
of two and one-half percent (2.5%) of the allowance payable as determined by the
Board of Trustees based upon the number of months that a retirement allowance was
paid between July 1, 1997, and June 30, 1998."

Section 2. G.S. 135-65 is amended by adding a new subsection to read:

"(s) From and after July 1, 1998, the retirement allowance to or on account of
beneficiaries whose retirement commenced on or before July 1, 1997, shall be
increased by two and one-half percent (2.5%) of the allowance payable on June 1,
1998. Furthermore, from and after July 1, 1998, the retirement allowance to or on
account of beneficiaries whose retirement commenced after July 1, 1997, but before

June 30, 1998, shall be increased by a prorated amount of two and one-half percent (2.5%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 1997, and June 30, 1998."

Section 3. G.S. 120-4.22A is amended by adding a new subsection to read:

"(m) In accordance with subsection (a) of this section, from and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 1998, shall be increased by two and one-half percent (2.5%) of the allowance payable on June 1, 1998. Furthermore, from and after July 1, 1998, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 1998, but before June 30, 1998, shall be increased by a prorated amount of two and one-half percent (2.5%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 1998, and June 30, 1998."

Section 4. G.S. 128-27(b16) reads as rewritten:

"(b16) Service Retirement Allowance of Member Retiring on or after July 1, 1997, but before July 1, 1998. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1997, but before July 1, 1998, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and seventy-six hundredths percent (1.76%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b16)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 128-27(b16)(1)a. reduced by five percent (5%)

times the difference between 30 years and his creditable service at retirement.

- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-six hundredths percent (1.76%) of average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b16)(2)a. but shall be reduced by one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.
- c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under G.S. 128-27(b16)(2)a. but reduced by the sum of five-twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or
 2. The service retirement allowance as computed under G.S. 128-27(b16)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or
 3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance

payable at the age of 60 years as computed in G.S. 128-27(b16)(2)b.

- d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

Section 5. G.S. 128-27 is amended by adding a new subsection to read:

"(b17) Service Retirement Allowance of Member Retiring on or After July 1, 1998. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1998, a member shall receive the following service retirement allowance:

- (1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and seventy-seven hundredths percent (1.77%) of his average final compensation, multiplied by the number of years of his creditable service.

- b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b17)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 128-27(b17)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

- (2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

- a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance

1 shall be equal to one and seventy-seven hundredths percent
2 (1.77%) of average final compensation, multiplied by the
3 number of years of creditable service.

4 b. If the member's service retirement date occurs after his 60th
5 birthday and before his 65th birthday and prior to his
6 completion of 25 years or more of creditable service, his
7 retirement allowance shall be computed as in G.S. 128-
8 27(b17)(2)a. but shall be reduced by one-quarter of one
9 percent (1/4 of 1%) thereof for each month by which his
10 retirement date precedes the first day of the month
11 coincident with or next following his 65th birthday.

12 c. If the member's early service retirement date occurs on or
13 after his 50th birthday and before his 60th birthday and after
14 completion of 20 years of creditable service but prior to the
15 completion of 30 years of creditable service, his early service
16 retirement allowance shall be equal to the greater of:

17 1. The service retirement allowance as computed under
18 G.S. 128-27(b17)(2)a. but reduced by the sum of five-
19 twelfths of one percent (5/12 of 1%) thereof for each
20 month by which his retirement date precedes the first
21 day of the month coincident with or next following
22 the month the member would have attained his 60th
23 birthday, plus one-quarter of one percent (1/4 of 1%)
24 thereof for each month by which his 60th birthday
25 precedes the first day of the month coincident with or
26 next following his 65th birthday; or

27 2. The service retirement allowance as computed under
28 G.S. 128-27(b17)(2)a. reduced by five percent (5%)
29 times the difference between 30 years and his
30 creditable service at retirement; or

31 3. If the member's creditable service commenced prior
32 to July 1, 1995, the service retirement allowance
33 equal to the actuarial equivalent of the allowance
34 payable at the age of 60 years as computed in G.S.
35 128-27(b17)(2)b.

36 d. Notwithstanding the foregoing provisions, any member
37 whose creditable service commenced prior to July 1, 1965,
38 shall not receive less than the benefit provided by G.S. 128-
39 27(b)."

40 Section 6. G.S. 128-27(m) reads as rewritten:

41 "(m) Survivor's Alternate Benefit. -- Upon the death of a member in service, the
42 principal beneficiary designated to receive a return of accumulated contributions shall
43 have the right to elect to receive in lieu thereof the reduced retirement allowance
44 provided by Option two of subsection (g) above computed by assuming that the

1 member had retired on the first day of the month following the date of his death,
2 provided that all three of the following conditions apply:

- 3 (1) a. The member had attained such age and/or creditable service
4 to be eligible to commence retirement with an early or
5 service retirement allowance, or
6 b. The member had obtained 20 years of creditable service in
7 which case the retirement allowance shall be computed in
8 accordance with ~~G.S. 128-27(b16)(1)b.~~ G.S. 128-27(b17)(1)b.
9 or ~~G.S. 128-27(b16)(2)c.~~ G.S. 128-27(b17)(2)c.
10 notwithstanding the requirement of obtaining age 50.
11 (2) The member had designated as the principal beneficiary to receive
12 a return of his accumulated contributions one and only one person
13 who is living at the time of his death.
14 (3) The member had not instructed the Board of Trustees in writing
15 that he did not wish the provisions of this subsection apply.

16 For the purpose of this benefit, a member is considered to be in service at the date
17 of his death if his death occurs within 180 days from the last day of his actual service.
18 The last day of actual service shall be determined as provided in subsection (l) of this
19 section. Upon the death of a member in service, the surviving spouse may make all
20 purchases for creditable service as provided for under this Chapter for which the
21 member had made application in writing prior to the date of death, provided that the
22 date of death occurred prior to or within 60 days after notification of the cost to
23 make the purchase."

24 Section 7. G.S. 128-27 is amended by adding two new subsections to
25 read:

26 "(uu) From and after July 1, 1998, the retirement allowance to or on account of
27 beneficiaries whose retirement commenced on or before July 1, 1997, shall be
28 increased by two and one-half percent (2.5%) of the allowance payable on June 1,
29 1998, in accordance with subsection (k) of this section. Furthermore, from and after
30 July 1, 1998, the retirement allowance to or on account of beneficiaries whose
31 retirement commenced after July 1, 1997, but before June 30, 1998, shall be increased
32 by a prorated amount of two and one-half percent (2.5%) of the allowance payable as
33 determined by the Board of Trustees based upon the number of months that a
34 retirement allowance was paid between July 1, 1997, and June 30, 1998.

35 (vv) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 1998.
36 -- From and after July 1, 1998, the retirement allowance to or on account of
37 beneficiaries on the retirement rolls as of June 1, 1998, shall be increased by six-
38 tenths of one percent (0.6%) of the allowance payable on June 1, 1998. This
39 allowance shall be calculated on the allowance payable and in effect on June 30,
40 1998, so as not to be compounded on any other increase payable under subsection (k)
41 of this section or otherwise granted by act of the 1997 General Assembly."

42 Section 8. This act becomes effective July 1, 1998.

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Committee Substitute for House Bill 1516**SHORT TITLE:** 1998 Retirement Benefits Act**SYSTEM OR PROGRAM AFFECTED:** Teacher's & State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System and Local Governmental Employees' Retirement System**FUNDS AFFECTED:** General Fund, Highway Fund, Receipt Fund and Local Funds**BILL SUMMARY:** Provides a post-retirement increase of two and one-half percent (2.5%) in the benefits of retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System and the Local Governmental Employees' Retirement System and increases the formula in Local Governmental Employees' Retirement System from 1.76% for each year of service to 1.77% and grants an adjusting increase of 0.6% to local retirees.**EFFECTIVE DATE:** July 1, 1998**ESTIMATED IMPACT ON STATE:****Teachers' and State Employee's Retirement System**Retirement System Actuary: Buck Consultants estimates the cost of the 2.5% COLA to be 0.62% of payroll.

	1998-99	1999-2000	2000-01	2001-02	2002-03
General Fund	\$ 36.5m	\$ 38.0m	\$ 39.7m	\$ 41.4m	\$ 43.1m
Highway Fund	\$ 3.1m	\$ 3.3m	\$ 3.4m	\$ 3.6m	\$ 3.7m
Receipt Funds	<u>\$ 8.4m</u>	<u>\$ 8.8m</u>	<u>\$ 9.2m</u>	<u>\$ 9.6m</u>	<u>\$ 10.0m</u>
Total	\$ 48.0m	\$ 50.1m	\$ 52.3m	\$ 54.4m	\$ 56.8m

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.5% COLA to be 0.59% of payroll.

	1998-99	1999-2000	2000-01	2001-02	2002-03
General Fund	\$ 34.7m	\$ 36.2m	\$ 37.7m	\$ 39.4m	\$ 41.1m
Highway Fund	\$ 3.0m	\$ 3.1m	\$ 3.3m	\$ 3.4m	\$ 3.5m
Receipt Funds	<u>\$ 8.0m</u>	<u>\$ 8.4m</u>	<u>\$ 8.7m</u>	<u>\$ 9.1m</u>	<u>\$ 9.5m</u>
Total	\$ 45.7m	\$ 47.7m	\$ 49.7m	\$ 51.9m	\$ 54.0m

Consolidated Judicial Retirement SystemRetirement System Actuary: Buck Consultants estimates the cost of the 2.5% COLA to be 1.01% of payroll.

	1998-99	1999-2000	2000-01	2001-02	2002-03
General Fund	\$404,000	\$424,402	\$445,834	\$468,349	\$492,000

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.5% COLA to be 1.05% of payroll.

	1998-99	1999-2000	2000-01	2001-02	2002-03
General Fund	\$420,000	\$441,210	\$463,491	\$486,897	\$511,486

Legislative Retirement System

Both actuaries, Dilts, Umstead & Dunn and Hartman & Associates, estimate the cost of the 2.5% COLA to be 1.16% of payroll.

	1998-99	1999-2000	2000-01	2001-02	2002-03
General Fund	\$41,760	\$41,760	\$41,760	\$41,760	\$41,760

Local Governmental Employee's Retirement System

Buck Consultants and Hartman & Associates estimates the cost to be 0.40% of payroll.

	1998-99	1999-2000	2000-01	2001-02	2002-03
Local Funds	\$11.9m	\$12.7m	\$13.5m	\$14.4m	\$15.3m

ASSUMPTIONS AND METHODOLOGY:

Teacher's & State Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 263,920 active members with an annual payroll of \$6.845 billion and 88,605 retired members in receipt of annual pensions totaling \$1.096 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and an frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Consolidated Judicial Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 454 active members with an annual payroll of \$36.6 million and 332 retired members in receipt of annual pensions totaling \$10.5 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Table for deaths after retirement, and (d) rates of separation from active service based on System experience. The actuarial cost method used to determine the liabilities is the projected benefit method; however, the method used to determine the contribution rate is the projected unit credit method with an unfunded liquidation period of ten years. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

Legislative Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1997 actuarial

valuation of the fund. The data included 167 active members with an annual payroll of \$3.6 million and 178 retired members in receipt of annual pensions totaling \$950,788. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) the 1971 Group Annuity Mortality Tables for deaths in service and after retirement and (c) 100% vesting after five years of service with no assumptions for terminations other than death and disability. The actuarial cost method used was the projected unit credit cost method with service prorated. The actuarial liability is computed by using member service to date and attributing an equal benefit amount to each year of credited and expected future service. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

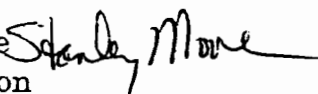
Local Governmental Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1996 actuarial valuation of the fund. The data included 104,454 active members with an annual payroll of \$2.594 billion and 24,028 retired members in receipt of annual pensions totaling \$227.7 million. Significant actuarial assumptions used include (a) an investment return rate of 7.5%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report which is available upon request from Stanley Moore.

SOURCES OF DATA: : System Actuary - Buck Consultant, Inc.
 General Assembly Actuary - Hartman & Associates
 Legislative System Actuary Dilts, Umstead & Dunn

FISCAL RESEARCH DIVISION: The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives. The above cost estimates are based on the salary base as of July 1, 1998 projected at the average annual increase in compensation base for each system over the last five years. The Legislative System salary base is not projected to increase since salaries have been the same for several years.

(919) 733-4910

PREPARED BY: Stanley Moore 

APPROVED BY: Tom Covington

DATE: July 14, 1998

BUCK CONSULTANTS

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

July 15, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Divisions
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1388

Second Committee Substitute for House Bill 1516

Dear Mr. Pruitt:

We have received your letter of June 30 regarding Second Committee Substitute for House Bill 1516 which affects the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System and the Consolidated Judicial Retirement System. This legislation also affects the Legislative Retirement System, which we will not address because we are not the consulting actuaries for this system.

This legislation appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries equal to 2.5% for those who commenced retirement on and before July 1, 1997, and a prorated portion of the 2.5% post-retirement increase for those who commenced retirement after July 1, 1997 and before June 30, 1998, with all increases payable effective July 1, 1998.

This legislation also appears to grant an increase in the defined benefit formula accrual rate, in the Local Governmental Employees' Retirement System, from 1.76% to 1.77% effective as of July 1, 1998 with a corresponding adjustment in the monthly allowances of existing retirees equal to 0.6% of the retirement allowances in effect on June 1, 1998, payable effective July 1, 1998.

The attached schedule reflects the fiscal results of the benefit enhancements contained in this legislation on the various retirement systems. The results are based on the latest actuarial valuations of the retirement systems, with the equivalent appropriation amounts based on the estimated covered payrolls agreed to among the Legislative Fiscal Research Division, the Office of State Budget and the Department of State Treasurer.

If no other benefit improvements are made under the Consolidated Judicial Retirement System, except the post-retirement increase in this legislation, the annual required employer contribution rate under GASB will be 16.97% of payroll.

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

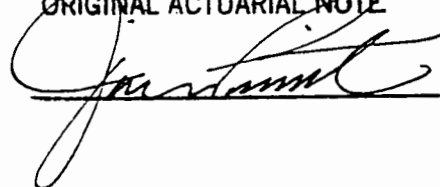
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

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JC 387 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



SECOND COMMITTEE SUBSTITUTE FOR HOUSE BILL 1516

SYSTEM	<u>GAINS</u>			<u>SECOND COMMITTEE SUBSTITUTE FOR HOUSE BILL 1516</u>			<u>REMAINING GAINS</u>		
	Cost As % of Payroll	<u>Equivalent Appropriations</u>		Cost As % of Payroll	<u>Equivalent Appropriations</u>		Cost as % of Payroll	<u>Equivalent Appropriations</u>	
		General Fund	Highway Fund		General Fund	Highway Fund		General Fund	Highway Fund
Teachers' and State Employees' Retirement System	1.35 %	\$79,434,000	\$6,845,000	0.62 %	\$36,481,000	\$3,143,000	0.73 %	\$42,953,000	\$3,702,000
Consolidated Judicial Retirement System	4.69 %	\$1,876,000	N/A	1.01 %	\$404,000	N/A	3.68 %	\$1,472,000	N/A
Local Governmental Employees' Retirement System	0.52 %	\$15,496,000*	N/A	0.39 %	\$11,622,000*	NA	0.13 %	\$3,874,000*	N/A

* Equivalent local funding

July 15, 1998

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B/C
CONSULTANTS

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

July 15, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Committee Substitute for House Bill 1516: An Act to Enhance Retirement Benefits in the TSERS, CJRS, LRS, and LGERS Systems

Dear Mr. Moore:

This committee substitute to the bill would amend the North Carolina General Statutes to enhance retirement benefits payable from the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), and the Local Governmental Employees' Retirement System (LGERS). The benefit increases provided by this bill are as follows:

1. In the TSERS, CJRS, and LGERS, the bill would provide a 2.5% increase in the retirement allowances payable to beneficiaries whose retirement began on or before July 1, 1997, with a prorated increase for retirements between July 1, 1997 and June 30, 1998.
2. In the LRS, the bill would provide a 2.5% increase in the retirement allowances payable to beneficiaries whose retirement began on or before January 1, 1998, with a prorated increase for retirements after January 1, 1998 and before June 30, 1998.
3. In the LGERS, the bill would also increase the annual accrual rate from 1.76% to 1.77% for members retiring on or after July 1, 1998 and increase the retirement allowance by 0.6% for all beneficiaries on the retirement rolls as of June 1, 1998.

All provisions of this act are effective July 1, 1998. The estimated cost of this act for the fiscal year beginning July 1, 1998, expressed as a percent of payroll, is shown below.

Mr. Stanley Moore
July 15, 1998

Page 2

<u>System</u>	<u>Cost of Retiree COLA</u>	<u>Cost of Formula Inc</u>	<u>Amort. Period for Unfunded Liability</u>
TSERS	0.59%	n/a	9 years
CJRS	1.05	n/a	8 years
LRS	1.16	n/a	5 years
LGERS	0.21	0.19%	n/a

This estimation is based on the data contained in the most recent actuarial valuations prepared as of December 31, 1996 for the TSERS, CJRS, and LGERS. For the LRS, the valuation as of December 31, 1997 was used.

If you have any questions, let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, PSA, MAAA, MCA, EA
Consulting Actuary

MVH/mot

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 7-15-98
Legislative Fiscal Research

DILTS, UMSTEAD & DUNN

CONSULTING ACTUARIES
400 W. MAIN ST. SUITE 402
DURHAM, N. C. 27702

tel: (919) 688-8913
Fax: (919) 688-8913
E-mail: dnd@mindspring.com
cud0926@aol.com

Richard D. Umstead, F.S.A., M.A.A.A.
Charles W. Dunn, F.S.A., M.A.A.A.

June 8, 1998

Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Albermale Building
Raleigh, North Carolina 27603-1388

RE: House Bill 1516, an Act to Provide a 4% increase to retirees of the Legislative Retirement System.

Dear Mr. Pruitt:

The Act would provide an increase of 4% in the retirement allowance for beneficiaries of the Legislative Retirement System who retired on or before January 1, 1998. A prorated amount of the 4% increase would be provided for the beneficiaries who retired after January 1, 1998, before July 1, 1998. The increase would be effective July 1, 1998.

The estimated cost of this increase as a percent of payroll is 1.85%.

Sincerely,



Richard D. Umstead

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Shirley Moore Date: 7-15-98
Legislative Fiscal Research

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

August 5, 1998
Room 415
12:00 Noon

AGENDA

1. OPENING REMARKS

Representative Barbee, Chairman

2. BILL TO BE CONSIDERED

Senate Bill 1407 Register of Deeds Supplemental
Pension Change

Sponsor: Senator Carpenter

3. ADJOURNMENT

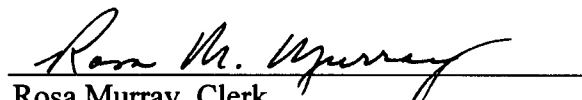
MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
August 5, 1998

The House Committee on Pensions and Retirement met in Room 415 of the Legislative Office Building on August 5, 1998 at 12:00 noon. Representative Barbee, chairman, called the meeting to order and recognized Sergeant-at-Arms staff, John Aman and Charles Webb, who assisted with the meeting. He introduced Spencer Barnes who was the Page assigned to the committee. Members present were: Representatives McCombs, Beall, Grady, Justus, McCrary, Oldham, Ramsey, and G. Wilson. Guests signed the Visitor's Registration Sheet (Attachment I).

Representative Barbee recognized Senator Robert Carpenter, sponsor of Senate Bill 1407. Senator Carpenter called on Stanley Moore, Fiscal Analyst, to explain the bill, an Act to provide benefits under the Register of Deeds' Supplemental Pension Fund Act to Registers of Deeds who are otherwise not eligible solely because the county does not participate in the Local Governmental Employees' Retirement System. Karen Cochrane Brown, Committee Counsel, distributed a memorandum of facts concerning the bill (Attachment II). After some discussion, Representative Beall made motion for a favorable report of Senate Bill 1407 and that it be referred to the Committee on Appropriations. The vote was unanimous in favor of the bill.

The meeting was adjourned at 12:12 P.M.


Rep. Bobby H. Barbee, Sr., Chairman


Rosa Murray, Clerk

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Barbee** for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for

S.B. 1407 A BILL TO BE ENTITLED AN ACT TO PROVIDE BENEFITS UNDER THE REGISTERS OF DEEDS' SUPPLEMENTAL PENSION FUND ACT TO REGISTERS OF DEEDS WHO ARE OTHERWISE NOT ELIGIBLE SOLELY BECAUSE THE COUNTY DOES NOT PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☐ With a favorable report.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on
☒ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S

1

SENATE BILL 1407

Short Title: Reg. of Deeds Supp. Pension Change.

(Public)

Sponsors: Senator Carpenter.

Referred to: Pensions & Retirement and Insurance.

May 28, 1998

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE BENEFITS UNDER THE REGISTERS OF DEEDS'
3 SUPPLEMENTAL PENSION FUND ACT TO REGISTERS OF DEEDS WHO
4 ARE OTHERWISE NOT ELIGIBLE SOLELY BECAUSE THE COUNTY DOES
5 NOT PARTICIPATE IN THE LOCAL GOVERNMENTAL EMPLOYEES'
6 RETIREMENT SYSTEM.

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 161-50.4 reads as rewritten:

9 "§ 161-50.4. Eligibility.

10 (a) Each county register of deeds who has retired with at least 12 years eligible
11 service as register of deeds from the Local Governmental Employees' Retirement
12 System or an equivalent locally sponsored plan before June 30, 1988, and those who
13 retire on or after June 30, 1988, but before July 1, 1991, and who have completed at
14 least 12 years of eligible service as register of deeds is entitled to receive a monthly
15 pension under this Article, beginning July 1, 1988. Effective July 1, 1991, each county
16 register of deeds who retires with at least 10 years of eligible service as register of
17 deeds is entitled to receive a monthly pension under this Article.

18 (a1) Notwithstanding the provisions of subsection (a) of this section, effective
19 January 1, 1996, any county register of deeds who separates from service as register of
20 deeds after completing at least 10 years of eligible service as register of deeds, but
21 who does not commence retirement with the Local Governmental Employees'
22 Retirement System, shall have the right to receive a monthly pension under this
23 Article payable upon retirement with the Local Governmental Employees'
24 Retirement System.

1 (a2) Each county register of deeds who is not eligible to retire with the Local
2 Governmental Employees' Retirement System solely because the county has not
3 elected to participate as an employer with the Local Governmental Employees'
4 Retirement System and who has either (i) attained the age of 65, (ii) attained 30 years
5 of creditable service regardless of age, or (iii) attained the age of 60 with not less than
6 25 years of creditable service, and who has completed at least 10 years of creditable
7 service as a register of deeds is entitled to receive a monthly pension under this
8 Article, provided that register of deeds is not eligible to receive any retirement
9 benefits from any State or locally sponsored plan.

10 (b) Each eligible retired register of deeds as defined in subsection ~~(a) or (a1)~~ (a),
11 (a1), or (a2) of this section relating to service and retirement status on January 1 of
12 each calendar year shall be entitled to receive a monthly pension under this Article
13 beginning with the month of January of the same calendar year."

14 Section 2. G.S. 161-50.5 is amended by adding a new subsection to read:

15 "(a1) A register of deeds eligible under G.S. 161-50.4 (a2) shall be entitled to
16 receive an annual pension benefit, payable in equal monthly installments as
17 determined under the provisions of subsection (a) of this section, but reduced by an
18 amount equal to the benefit that would be payable from the Local Governmental
19 Employees' Retirement System if the register of deeds had been a member of the
20 Local Governmental Employees' Retirement System and all of the years of local
21 service were creditable to that System."

22 Section 3. This act becomes effective July 1, 1998.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
(919) 733-7044

Ernest L. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 16, 1998

MEMORANDUM

TO: Senator Robert Carpenter

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note Senate Bill 1407

Re: Provides benefits from the Register of Deeds Pension Fund to any register of deed who is not a member of the Local Governmental Employees' Retirement System because their county is not a participating unit.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

cc: Chairman, Senate Committee on Pensions & Retirement
Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, June 16, 1998
- (3) Actuarial Note. Hartman & Associates, June 16, 1998

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: Senate Bill 1407

SHORT TITLE: Register of Deeds Supplemental Pension Change

SPONSOR(S): Senator Carpenter

SYSTEM AFFECTED: Register of Deeds' Supplemental Pension Fund.

FUNDS AFFECTED: Register of Deeds' Supplemental Pension Fund

BILL SUMMARY: The register of deeds of each county sends 4.5% of the fees collected pursuant to Article 1 of G. S. 161 to the State Treasurer to be used to pay a supplement retirement benefit to register of deeds who retire from the Local Retirement System with 10 or more years of service as the register of deeds. There is one county that does not participate in the Local Retirement System, therefore the register of deeds of that county is not presently eligible to receive any benefits from the Register of Deeds Supplemental Pension Fund. The bill would allow this one register of deeds to receive a benefit from the Register of Deeds Supplemental Pension Fund offset by an amount that she would have been eligible to receive from the Local Governmental Employees' Retirement System if she had been a member during her service with any local government.

EFFECTIVE DATE: July 1, 1998

**ESTIMATED IMPACT: ESTIMATED IMPACT ON FUND:
SYSTEM ACTUARY**

<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
1998-99	1999-00	2000-01	2001-02	2002-03
\$13,000	\$13,000	\$13,000	\$13,000	\$13,000

GENERAL ASSEMBLY ACTUARY

<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
1998-99	1999-00	2000-01	2001-02	2002-03
\$12,000	\$12,000	\$12,000	\$12,000	\$12,000

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives

(919) 733-4910

PREPARED BY: Stanley Moore *Stanley Moore*

APPROVED BY: Tom Covington

DATE: June 16, 1998

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

June 16, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Senate Bill 1407

Dear Mr. Pruitt:

We have received your letter of May 29 regarding Senate Bill 1407 which affects the Register's of Deeds Supplemental Pension Fund.

This legislation appears to provide monthly benefits from the Pension Fund to a County Register of Deeds who is not otherwise eligible for a benefit solely because the County does not participate as an employer with the Local Governmental Employees' Retirement System. Furthermore, the benefit payable from the Pension Fund under this legislation would be reduced by the value of the benefit that would have been payable from the Local Governmental Employees' Retirement System had the Register of Deeds been a member and otherwise been eligible for an unreduced service retirement allowance.

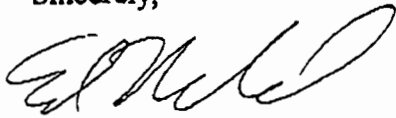
It is our understanding that there is currently only one County Register of Deeds that is affected by this legislation. The present value of the additional liability created on account of this legislation for this individual is approximately \$85,000. If this amount is amortized over time remaining until the individual is expected to retire, the annual payment would be \$13,000.

It is also our understanding that the County has been required by the Statutes, since October 1, 1987, to pay 4.5% of the monthly receipts collected pursuant to Article 1 of Chapter 161 to the Register's of Deeds' Supplemental Pension Fund, even though they had no one who could receive a benefit from the Fund. Therefore, it may be appropriate to offset the cost of this legislation by the amount the County has already contributed to the System.

Mr. Jack Pruitt
June 16, 1998
Page 2

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

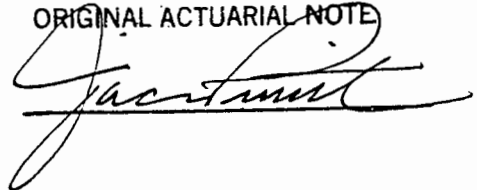
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

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JC 751 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



BUCK
CONSULTANTS

06/16/98 13:02 HARTMAN & ASSOCIATES (336) 731-2583

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

MARK V. HARTMAN, FSA, MAAA, MCA, EA

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

June 16, 1998

Mr. Stanley Moore
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Senate Bill 1407: An Act to Provide Benefits Under the Registers of Deeds' Supplemental Pension Fund Act to Registers of Deeds Who Are Otherwise Not Eligible Solely Because the County Does Not Participate in the LCERS

Dear Mr. Moore:

This bill amends G.S. 161-50 to provide benefits under the Registers of Deeds' Supplemental Pension Fund to certain registers of deeds who are not otherwise eligible. This bill would provide coverage under the plan to any register of deeds who is not a member of the Local Governmental Employees' Retirement System because their county is not a participating unit in the LGERS.

The bill provides that a register of deeds whose county does not participate in the LGERS could retire at the earlier of the attainment of age 65, the attainment of age 60 with 25 years of creditable service, or at any age upon completing 30 years of creditable service, provided the employee has completed at least 10 years of creditable service as a register of deeds. The register of deeds is entitled to an annual pension equal to the amount determined under the Registers of Deeds' plan, reduced by the benefit that would be payable from the LGERS if the register of deeds had been a member of that plan and all years of service were creditable to that system. The act becomes effective July 1, 1998.

Based on the census information you have provided regarding registers of deeds who would be affected by this bill, we have completed an actuarial valuation of the additional benefits to be provided. This produces a level annual cost of \$11,782 beginning with the fiscal year beginning July 1, 1998.

If you have any questions, let me know.

Sincerely,

Mark Hartman

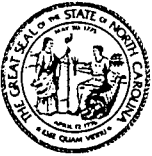
Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By Stanley Moore Date: 6-16-88
Legislative Fiscal Research



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
(919) 733-7044

Attachment II

W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
(919) 733-7500

Gerry F. Cohen, Director
Bill Drafting Division
Suite 401, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

Thomas L. Covington, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Donald W. Fulford, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

August 5, 1998

MEMORANDUM

TO: Representative Bobby H. Barbee, Chairman,
House Pensions and Retirement Committee.

FROM: Karen Cochrane Brown, Committee Counsel. *KCB*

RE: Senate Bill 1407 - Reg. of Deeds Supp. Pension Change.

Senate Bill 1407 amends the Register of Deeds' Supplemental Pension Fund Act to provide benefits to registers of deeds who are otherwise not eligible solely because the county in which they serve does not participate in the Local Governmental Employees' Retirement System. Currently, in order to be eligible to receive the supplemental benefit, a register of deeds must retire from the Local Governmental Employees' Retirement System with at least 10 years of service as a register of deeds.

This bill adds a new provision which states that a register of deeds who is not eligible to retire from the Local system solely because the county is not a participating employer and who has either (i) attained the age of 65, (ii) attained 30 years of creditable service regardless of age, or (iii) attained the age of 60 with not less than 25 years of service, and who has completed at least 10 years of service as a register of deeds is eligible to receive a monthly pension from the Supplemental Fund, provided the register of deeds is not eligible to receive any retirement benefits for any State or locally sponsored plan. The bill further provides that the monthly pension shall be reduced by an amount equal to the benefit that would have been payable, had the register of deeds been a member of the Local Governmental Employees' Retirement System.

This act would become effective July 1, 1998.

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
October 27, 1998

The House Committee on Pensions and Retirement had a brief meeting in the House chamber around the desk of Representative Bobby H. Barbee, Sr., chairman, on October 27, 1998 at 9:45 A.M. to consider the following bills:

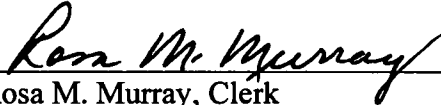
House Bill 1118 Restore Suspended Benefits

House Bill 1276 Increase Leo Retirement.

Representative Barbee presided at the meeting. Other committee members present were: Representatives Hardy, McCrary, Oldham, G. Wilson, and Yongue. Representative Gene Wilson made motion that these bills be postponed indefinitely. The vote was unanimous in favor of the motion. The meeting was adjourned at 9:55 A.M.



Rep. Bobby H. Barbee, Sr. , Chairman



Rosa M. Murray, Clerk

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Bobby H. Barbee, Sr.** for the Committee on **PENSIONS AND RETIREMENT.**

☐ Committee Substitute for

H.B. 1118 A BILL TO BE ENTITLED AN ACT TO INCREASE RETIREMENT BENEFITS FOR MEMBERS OF THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM WHOSE BENEFITS WERE SUSPENDED AS A RESULT OF REEMPLOYMENT.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☒ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

4/24/97

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1118

Short Title: Restore Suspended Benefits.

(Public)

Sponsors: Representative Miller.

Referred to: Pensions and Retirement, if favorable, Appropriations.

April 21, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE RETIREMENT BENEFITS FOR MEMBERS OF THE
3 CONSOLIDATED JUDICIAL RETIREMENT SYSTEM WHOSE BENEFITS
4 WERE SUSPENDED AS A RESULT OF REEMPLOYMENT.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 135-56A is amended by adding a new subsection to read:

7 "(d) Upon the reinstatement of benefits of any retired member of the Consolidated
8 Judicial Retirement System whose benefits were suspended upon that member's entry
9 into the Teachers' and State Employees' Retirement System, that member's years of
10 service under the applicable provision of G.S. 135-56 shall be increased by the
11 number of years that the member's benefits under the Consolidated Judicial
12 Retirement System were suspended."

13 Section 2. This act is effective when it becomes law.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

IRLAN E. BOYLES
TREASURER

DENNIS DUCKER
DEPUTY TREASURER

May 22, 1997

The Honorable Bobby H. Barbee, Sr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1025 of the State Legislative Building
Raleigh, North Carolina

Re: Actuarial Note/House Bill 1118

Dear Representative Barbee:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1118 which affects the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System.

Please let me know if you have any questions with regard to this actuarial note. Also, please let me know when you wish us to appear before your Committee with regard to this note.

Sincerely yours,

A handwritten signature in cursive script that reads "Dennis Ducker".

Dennis Ducker
Director

DD/dsp

Enclosure

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

May 22, 1997

Mr. Dennis Ducker
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Re: **House Bill 1118**

Dear Mr. Ducker:

We have received your letter of April 29 regarding House Bill 1118 which affects the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System.

This legislation appears to enhance the retirement benefits of retired members of the Consolidated Judicial Retirement System whose retirement allowances were suspended, in accordance with the provisions of G.S. 135-52(a), on account of becoming a contributing member of the Teachers' and State Employees' Retirement System. Upon reinstatement of the suspended allowance, the affected member will have his creditable service in the Consolidated Judicial Retirement System increased by the number of years that his retirement allowance was suspended.

This legislation further appears to attempt to amend the benefit structure of the Consolidated Judicial Retirement System to cause the retirement allowance payable to an affected member to include the additional creditable service. The subject bill is effective upon ratification.

The following are our technical comments regarding this legislation.

- (i) There are no provisions for the recalculation of benefits comparable to the provisions of G.S. 135-71, and no language pertaining to the compensation to be used (i.e. current applicable rate or rate at retirement) in a recalculation.
- (ii) Since no provisions are made for the transfer of contributions from the Teachers' and State Employees' Retirement System, it is assumed that benefits from that retirement system are payable in addition to the restored benefits from the Consolidated Judicial Retirement System. This does not seem to comport with G.S. 135-56A(c), which prohibits the counting of creditable service twice for the same period of time.

Mr. Dennis Ducker
May 22, 1997
Page 2

- (iii) The placement of the proposed provisions is not compatible with the existing placement of related provisions. Specifically, G.S. 135-56 "Creditable Service" appears to be a more suitable placement for the subject provisions than does G.S. 135-56A "Reciprocity..."
- (iv) House Bill 1118 does not contain provisions for funding the increased cost for the legislation.

This legislation would increase the unfunded actuarial liability of the Judicial Retirement System by approximately \$90,000; the corresponding increase in employer contribution rate is 0.03% of payroll. This legislation would have no impact on the Teachers' and State Employees' Retirement System. In calculating the cost of this legislation, we have made the following assumptions:

- (i) The benefit payable upon reinstatement will be based on the members final pay as a member of the Judicial Retirement System.
- (ii) Any benefit under the Teachers' and Employees' Retirement System will be payable in addition to the increased Judicial benefit.
- (iii) Cost-of-living rate increases during the period benefits were suspended will apply to the increased Judicial benefit.

If we can be of further assistance, please do not hesitate to contact us.

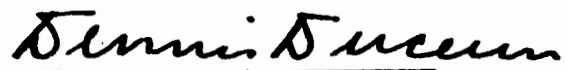
Sincerely,



Donald M. Overholser
Principal and Consulting Actuary

DMO:jq
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JC 2747 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



BUCK
CONSULTANTS

**1998 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

The following report(s) from standing committee(s) is/are presented:

By Representative(s) **Bobby H. Barbee, Sr.** for the Committee on **PENSIONS AND RETIREMENT.**

☐ Committee Substitute for

H.B. 1276 A BILL TO BE ENTITLED AN ACT TO ELIMINATE THE SEPARATION ALLOWANCE FOR LAW ENFORCEMENT OFFICERS AND SUBSTITUTE AN INCREASE IN THE RETIREMENT FORMULA.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on
☐ Appropriations ☐ Finance ☐

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on ☐ Appropriations ☐ Finance ☐

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to original bill (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ And having received a unanimous vote in committee, is placed on the Consent Calendar.
(PUBLIC BILLS ONLY)

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☒ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

H

1

HOUSE BILL 1276

Short Title: Increase LEO Retirement.

(Public)

Sponsors: Representatives Fitch, Blue, Michaux; Adams, Black, Braswell, Buchanan, Clary, Dedmon, Hensley, H. Hunter, McAllister, Mosley, Wainwright, Warner, and Wright.

Referred to: Pensions & Retirement.

May 14, 1998

- 1 A BILL TO BE ENTITLED
2 AN ACT TO ELIMINATE THE SEPARATION ALLOWANCE FOR LAW
3 ENFORCEMENT OFFICERS AND SUBSTITUTE AN INCREASE IN THE
4 RETIREMENT FORMULA.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 143-166.41(a) reads as rewritten:
7 "(a) Notwithstanding any other provision of law, every sworn law-enforcement
8 officer as defined by G.S. 135-1(11b) or G.S. 143-166.30(a)(4) employed by a State
9 department, agency, or institution who qualifies under this section and who retires on
10 or before December 31, 1998, shall receive, beginning on the last day of the month in
11 which he retires on a basic service retirement under the provisions of G.S. 135-5(a)
12 or G.S. 143-166(y), an annual separation allowance equal to eighty-five hundredths
13 percent (0.85%) of the annual equivalent of the base rate of compensation most
14 recently applicable to him for each year of creditable service. The allowance shall be
15 paid in 12 equal installments on the last day of each month. To qualify for the
16 allowance the officer shall:
17 (1) Have (i) completed 30 or more years of creditable service or, (ii)
18 have attained 55 years of age and completed five or more years of
19 creditable service; and
20 (2) Not have attained 62 years of age; and
21 (3) Have completed at least five years of continuous service as a law
22 enforcement officer as herein defined immediately preceding a

1 service retirement. Any break in the continuous service required
2 by this subsection because of disability retirement or disability
3 salary continuation benefits shall not adversely affect an officer's
4 qualification to receive the allowance, provided the officer returns
5 to service within 45 days after the disability benefits cease and is
6 otherwise qualified to receive the allowance."

7 Section 2. G.S. 143-166.42 reads as rewritten:

8 "**§ 143-166.42. Special separation allowances for local officers.**

9 On and after January 1, 1987, the provisions of G.S. 143- 166.41 shall apply to all
10 eligible law-enforcement officers as defined by G.S. 128-21(11b) or G.S.
11 143-166.50(a)(3) who are employed by local government ~~employers, employers, and~~
12 who retire on or before December 31, 1998, except as may be provided by this
13 section. As to the applicability of the provisions of G.S. 143-166.41 to locally
14 employed officers, the governing body for each unit of local government shall be
15 responsible for making determinations of eligibility for their local officers retired
16 under the provisions of G.S. 128-27(a) and for making payments to their eligible
17 officers under the same terms and conditions, other than the source of payment, as
18 apply to each State department, agency, or institution in payments to State officers
19 according to the provisions of G.S. 143-166.41."

20 Section 3. G.S. 135-5(a17) reads as rewritten:

21 "(b17) Service Retirement Allowance of Members Retiring on or After July 1,
22 ~~1997. 1997. but Before January 1, 1999.~~ -- Upon retirement from service in
23 accordance with subsection (a) or (a1) above, on or after July 1, 1997, but before
24 January 1, 1999, a member shall receive the following service retirement allowance:

25 (1) A member who is a law enforcement officer or an eligible former
26 law enforcement officer shall receive a service retirement
27 allowance computed as follows:

28 a. If the member's service retirement date occurs on or after
29 his 55th birthday, and completion of five years of creditable
30 service as a law enforcement officer, or after the completion
31 of 30 years of creditable service, the allowance shall be
32 equal to one and eighty hundredths percent (1.80%) of his
33 average final compensation, multiplied by the number of
34 years of his creditable service.

35 b. If the member's service retirement date occurs on or after
36 his 50th birthday and before his 55th birthday with 15 or
37 more years of creditable service as a law enforcement officer
38 and prior to the completion of 30 years of creditable service,
39 his retirement allowance shall be equal to the greater of:

40 1. The service retirement allowance payable under G.S.
41 135-5(b17)(1)a. reduced by one-third of one percent
42 (1/3 of 1%) thereof for each month by which his
43 retirement date precedes the first day of the month

- 1 coincident with or next following the month the
- 2 member would have attained his 55th birthday; or
- 3 2. The service retirement allowance as computed under
- 4 G.S. 135-5(b17)(1)a. reduced by five percent (5%)
- 5 times the difference between 25 years and his
- 6 creditable service at retirement.
- 7 (2) A member who is not a law enforcement officer or an eligible
- 8 former law enforcement officer shall receive a service retirement
- 9 allowance computed as follows:
- 10 a. If the member's service retirement date occurs on or after
- 11 his 65th birthday upon the completion of five years of
- 12 creditable service or after the completion of 30 years of
- 13 creditable service or on or after his 60th birthday upon the
- 14 completion of 25 years of creditable service, the allowance
- 15 shall be equal to one and eighty hundredths percent (1.80%)
- 16 of his average final compensation, multiplied by the number
- 17 of years of creditable service.
- 18 b. If the member's service retirement date occurs after his 60th
- 19 and before his 65th birthday and prior to his completion of
- 20 25 years or more of creditable service, his retirement
- 21 allowance shall be computed as in G.S. 135-5(b17)(2)a. but
- 22 shall be reduced by one-quarter of one percent ($\frac{1}{4}$ of 1%)
- 23 thereof for each month by which his retirement date
- 24 precedes the first day of the month coincident with or next
- 25 following his 65th birthday.
- 26 c. If the member's early service retirement date occurs on or
- 27 after his 50th birthday and before his 60th birthday and after
- 28 completion of 20 years of creditable service but prior to the
- 29 completion of 30 years of creditable service, his early service
- 30 retirement allowance shall be equal to the greater of:
- 31 1. The service retirement allowance as computed under
- 32 G.S. 135-5(b17)(2)a. but reduced by the sum of five-
- 33 twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each
- 34 month by which his retirement date precedes the first
- 35 day of the month coincident with or next following
- 36 the month the member would have attained his 60th
- 37 birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%)
- 38 thereof for each month by which his 60th birthday
- 39 precedes the first day of the month coincident with or
- 40 next following his 65th birthday; or
- 41 2. The service retirement allowance as computed under
- 42 G.S. 135-5(b17)(2)a. reduced by five percent (5%)
- 43 times the difference between 25 years and his
- 44 creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b17)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1963, shall not receive less than the benefit provided by G.S. 135-5(b)."

Section 4. G.S. 135-5 is amended by adding a new subsection to read:

"(b18) Service Retirement Allowance of Members Retiring on or After January 1, 1999. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after January 1, 1999, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 25 years of creditable service, the allowance shall be equal to two and fifty hundredths percent (2.50%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 25 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 135-5(b18)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b18)(1)a. reduced by five percent (5%) times the difference between 25 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of

1 creditable service or after the completion of 30 years of
2 creditable service or on or after his 60th birthday upon the
3 completion of 25 years of creditable service, the allowance
4 shall be equal to one and eighty hundredths percent (1.80%)
5 of his average final compensation, multiplied by the number
6 of years of creditable service.

7 b. If the member's service retirement date occurs after his 60th
8 and before his 65th birthday and prior to his completion of
9 25 years or more of creditable service, his retirement
10 allowance shall be computed as in G.S. 135-5(b18)(2)a. but
11 shall be reduced by one-quarter of one percent (1/4 of 1%)
12 thereof for each month by which his retirement date
13 precedes the first day of the month coincident with or next
14 following his 65th birthday.

15 c. If the member's early service retirement date occurs on or
16 after his 50th birthday and before his 60th birthday and after
17 completion of 20 years of creditable service but prior to the
18 completion of 30 years of creditable service, his early service
19 retirement allowance shall be equal to the greater of:

20 1. The service retirement allowance as computed under
21 G.S. 135-5(b18)(2)a. but reduced by the sum of five-
22 twelfths of one percent (5/12 of 1%) thereof for each
23 month by which his retirement date precedes the first
24 day of the month coincident with or next following
25 the month the member would have attained his 60th
26 birthday, plus one-quarter of one percent (1/4 of 1%)
27 thereof for each month by which his 60th birthday
28 precedes the first day of the month coincident with or
29 next following his 65th birthday; or

30 2. The service retirement allowance as computed under
31 G.S. 135-5(b18)(2)a. reduced by five percent (5%)
32 times the difference between 25 years and his
33 creditable service at retirement; or

34 3. If the member's creditable service commenced prior
35 to July 1, 1994, the service retirement allowance
36 equal to the actuarial equivalent of the allowance
37 payable at the age of 60 years as computed in G.S.
38 135-5(b18)(2)b.

39 d. Notwithstanding the foregoing provisions, any member
40 whose creditable service commenced prior to July 1, 1963,
41 shall not receive less than the benefit provided by G.S. 135-
42 5(b)."

43 Section 5. G.S. 135-59(m) reads as rewritten:

"(m) Survivor's Alternate Benefit. -- Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that the following conditions apply:

- (1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or
- b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with ~~G.S. 135-5(b17)(1)b.~~ G.S. 135-5(b18)(1)b. or ~~G.S. 135-5(b17)(2)c.~~ G.S. 135-5(b18)(2)c. notwithstanding the requirement of obtaining age 50.
- (2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who was living at the time of his death.
- (3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase. The term "in service" as used in this subsection includes a member in receipt of a benefit under the Disability Income Plan as provided in Article 6 of this Chapter."

Section 6. G.S. 128-27(b16) reads as rewritten:

"(b16) Service Retirement Allowance of Members Retiring on or after July 1, ~~1997. July 1, 1997, but Before January 1, 1999.~~ -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1997, but before January 1, 1999, a member shall receive the following service retirement allowance:

- (1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:
 - a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-six hundredths percent (1.76%) of his average final compensation, multiplied by the number of years of his creditable service.

- 1 b. If the member's service retirement date occurs on or after
- 2 his 50th birthday and before his 55th birthday with 15 or
- 3 more years of creditable service as a law enforcement officer
- 4 and prior to the completion of 30 years of creditable service,
- 5 his retirement allowance shall be equal to the greater of:
- 6 1. The service retirement allowance payable under G.S.
- 7 128-27(b16)(1)a. reduced by one-third of one percent
- 8 (1/3 of 1%) thereof for each month by which his
- 9 retirement date precedes the first day of the month
- 10 coincident with or next following the month the
- 11 member would have attained his 55th birthday; or
- 12 2. The service retirement allowance as computed under
- 13 G.S. 128-27(b16)(1)a. reduced by five percent (5%)
- 14 times the difference between 25 years and his
- 15 creditable service at retirement.
- 16 (2) A member who is not a law enforcement officer or an eligible
- 17 former law enforcement officer shall receive a service retirement
- 18 allowance computed as follows:
- 19 a. If the member's service retirement date occurs on or after
- 20 his 65th birthday upon the completion of five years of
- 21 creditable service or after the completion of 30 years of
- 22 creditable service or on or after his 60th birthday upon the
- 23 completion of 25 years of creditable service, the allowance
- 24 shall be equal to one and seventy-six hundredths percent
- 25 (1.76%) of his average final compensation, multiplied by the
- 26 number of years of creditable service.
- 27 b. If the member's service retirement date occurs after his 60th
- 28 and before his 65th birthday and prior to his completion of
- 29 25 years or more of creditable service, his retirement
- 30 allowance shall be computed as in G.S. 128-27(b16)(2)a. but
- 31 shall be reduced by one-quarter of one percent (1/4 of 1%)
- 32 thereof for each month by which his retirement date
- 33 precedes the first day of the month coincident with or next
- 34 following his 65th birthday.
- 35 c. If the member's early service retirement date occurs on or
- 36 after his 50th birthday and before his 60th birthday and after
- 37 completion of 20 years of creditable service but prior to the
- 38 completion of 30 years of creditable service, his early service
- 39 retirement allowance shall be equal to the greater of:
- 40 1. The service retirement allowance as computed under
- 41 G.S. 128-27(b16)(2)a. but reduced by the sum of five-
- 42 twelfths of one percent (5/12 of 1%) thereof for each
- 43 month by which his retirement date precedes the first
- 44 day of the month coincident with or next following

the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b16)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1998, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b16)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

Section 7. G.S. 128-27 is amended by adding a new subsection to read:

"(b17) Service Retirement Allowance of Members Retiring on or After January 1, 1999. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after January 1, 1999, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 25 years of creditable service, the allowance shall be equal to two and fifty hundredths percent (2.50%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 25 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b17)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

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1 equal to the actuarial equivalent of the allowance
2 payable at the age of 60 years as computed in G.S.
3 128-27(b17)(2)b.

4 d. Notwithstanding the foregoing provisions, any member
5 whose creditable service commenced prior to July 1, 1965,
6 shall not receive less than the benefit provided by G.S. 128-
7 27(b)."

8 Section 8. G.S. 128-27(m) reads as rewritten:

9 "(m) Survivor's Alternate Benefit. -- Upon the death of a member in service, the
10 principal beneficiary designated to receive a return of accumulated contributions shall
11 have the right to elect to receive in lieu thereof the reduced retirement allowance
12 provided by Option two of subsection (g) above computed by assuming that the
13 member had retired on the first day of the month following the date of his death,
14 provided that all three of the following conditions apply:

15 (1) a. The member had attained such age and/or creditable service
16 to be eligible to commence retirement with an early or
17 service retirement allowance, or

18 b. The member had obtained 20 years of creditable service in
19 which case the retirement allowance shall be computed in
20 accordance with ~~G.S. 128-27(b15)(1)b.~~ G.S. 128-27(b17)b. or
21 ~~G.S. 128-27(b15)(2)c.,~~ G.S. 128-27(b17)c., notwithstanding
22 the requirement of obtaining age 50.

23 (2) The member had designated as the principal beneficiary to receive
24 a return of his accumulated contributions one and only one person
25 who is living at the time of his death.

26 (3) The member had not instructed the Board of Trustees in writing
27 that he did not wish the provisions of this subsection apply.

28 For the purpose of this benefit, a member is considered to be in service at the date
29 of his death if his death occurs within 180 days from the last day of his actual service.
30 The last day of actual service shall be determined as provided in subsection (1) of this
31 section. Upon the death of a member in service, the surviving spouse may make all
32 purchases for creditable service as provided for under this Chapter for which the
33 member had made application in writing prior to the date of death, provided that the
34 date of death occurred prior to or within 60 days after notification of the cost to
35 make the purchase."

36 Section 9. This act becomes effective January 1, 1999.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

May 18, 1998

The Honorable Bobby H. Barbee, Sr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1025 of the State Legislative Building
Raleigh, North Carolina

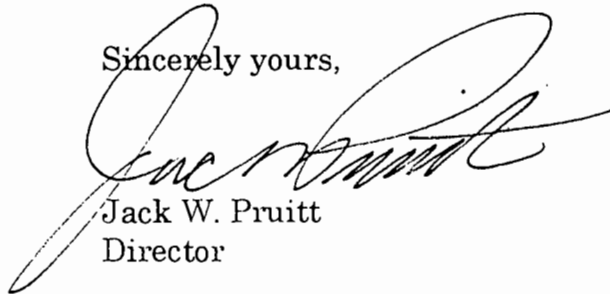
Re: Actuarial Note/House Bill 1276

Dear Representative Barbee:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1276 which affects the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.

Please let me know if you have any questions with regard to this actuarial note. Also, please let me know when you wish us to appear before your Committee with regard to this note.

Sincerely yours,



Jack W. Pruitt
Director

JWP/dsp

Enclosure

**BUCK
CONSULTANTS**

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

May 18, 1998

Mr. Jack Pruitt
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

House Bill 1276

Dear Mr. Pruitt:

We have received your letter of May 15 regarding House Bill 1276 which affects the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.

The legislation would provide that members who are law enforcement officers shall be entitled to (i) unreduced service retirement benefits at age 55 after 5 years of creditable service as a law enforcement officer, or at any age after 25 years of creditable service, and (ii) reduced early retirement benefits at age 50 with 15 years of creditable service as a law enforcement officer, calculated by using a reduction of 1/3 of 1% for each month under age 55, or a reduction of 5% times the difference between 25 years and the members' creditable service at retirement, whichever produces the greater benefit.

The legislation further appears to provide retirement benefits for members retiring on and after January 1, 1999 equal to 2.50% of average final compensation multiplied by creditable service and would repeal, effective December 31, 1998, the provisions of G.S. 143-166.41 and 143-166.42 which provide for the special separation allowances for State and local law enforcement officers.

The estimated cost of this proposed legislation under the Teachers' and State Employees' Retirement System would be as follows:

Contribution Rate	Increase in Employer Contribution Rate	Annual Contribution
Normal	.0425%	\$ 3,294,000
Accrued Liability	.2598	20,134,000
Total	.3023%	\$23,428,000

Mr. Jack Pruitt
May 18, 1998
Page 2

For the Local Governmental Employees' Retirement System, we have determined that the employers' normal contribution rate for law enforcement officers under this legislation would be 10.97% of covered payroll. The increase from the current employer normal rate of 5.27% would be 5.70% in perpetuity, which would require additional annual normal contributions of approximately \$25,330,000 in the first year. The additional unfunded accrued liability created on account of this legislation is \$346,336,000, which would require additional accrued liability contributions of approximately \$31,768,000 based on 15 year amortization of the additional unfunded accrued liability. The combined annual additional normal and accrued liability contributions required by the employer is approximately \$57,098,000. The attached table shows the estimated annual cost of the additional benefits for employers with law enforcement officers and the increase in the accrued liability rate which would be applied to the payroll of all members of each employer.

As technical observations, no minimum service requirement as a law enforcement officer is specified for eligibility for unreduced retirement benefits after 25 years of creditable service and no provisions are made for the additional funding requirements of the enhanced benefits.

Some members may receive lesser benefits under the proposed legislation in certain instances of premature death than they would under the current provisions. In light of the Faulkenbury decision, this proposed change may trigger future legal action on behalf of those individuals. Therefore, it may be appropriate to consider a grandfathering provision for members who are active as of December 31, 1998. The grandfathering provision would still allow for the elimination of the benefits provided by the separation allowance for future retired members and could be incorporated into the provisions of the Teachers' and State Employees' Retirement System, and the Local Governmental Employees' Retirement System. A grandfathered member would be given a choice at retirement of the old LEO retirement benefits including the separation allowance or the new LEO retirement benefit. This grandfathered provision would not affect the estimated cost of this proposed legislation, since the actuarial cost of the grandfathered benefit is less than the cost of the new benefit.

If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

Sincerely,



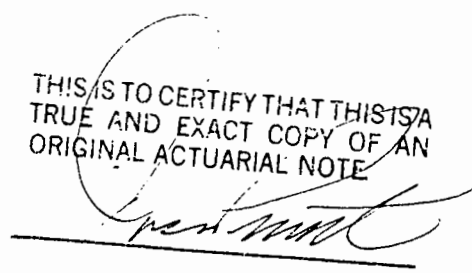
Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

Enc.

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JC 387/751 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE



BUCK
CONSULTANTS

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of Proposed Legislation to Eliminate the
Separation Allowance and to Increase Law Enforcement Officers Benefits

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70005	ABERDEEN, TOWN OF.....	16	466,856	1,143,664	2.13%	26,611	24,360	50,971
70007	AHOSKIE, TOWN OF.....	18	340,309	1,180,219	1.93%	19,398	22,778	42,176
70020	ALAMANCE COUNTY.....	70	1,957,630	14,268,474	1.01%	111,585	144,112	255,697
70030	ALBEMARLE, CITY OF.....	41	1,105,881	6,239,036	1.59%	63,035	99,201	162,236
70032	ALEXANDER COUNTY.....	17	417,801	1,918,012	1.49%	23,815	28,578	52,393
70033	ALEXANDER MILLS, TOWN OF.....	2	32,330	165,839	0.26%	1,843	431	2,274
70035	ALLEGHANY COUNTY.....	9	188,707	1,470,428	0.60%	10,756	8,823	19,579
70036	ANDREWS, TOWN OF.....	1	22,723	254,224	0.85%	1,295	2,161	3,456
70038	ANGIER, TOWN OF.....	9	138,405	438,766	0.27%	7,889	1,185	9,074
70040	ANSON COUNTY.....	17	361,130	3,697,364	0.35%	20,584	12,941	33,525
70050	APEX, TOWN OF.....	20	665,851	2,832,914	1.79%	37,954	50,709	88,663
70063	ARCHDALE, CITY OF.....	15	472,968	962,940	3.89%	26,959	37,458	64,417
70064	ASHEBORO, CITY OF.....	45	1,217,111	5,944,919	1.75%	69,375	104,036	173,411
70065	ASHE COUNTY.....	16	293,894	2,465,644	0.67%	16,752	16,520	33,272
70070	ASHEVILLE, CITY OF.....	163	5,121,320	24,844,450	1.64%	291,915	407,449	699,364
70072	ASHEVILLE A.B.C. BOARD.....	2	66,848	1,024,765	0.40%	3,810	4,099	7,909
70074	ASHEVILLE REGIONAL AIRPORT AUTHORITY	15	463,734	773,251	5.93%	26,433	45,854	72,287
70080	ATLANTIC BEACH, TOWN OF.....	9	262,916	262,916	5.06%	14,986	13,304	28,290
70082	AULANDER, TOWN OF.....	2	39,366	149,605	0.53%	2,244	793	3,037
70085	AURORA, TOWN OF.....	2	30,170	137,323	0.30%	1,720	412	2,132
70090	AVERY COUNTY.....	28	486,993	1,694,365	0.95%	27,759	16,096	43,855
70100	AYDEN, TOWN OF.....	15	366,449	1,435,192	1.16%	20,888	16,648	37,536
70103	BADIN, TOWN OF.....	3	58,218	127,054	0.20%	3,318	254	3,572
70105	BAKERSVILLE, TOWN OF.....	1	20,741	55,291	3.45%	1,182	1,908	3,090
70107	VILLAGE OF BALD HEAD ISLAND.....	6	125,670	406,109	0.73%	7,163	2,965	10,128
70110	BANNER ELK, TOWN OF.....	6	123,375	219,110	2.31%	7,032	5,061	12,093
70130	BEAUFORT COUNTY.....	37	841,476	6,468,084	0.70%	47,954	45,277	93,241
70145	BEAUFORT, TOWN OF.....	15	285,912	1,272,154	0.92%	16,297	11,704	28,001
70146	BEECH MOUNTAIN, TOWN OF.....	7	170,514	847,706	0.85%	9,719	7,206	16,925
70147	BELHAVEN, TOWN OF.....	10	168,859	568,800	0.68%	9,625	3,868	13,493
70150	BELMONT, CITY OF.....	24	589,092	1,699,593	2.29%	33,578	38,921	72,499

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of Proposed Legislation to Eliminate the
Separation Allowance and to Increase Law Enforcement Officers Benefits

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70155	BESSEMER CITY, CITY OF.....	8	231,542	1,034,781	1.17%	13,198	12,107	25,305
70157	BETHEL, TOWN OF.....	5	97,701	316,769	0.73%	5,569	2,312	7,881
70160	BBULAVILLE, TOWN OF.....	3	80,423	188,914	5.48%	4,584	10,352	14,936
70170	BENSON, TOWN OF.....	15	317,940	1,040,411	0.97%	18,123	10,092	28,215
70180	BERTIE COUNTY.....	15	373,523	3,024,697	1.27%	21,291	38,414	59,705
70190	BILTMORE FOREST, TOWN OF.....	9	238,341	604,717	1.38%	13,585	8,345	21,930
70192	BISCOB, TOWN OF.....	6	144,342	287,720	4.57%	8,227	13,149	21,376
70195	BLACK CREEK, TOWN OF.....	2	52,882	170,959	1.77%	3,014	3,026	6,040
70200	BLACK MOUNTAIN, TOWN OF.....	15	340,126	1,211,861	1.90%	19,387	23,025	42,412
70210	BLADEN COUNTY.....	39	917,132	11,870,618	0.45%	52,277	53,418	105,695
70215	BLADENBORO, TOWN OF.....	6	107,078	275,163	1.04%	6,103	2,862	8,965
70220	BLOWING ROCK, TOWN OF.....	9	225,412	902,465	1.63%	12,848	14,710	27,558
70225	BOILING SPRING LAKES, CITY OF.....	5	102,817	250,126	2.19%	5,861	5,478	11,339
70230	BOILING SPRINGS, TOWN OF.....	5	104,702	258,234	2.07%	5,968	5,345	11,313
70235	BOLTON, TOWN OF.....	2	19,778	19,778	0.00%	1,127	0	1,127
70240	BOONE, TOWN OF.....	30	870,758	3,216,904	2.55%	49,633	82,031	131,664
70250	BOONVILLE, TOWN OF.....	2	43,583	190,305	1.58%	2,484	3,007	5,491
70260	BREVARD, CITY OF.....	20	597,459	1,829,380	3.09%	34,055	56,528	90,583
70265	BROADWAY, TOWN OF.....	4	51,422	165,887	0.35%	2,931	581	3,512
70270	BROOKFORD, TOWN OF.....	1	28,421	99,117	4.75%	1,620	4,708	6,328
70280	BRUNSWICK COUNTY.....	68	1,789,493	8,768,486	0.92%	102,001	80,670	182,671
70285	BRYSON CITY, TOWN OF.....	3	49,850	229,854	0.50%	2,841	1,149	3,990
70290	BUNCOMBE COUNTY.....	201	4,859,201	32,516,174	0.65%	276,974	211,355	488,329
70295	BUNN, TOWN OF.....	4	79,469	97,945	1.08%	4,530	1,058	5,588
70300	BURGAW, TOWN OF.....	6	148,917	559,212	1.58%	8,488	8,836	17,324
70310	BURKE COUNTY.....	66	1,525,354	5,425,832	2.09%	86,945	113,400	200,345
70320	BURLINGTON, CITY OF.....	105	3,385,474	13,154,558	2.55%	192,972	335,441	528,413
70330	BURNSVILLE, TOWN OF.....	7	124,396	444,411	1.42%	7,091	6,311	13,402
70340	CABARRUS COUNTY.....	126	3,795,623	21,925,140	1.21%	216,351	265,294	481,645
70350	CALDWELL COUNTY.....	49	1,224,975	11,486,509	0.71%	69,824	81,554	151,378
70355	CALYPSO, TOWN OF.....	1	5,952	42,869	0.00%	339	0	339

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of Proposed Legislation to Eliminate the
Separation Allowance and to Increase Law Enforcement Officers Benefits

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70357	CAMDEN COUNTY.....	8	169,511	577,775	0.88%	9,662	5,084	14,746
70360	CANDOR, TOWN OF.....	4	53,158	107,811	0.51%	3,030	550	3,580
70362	CANTON, TOWN OF.....	11	332,975	1,791,166	1.25%	18,980	22,390	41,370
70365	CAPE CARTERET, TOWN OF.....	5	106,014	175,156	4.47%	6,043	7,829	13,872
70372	CARRBORO, TOWN OF.....	32	1,040,285	3,343,705	2.25%	59,296	75,233	134,529
70375	CAROLINA BEACH, TOWN OF.....	22	582,170	1,490,237	1.60%	33,184	23,844	57,028
70380	CARTERET COUNTY.....	32	779,998	6,624,909	0.62%	44,460	41,074	85,534
70385	CARTERET COUNTY A.B.C. BOARD.....	1	26,122	451,892	0.25%	1,489	1,130	2,619
70390	CARTHAGE, TOWN OF.....	7	138,549	307,667	1.38%	7,897	4,246	12,143
70400	CARY, TOWN OF.....	82	2,880,521	17,721,754	1.07%	164,190	189,623	353,813
70405	CASWELL BEACH, TOWN OF.....	4	99,890	117,917	5.03%	5,694	5,931	11,625
70415	CASWELL COUNTY.....	29	684,176	3,263,978	1.29%	38,998	42,105	81,103
70430	CATAWBA COUNTY.....	96	2,727,093	25,362,490	0.76%	155,444	192,755	348,199
70440	CATAWBA COUNTY A.B.C. BOARD.....	1	32,765	711,587	0.13%	1,868	925	2,793
70450	CHADBOURN, TOWN OF.....	8	158,325	237,801	1.31%	9,025	3,115	12,140
70470	CHAPEL HILL, TOWN OF.....	78	2,979,137	14,521,593	1.80%	169,811	261,389	431,200
70480	CHARLOTTE, CITY OF.....	1,266	48,470,574	125,873,776	3.01%	2,762,823	3,788,801	6,551,624
70490	CHATHAM COUNTY.....	48	1,227,132	7,778,389	1.20%	69,947	93,341	163,288
70500	CHEROKEE COUNTY.....	14	277,755	3,077,768	0.25%	15,832	7,694	23,526
70505	EASTERN BAND OF CHEROKEE INDIANS....	25	719,865	719,865	3.28%	41,032	23,612	64,644
70520	CHERRYVILLE, CITY OF.....	15	402,877	1,598,868	2.07%	22,964	33,097	56,061
70522	CHINA GROVE, TOWN OF.....	7	109,814	449,593	0.98%	6,259	4,406	10,665
70525	CHOCOWINITY, TOWN OF.....	1	24,599	88,038	1.29%	1,402	1,136	2,538
70530	CHOWAN COUNTY.....	13	369,768	2,105,637	1.40%	21,077	29,479	50,556
70535	CLAREMONT, TOWN OF.....	10	193,811	352,244	2.74%	11,047	9,651	20,698
70538	CLAY COUNTY.....	9	205,195	1,385,406	0.75%	11,696	10,391	22,087
70540	CLAYTON, TOWN OF.....	19	535,273	2,003,510	1.67%	30,511	33,459	63,970
70550	CLEVELAND COUNTY.....	72	1,877,352	17,188,986	0.79%	107,009	135,793	242,802
70552	CLEVELAND, TOWN OF.....	3	48,667	117,227	1.63%	2,774	1,911	4,685
70555	CLINTON, CITY OF.....	27	699,143	2,643,954	1.56%	39,851	41,246	81,097
70570	COATS, TOWN OF.....	5	106,974	249,146	2.18%	6,098	5,431	11,529

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of Proposed Legislation to Eliminate the
Separation Allowance and to Increase Law Enforcement Officers Benefits

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70580	COLUMBUS COUNTY.....	48	1,100,039	8,376,728	0.92%	62,702	77,066	139,768
70581	COLUMBUS, TOWN OF.....	5	94,773	236,619	2.16%	5,402	5,111	10,513
70590	CONCORD, CITY OF.....	95	2,804,109	15,967,334	1.11%	159,834	177,237	337,071
70610	CONOVER, TOWN OF.....	20	560,189	1,512,651	3.09%	31,931	46,741	78,672
70620	CONWAY, TOWN OF.....	1	25,909	119,103	1.62%	1,477	1,929	3,406
70625	CORNELIUS, TOWN OF.....	21	600,534	1,222,643	2.16%	34,230	26,409	60,639
70640	CRAMERTON, TOWN OF.....	7	177,791	382,224	4.45%	10,134	17,009	27,143
70650	CRAVEN COUNTY.....	54	1,384,886	13,068,077	0.78%	78,939	101,931	180,870
70660	CREEDMOOR, CITY OF.....	6	110,464	247,390	4.14%	6,296	10,242	16,538
70680	CUMBERLAND COUNTY.....	266	7,482,411	53,358,743	0.67%	426,497	357,504	784,001
70685	CUMBERLAND COUNTY A.B.C. BOARD.....	3	93,309	918,688	0.72%	5,319	6,615	11,934
70700	CURRITUCK COUNTY.....	34	786,417	3,718,294	0.94%	44,826	34,952	79,778
70705	DALLAS, TOWN OF.....	11	280,033	852,972	1.08%	15,962	9,212	25,174
70720	DARE COUNTY.....	48	1,314,979	13,009,846	0.63%	74,954	81,962	156,916
70721	DARE COUNTY A.B.C. BOARD.....	1	32,175	349,175	0.84%	1,834	2,933	4,767
70723	DAVIDSON COUNTY.....	97	2,460,159	18,987,156	0.67%	140,229	127,214	267,443
70724	Davidson, Town of.....	12	303,340	634,793	1.84%	17,290	11,680	28,970
70725	DAVIE COUNTY.....	27	667,556	5,471,244	0.59%	38,051	32,280	70,331
70730	DENTON, TOWN OF.....	6	135,778	469,954	1.35%	7,739	6,344	14,083
70735	DOBSON, TOWN OF.....	4	108,848	219,154	3.37%	6,204	7,385	13,589
70745	DREXEL, TOWN OF.....	6	170,795	509,368	3.86%	9,735	19,662	29,397
70760	DUNN, TOWN OF.....	34	818,525	2,425,591	2.27%	46,656	55,061	101,717
70770	DUPLIN COUNTY.....	40	968,489	7,502,301	0.88%	55,204	66,020	121,224
70780	DURHAM, CITY OF.....	324	11,845,092	53,730,355	2.09%	675,170	1,122,964	1,798,134
70790	DURHAM COUNTY.....	123	3,610,839	37,653,998	0.54%	205,818	203,332	409,150
70800	DURHAM COUNTY A.B.C. BOARD.....	3	109,504	1,402,914	0.82%	6,242	11,504	17,746
70805	EAST BRND, TOWN OF.....	2	28,819	60,810	2.41%	1,643	1,466	3,109
70812	EAST SPENCER, TOWN OF.....	9	109,876	242,408	1.81%	6,263	4,388	10,651
70815	EDEN, CITY OF.....	51	1,444,384	4,946,647	2.68%	82,330	132,570	214,900
70817	EDENTON, TOWN OF.....	20	487,970	1,739,132	2.53%	27,814	44,000	71,814
70820	EDGECOMBE COUNTY.....	38	1,076,555	10,668,062	0.83%	61,364	88,545	149,909

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of Proposed Legislation to Eliminate the
Separation Allowance and to Increase Law Enforcement Officers Benefits

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70840	ELIZABETH CITY.....	36	1,029,403	4,978,150	1.46%	58,676	72,681	131,357
70850	ELIZABETH TOWN, TOWN OF.....	15	357,220	862,201	1.85%	20,362	15,951	36,313
70855	ELKIN, TOWN OF.....	19	443,638	1,272,013	1.83%	25,287	23,278	48,565
70860	ELK PARK, TOWN OF.....	1	18,994	68,976	3.51%	1,083	2,421	3,504
70865	ELLERBE, TOWN OF.....	4	59,290	150,383	0.25%	3,380	376	3,756
70880	ELON COLLEGE, TOWN OF.....	12	325,649	848,249	2.59%	18,562	21,970	40,532
70890	EMERALD ISLE, TOWN OF.....	16	412,871	1,161,680	2.13%	23,534	24,744	48,278
70895	ENFIELD, TOWN OF.....	8	175,965	813,762	0.79%	10,030	6,429	16,459
70900	ERWIN, TOWN OF.....	10	232,658	758,600	1.68%	13,262	12,744	26,006
70905	EUREKA, TOWN OF.....	1	17,425	23,707	0.17%	993	40	1,033
70908	FAIR BLUFF, TOWN OF.....	3	80,369	128,005	2.09%	4,581	2,675	7,256
70910	FAIRMONT, TOWN OF.....	14	263,010	726,377	1.62%	14,992	11,767	26,759
70920	FAISON, TOWN OF.....	2	50,197	152,789	4.15%	2,861	6,341	9,202
70930	FARMVILLE, CITY OF.....	18	404,250	1,839,021	1.25%	23,042	22,988	46,030
70940	FAYETTEVILLE, CITY OF.....	291	8,291,639	27,285,065	1.89%	472,623	515,688	988,311
70943	FLETCHER, TOWN OF.....	10	253,280	253,280	1.53%	14,437	3,875	18,312
70950	FOREST CITY.....	26	754,564	2,598,487	1.73%	43,010	44,954	87,964
70951	FORSYTH COUNTY.....	220	6,953,371	48,572,572	1.23%	396,342	597,443	993,785
70953	FOX FIRE VILLAGE.....	2	64,549	88,596	6.94%	3,679	6,149	9,828
70954	FOUR OAKS, TOWN OF.....	5	92,046	187,082	1.19%	5,247	2,226	7,473
70955	FRANKLIN, TOWN OF.....	15	359,689	1,066,426	1.89%	20,502	20,155	40,657
70960	FRANKLIN COUNTY.....	30	844,872	6,957,431	0.78%	48,158	54,268	102,426
70970	FRANKLINTON, TOWN OF.....	8	184,076	436,634	2.31%	10,492	10,086	20,578
70980	FREMONT, TOWN OF.....	3	95,940	421,403	0.96%	5,469	4,045	9,514
70990	FUQUAY-VARINA, TOWN OF.....	19	484,861	1,612,063	1.75%	27,637	28,211	55,848
71000	GARLAND, TOWN OF.....	2	31,241	115,200	0.58%	1,781	668	2,449
71010	GARNER, TOWN OF.....	39	1,273,413	4,125,431	2.50%	72,585	103,136	175,721
71020	GARYSBURG, TOWN OF.....	3	62,229	87,984	4.71%	3,547	4,144	7,691
71030	GASTON COUNTY.....	208	6,417,061	29,022,842	1.57%	365,772	455,659	821,431
71032	GASTON, TOWN OF.....	3	67,887	132,317	1.11%	3,870	1,469	5,339
71040	GASTONIA, CITY OF.....	170	5,974,101	26,498,985	2.08%	340,524	551,179	891,703

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
71050	GATES COUNTY.....	6	106,554	827,965	0.24%	6,074	1,987	8,061
71060	GIBSONVILLE, TOWN OF.....	11	288,485	725,636	1.44%	16,444	10,449	26,893
71065	GLEN ALPINE, TOWN OF.....	2	39,367	49,592	3.49%	2,244	1,731	3,975
71070	GOLDSBORO, CITY OF.....	98	2,701,340	10,893,321	1.66%	153,976	180,829	334,805
71080	GRAHAM, CITY OF.....	29	691,023	2,555,178	1.51%	39,388	38,583	77,971
71085	GRAHAM COUNTY.....	3	63,187	63,187	1.42%	3,602	897	4,499
71090	GRANITE FALLS, TOWN OF.....	11	250,879	1,170,639	1.67%	14,300	19,550	33,850
71105	GRANITE QUARRY, TOWN OF.....	4	67,999	183,510	1.15%	3,876	2,110	5,986
71110	GRANVILLE COUNTY.....	31	668,490	10,132,998	0.49%	38,104	49,652	87,756
71130	GREENE COUNTY.....	25	495,682	2,877,564	0.79%	28,254	22,733	50,987
71140	GREENSBORO, CITY OF.....	467	18,626,874	77,832,230	2.53%	1,061,732	1,969,155	3,030,887
71150	GREENSBORO A.B.C. BOARD.....	1	40,652	1,385,691	0.27%	2,317	3,741	6,058
71160	GREENVILLE, CITY OF.....	140	4,070,168	15,584,438	1.95%	232,000	303,897	535,897
71170	GRIPTON, TOWN OF.....	7	139,850	252,798	4.14%	7,971	10,466	18,437
71178	GROVER, TOWN OF.....	1	36,057	57,492	2.96%	2,055	1,702	3,757
71180	GUILFORD, COUNTY OF.....	211	7,273,032	75,838,989	0.82%	414,563	621,880	1,036,443
71200	HALIFAX COUNTY.....	43	1,079,742	13,009,613	0.56%	61,545	72,854	134,399
71220	HAMLET, CITY OF.....	16	484,369	1,669,806	2.11%	27,609	35,233	62,842
71230	HARNETT COUNTY.....	64	1,639,959	11,022,741	0.90%	93,478	99,205	192,683
71240	HAVELOCK, CITY OF.....	22	651,553	1,903,543	2.70%	37,139	51,396	88,535
71245	HAW RIVER, TOWN OF.....	8	219,905	523,678	3.14%	12,535	16,443	28,978
71250	HAYWOOD COUNTY.....	50	1,149,541	24,073,184	0.28%	65,524	67,405	132,929
71270	HENDERSON, CITY OF.....	44	1,056,466	5,005,345	1.44%	60,219	72,077	132,296
71275	HENDERSON COUNTY.....	87	2,762,109	13,269,324	1.41%	157,440	187,097	344,537
71280	HENDERSONVILLE, CITY OF.....	30	892,890	2,649,332	1.99%	50,895	52,722	103,617
71300	HERTFORD, TOWN OF.....	8	157,977	515,247	1.48%	9,005	7,626	16,631
71310	HERTFORD COUNTY.....	7	154,636	2,984,625	0.24%	8,814	7,163	15,977
71330	HICKORY, CITY OF.....	101	2,759,170	14,740,691	1.29%	157,273	190,155	347,428
71335	HIGHLANDS, TOWN OF.....	9	184,590	958,758	1.33%	10,522	12,751	23,273
71340	HIGH POINT, CITY OF.....	189	6,701,238	36,202,525	1.69%	381,971	611,823	993,794
71360	HILLSBOROUGH, TOWN OF.....	18	505,659	1,661,885	1.83%	28,823	30,412	59,235

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						Normal	A.L.	Total
71370	HOKE COUNTY.....	41	776,447	3,764,829	0.43%	44,257	16,189	60,446
71380	HOLLY RIDGE, TOWN OF.....	5	65,911	196,098	0.68%	3,757	1,333	5,090
71385	HOLLY SPRINGS, TOWN OF.....	12	288,866	1,237,591	0.50%	16,465	6,188	22,653
71390	HOPE MILLS, TOWN OF.....	25	523,780	1,546,168	1.36%	29,855	21,028	50,883
71392	HOT SPRINGS, TOWN OF.....	2	28,103	28,103	0.97%	1,602	273	1,875
71395	HUDSON, TOWN OF.....	13	313,927	629,849	3.54%	17,894	22,297	40,191
71397	HUNTERSVILLE, TOWN OF.....	27	605,894	757,079	2.61%	34,536	19,760	54,296
71400	HYDE COUNTY.....	7	151,024	1,646,760	0.18%	8,608	2,964	11,572
71405	INDIAN BEACH, TOWN OF.....	3	94,296	152,795	4.82%	5,375	7,365	12,740
71420	IREDELL COUNTY.....	81	2,246,639	14,366,292	1.01%	128,058	145,100	273,158
71430	JACKSON COUNTY.....	29	653,676	4,864,410	0.74%	37,260	35,997	73,257
71435	JACKSON, TOWN OF.....	1	14,000	58,890	0.10%	798	59	857
71440	JACKSONVILLE, CITY OF.....	92	2,701,697	9,782,886	1.73%	153,997	169,244	323,241
71447	JEFFERSON, TOWN OF.....	3	57,594	248,505	1.89%	3,283	4,697	7,980
71460	JOHNSTON COUNTY.....	69	1,656,534	27,887,120	0.31%	94,422	86,450	180,872
71465	JONES COUNTY.....	8	180,636	1,820,089	0.24%	10,296	4,368	14,664
71467	JONESVILLE, TOWN OF.....	8	166,662	334,816	3.49%	9,500	11,685	21,185
71468	KANNAPOLIS, TOWN OF.....	72	2,363,504	4,322,541	5.05%	134,720	218,288	353,008
71469	KENANSVILLE, TOWN OF.....	4	64,152	150,700	0.49%	3,657	738	4,395
71470	KERNERSVILLE, TOWN OF.....	38	1,034,298	3,817,721	1.74%	58,955	66,428	125,383
71472	KENLY, TOWN OF.....	13	168,611	266,105	1.60%	9,611	4,258	13,869
71480	KILL DEVIL HILLS, TOWN OF.....	23	699,050	2,955,987	1.43%	39,846	42,271	82,117
71487	KING, TOWN OF.....	15	325,638	1,006,380	1.47%	18,561	14,794	33,355
71490	KINGS MOUNTAIN, CITY OF.....	24	471,985	2,822,687	0.79%	26,903	22,299	49,202
71492	KINGTOWN, TOWN OF.....	2	36,324	54,720	0.00%	2,070	0	2,070
71500	KINSTON, CITY OF.....	77	2,243,079	11,087,142	1.27%	127,856	140,807	268,663
71507	KITTY HAWK, TOWN OF.....	14	403,863	653,694	4.43%	23,020	28,959	51,979
71510	KNIGHTDALE, TOWN OF.....	12	317,644	729,127	2.96%	18,106	21,582	39,688
71515	KURE BEACH, TOWN OF.....	6	152,844	462,185	1.14%	8,712	5,269	13,981
71517	LAGRANGE, TOWN OF.....	9	176,246	555,117	1.41%	10,046	7,827	17,873
71518	LAKE LURE, TOWN OF.....	9	197,785	718,544	1.47%	11,274	10,563	21,837

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						Normal	A.L.	Total
71519	LAKE WOCAMAW, TOWN OF.....	2	44,897	175,669	1.35%	2,559	2,372	4,931
71522	LANDIS, TOWN OF.....	5	130,435	585,771	2.47%	7,435	14,469	21,904
71525	LAUREL PARK, TOWN OF.....	6	136,090	379,657	1.08%	7,757	4,100	11,857
71530	LAURINBURG, CITY OF.....	28	835,734	3,659,467	1.77%	47,637	64,773	112,410
71532	LAWNDALE, TOWN OF.....	1	19,384	31,896	3.90%	1,105	1,244	2,349
71535	LBE COUNTY.....	28	812,649	7,438,136	0.85%	46,321	63,224	109,545
71540	LELAND, TOWN OF.....	7	131,292	164,444	4.12%	7,484	6,775	14,259
71550	LENOIR COUNTY.....	50	1,270,918	10,390,823	0.98%	72,442	101,830	174,272
71552	CITY OF LENIOR.....	54	1,388,887	5,173,554	1.88%	79,167	97,263	176,430
71570	LEXINGTON, CITY OF.....	60	1,578,261	9,654,349	1.19%	89,961	114,887	204,848
71582	LIBERTY, TOWN OF.....	13	286,810	498,780	3.47%	16,348	17,308	33,656
71584	LILESVILLE, TOWN OF.....	1	28,767	67,607	1.99%	1,640	1,345	2,985
71585	LILLINGTON, TOWN OF.....	11	222,349	484,421	2.02%	12,674	9,785	22,459
71590	LINCOLN COUNTY.....	67	1,540,503	8,697,651	0.93%	87,809	80,888	168,697
71600	LINCOLNTON, CITY OF.....	34	926,603	3,587,971	1.82%	52,816	65,301	118,117
71615	LITTLETON, TOWN OF.....	2	36,579	133,633	2.01%	2,085	2,686	4,771
71620	LOCUST, CITY OF.....	5	110,778	149,104	2.78%	6,314	4,145	10,459
71630	LONG BEACH, TOWN OF.....	18	465,446	1,173,146	2.06%	26,530	24,167	50,697
71640	LONG VIEW, TOWN OF.....	18	325,556	797,379	2.17%	18,557	17,303	35,860
71650	LOUISBURG, TOWN OF.....	14	329,854	1,280,144	1.01%	18,802	12,929	31,731
71655	LOWELL, TOWN OF.....	7	168,888	427,165	2.50%	9,627	10,679	20,306
71660	LUCAMA, TOWN OF.....	2	67,978	227,390	2.54%	3,875	5,776	9,651
71670	LUMBERTON, CITY OF.....	63	1,680,594	8,160,891	1.79%	95,794	146,080	241,874
71680	MACON COUNTY.....	33	754,584	5,052,865	0.65%	43,011	32,844	75,855
71683	MADISON, TOWN OF.....	16	370,563	946,926	2.55%	21,122	24,147	45,269
71684	MADISON COUNTY.....	15	216,962	2,558,363	0.23%	12,367	5,884	18,251
71685	MAGGIE VALLEY, TOWN OF.....	4	93,269	187,388	4.27%	5,316	8,001	13,317
71700	MAIDEN, TOWN OF.....	17	382,853	1,008,161	2.45%	21,823	24,700	46,523
71705	MANTEO, TOWN OF.....	7	172,602	547,018	1.69%	9,838	9,245	19,083
71710	MARION, TOWN OF.....	18	383,740	1,608,725	0.82%	21,873	13,192	35,065
71711	MARSHALL, TOWN OF.....	3	53,323	105,916	2.36%	3,039	2,500	5,539

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71718	MARS HILL, TOWN OF.....	5	102,322	287,054	2.23%	5,832	6,401	12,233
71720	MARSHVILLE, TOWN OF.....	6	141,047	432,740	1.80%	8,040	7,789	15,829
71730	MARTIN COUNTY.....	26	600,307	3,295,453	0.99%	34,217	32,625	66,842
71740	MATTHEWS, TOWN OF.....	33	1,007,550	2,333,703	1.80%	57,430	42,007	99,437
71745	MAYSVILLE, TOWN OF.....	3	26,516	97,903	0.06%	1,511	59	1,570
71750	MAXTON, TOWN OF.....	14	263,968	263,968	4.91%	15,046	12,961	28,007
71755	MAYODAN, TOWN OF.....	10	247,140	742,848	1.82%	14,087	13,520	27,607
71760	MCADENVILLE, TOWN OF.....	4	110,329	131,160	6.97%	6,289	9,142	15,431
71762	MC DOWELL COUNTY.....	32	754,230	4,906,142	0.67%	42,991	32,871	75,862
71765	MEBANE, TOWN OF.....	3	69,034	69,034	5.14%	3,935	3,548	7,483
71770	MECKLENBURG COUNTY.....	346	10,934,036	97,986,079	0.65%	623,240	636,910	1,260,150
71780	MECKLENBURG COUNTY A.B.C. BOARD.....	10	456,489	3,270,600	1.21%	26,020	39,574	65,594
71785	MIDDLESEX, TOWN OF.....	6	87,244	163,691	2.79%	4,973	4,567	9,540
71788	MITCHELL COUNTY.....	12	222,045	1,915,779	0.64%	12,657	12,261	24,918
71790	MOCKSVILLE, TOWN OF.....	15	355,102	986,953	2.08%	20,241	20,529	40,770
71800	MONROE, CITY OF.....	67	2,160,027	8,009,674	2.20%	123,122	176,213	299,335
71815	MONTGOMERY COUNTY.....	23	523,298	3,339,672	0.85%	29,828	28,387	58,215
71820	MONTREAT, TOWN OF.....	5	133,598	288,179	3.23%	7,615	9,308	16,923
71830	MOORE COUNTY.....	59	1,560,240	10,123,103	0.99%	88,934	100,219	189,153
71840	MOORE COUNTY A.B.C. BOARD.....	1	30,576	318,699	1.04%	1,743	3,314	5,057
71850	MOORESVILLE, CITY OF.....	32	782,616	3,399,812	1.55%	44,609	52,697	97,306
71860	MOREHEAD CITY, TOWN OF.....	33	863,959	2,552,900	1.82%	49,246	46,463	95,709
71870	MORGANTON, CITY OF.....	85	2,366,816	7,239,107	2.90%	134,909	209,934	344,843
71885	MORVEN, TOWN OF.....	2	36,857	65,605	1.65%	2,101	1,082	3,183
71910	MOUNT AIRY, TOWN OF.....	38	1,008,754	3,975,893	1.65%	57,499	65,602	123,101
71920	MOUNT GILEAD, TOWN OF.....	7	154,938	245,553	3.01%	8,831	7,391	16,222
71930	MT. HOLLY, CITY OF.....	21	498,303	1,681,554	1.87%	28,403	31,445	59,848
71940	MOUNT OLIVE, TOWN OF.....	15	300,953	883,444	1.63%	17,154	14,400	31,554
71970	MURFREESBORO, TOWN OF.....	7	145,850	475,721	1.40%	8,313	6,660	14,973
71975	MURPHY, TOWN OF.....	7	166,946	569,135	3.21%	9,516	18,269	27,785
71980	NAGS HEAD, TOWN OF.....	20	568,982	2,534,103	1.35%	32,432	34,210	66,642

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71990	NASH COUNTY.....	48	1,191,534	11,266,433	0.48%	67,917	54,079	121,996
71995	NASHVILLE, TOWN OF.....	8	192,624	892,493	1.56%	10,980	13,923	24,903
72000	NASH COUNTY A.B.C. BOARD.....	1	31,851	430,100	0.85%	1,816	3,656	5,472
72020	NEW BERN, CITY OF.....	78	2,374,717	8,527,365	1.52%	135,359	129,616	264,975
72024	NEW HANOVER AIRPORT AUTHORITY.....	9	257,207	860,984	2.24%	14,661	19,286	33,947
72030	NEW HANOVER COUNTY.....	176	5,545,393	31,180,544	1.04%	316,087	324,278	640,365
72032	NEWLAND, TOWN OF.....	5	67,379	121,511	1.27%	3,841	1,543	5,384
72035	NEWPORT, TOWN OF.....	4	114,069	368,833	2.97%	6,502	10,954	17,456
72040	NEWTON, TOWN OF.....	35	965,704	4,076,037	1.53%	55,045	62,363	117,408
72050	NEWTON GROVE, TOWN OF.....	2	45,034	92,078	3.00%	2,567	2,762	5,329
72055	NORLINA, TOWN OF.....	6	84,930	102,029	2.70%	4,841	2,755	7,596
72060	NORTHAMPTON COUNTY.....	17	407,094	4,214,379	0.49%	23,204	20,650	43,854
72070	NORTHAMPTON COUNTY A.B.C. BOARD.....	1	27,227	119,684	1.61%	1,552	1,927	3,479
72076	CITY OF NORTHWEST.....	2	48,889	48,889	2.07%	2,787	1,012	3,799
72105	NORTH WILKESBORO, TOWN OF.....	23	442,250	1,441,043	1.69%	25,208	24,354	49,562
72110	NORWOOD, TOWN OF.....	6	149,637	427,051	1.80%	8,529	7,687	16,216
72120	OAKBORO, TOWN OF.....	4	82,329	185,431	0.88%	4,693	1,632	6,325
72135	OCEAN ISLE BEACH, TOWN OF.....	7	200,694	487,717	2.15%	11,440	10,486	21,926
72140	OLD FORT, TOWN OF.....	9	165,262	409,203	1.36%	9,420	5,565	14,985
72150	ONSLOW COUNTY.....	94	2,282,773	20,244,707	0.67%	130,118	135,640	265,758
72170	ORANGE COUNTY.....	90	2,852,841	17,739,376	1.19%	162,612	211,099	373,711
72195	ORIENTAL, TOWN OF.....	2	52,329	97,279	2.63%	2,983	2,558	5,541
72200	OXFORD, CITY OF.....	33	692,639	2,102,407	2.15%	39,480	45,202	84,682
72210	PAMLICO COUNTY.....	14	306,611	2,046,069	0.56%	17,477	11,458	28,935
72220	PASQUOTANK COUNTY.....	27	668,509	20,436,060	0.15%	38,105	30,654	68,759
72228	PEMBROKE, TOWN OF.....	14	308,964	616,181	3.21%	17,611	19,779	37,390
72235	PENDER COUNTY.....	37	730,542	4,797,166	0.71%	41,641	34,060	75,701
72245	PERQUIMANS COUNTY.....	7	149,419	1,233,027	0.31%	8,517	3,822	12,339
72250	PERSON COUNTY.....	29	763,248	6,812,990	0.87%	43,505	59,273	102,778
72265	PIEDMONT TRIAD AIRPORT AUTHORITY....	4	39,777	40,603	0.00%	2,267	0	2,267
72270	PIKEVILLE, TOWN OF.....	3	42,455	55,007	3.51%	2,420	1,931	4,351

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
72280	PILOT MOUNTAIN, TOWN OF.....	9	189,755	391,914	3.08%	10,816	12,071	22,887
72285	PINEBLUFF, TOWN OF.....	3	61,436	170,962	0.19%	3,502	325	3,827
72287	PINEHURST, VILLAGE OF.....	22	556,502	2,297,650	1.38%	31,721	31,708	63,429
72290	PINE KNOLL SHORES, TOWN OF.....	8	197,325	331,351	2.81%	11,248	9,311	20,559
72295	PINE LEVEL, TOWN OF.....	3	54,129	166,050	2.15%	3,085	3,570	6,655
72296	PINETOPS, TOWN OF.....	6	127,204	398,566	0.78%	7,251	3,109	10,360
72300	PINEVILLE, TOWN OF.....	25	596,961	1,586,478	1.69%	34,027	26,811	60,838
72310	PITT COUNTY.....	81	2,481,412	24,151,509	0.71%	141,440	171,476	312,916
72320	PITT COUNTY A.B.C. BOARD.....	1	27,428	497,714	0.46%	1,563	2,289	3,852
72330	PITTSBORO, TOWN OF.....	7	218,898	580,784	3.58%	12,477	20,792	33,269
72335	PLYMOUTH, TOWN OF.....	14	259,284	374,302	3.04%	14,779	11,379	26,158
72340	POLK COUNTY.....	17	378,137	1,967,235	0.96%	21,554	18,885	40,439
72345	POLKTON, TOWN OF.....	1	27,361	41,549	4.59%	1,560	1,907	3,467
72351	PRINCEVILLE, TOWN OF.....	3	26,582	26,582	3.05%	1,515	811	2,326
72355	RAEFORD, TOWN OF.....	15	346,489	1,143,323	1.31%	19,750	14,978	34,728
72360	RALIGH, CITY OF.....	557	20,387,586	81,822,980	2.26%	1,162,092	1,849,199	3,011,291
72370	RALIGH-DURHAM AIRPORT AUTHORITY....	23	770,858	5,273,615	0.84%	43,939	44,298	88,237
72375	RAMSEUR, TOWN OF.....	7	137,307	448,244	0.88%	7,826	3,945	11,771
72377	RANDLEMAN, CITY OF.....	13	253,949	934,676	0.89%	14,475	8,319	22,794
72380	RANDOLPH COUNTY.....	103	2,176,619	10,535,022	1.05%	124,067	110,618	234,685
72390	RANLO, TOWN OF.....	5	114,287	333,267	2.27%	6,514	7,565	14,079
72400	REIDSVILLE, TOWN OF.....	43	1,091,160	3,784,763	1.92%	62,196	72,667	134,863
72420	RICHLANDS, TOWN OF.....	6	105,130	250,638	1.12%	5,992	2,807	8,799
72430	RICHMOND COUNTY.....	39	981,690	5,948,209	1.31%	55,956	77,922	133,878
72432	RICH SQUARE, TOWN OF.....	2	39,558	76,268	1.24%	2,255	946	3,201
72435	RIVER BEND, TOWN OF.....	3	98,395	186,577	3.30%	5,609	6,157	11,766
72440	ROANOKE RAPIDS, CITY OF.....	35	1,026,100	4,056,080	2.18%	58,488	88,423	146,911
72443	ROBBINS, TOWN OF.....	9	173,894	511,406	1.97%	9,912	10,075	19,987
72445	ROBERSONVILLE, TOWN OF.....	10	185,636	654,302	0.37%	10,581	2,421	13,002
72450	ROBESON COUNTY.....	87	2,170,888	19,226,003	0.72%	123,741	138,427	262,168
72460	ROCKINGHAM, CITY OF.....	27	674,561	2,978,179	1.38%	38,450	41,099	79,549

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						Normal	A.L.	Total
72470	ROCKINGHAM COUNTY.....	71	2,071,671	17,101,677	0.84%	118,085	143,654	261,739
72480	ROCKY MOUNT, CITY OF.....	131	3,972,719	19,787,266	1.38%	226,445	273,064	499,509
72485	ROLESVILLE, TOWN OF.....	4	96,763	143,249	4.51%	5,515	6,461	11,976
72486	ROSEBORO, TOWN OF.....	6	95,600	223,901	0.78%	5,449	1,746	7,195
72487	ROSE HILL, TOWN OF.....	3	62,596	268,328	0.59%	3,568	1,583	5,151
72490	ROWAN COUNTY.....	88	2,385,969	15,025,400	1.12%	136,000	168,284	304,284
72510	ROWLAND, TOWN OF.....	9	133,852	300,593	1.69%	7,630	5,080	12,710
72520	ROXBORO, CITY OF.....	27	692,632	2,708,390	1.90%	39,480	51,459	90,939
72530	RUTHERFORD COUNTY.....	53	1,496,774	6,645,368	1.24%	85,316	82,403	167,719
72535	RUTHERFORDTON, TOWN OF.....	13	338,329	756,441	2.53%	19,285	19,138	38,423
72540	ST. PAULS, TOWN OF.....	13	308,343	550,224	2.20%	17,576	12,105	29,681
72547	SALBMBURG, TOWN OF.....	1	15,217	51,861	1.16%	867	602	1,469
72550	SALISBURY, CITY OF.....	79	2,391,215	10,249,483	1.89%	136,299	193,715	330,014
72560	SALUDA, TOWN OF.....	4	99,091	147,929	1.38%	5,648	2,041	7,689
72563	SAMPSON COUNTY.....	51	1,086,585	7,399,380	0.72%	61,935	53,276	115,211
72565	SANFORD, CITY OF.....	67	2,020,828	7,315,956	2.16%	115,187	158,025	273,212
72580	SCOTLAND COUNTY.....	37	978,606	7,789,211	0.86%	55,781	66,987	122,768
72590	SCOTLAND NECK, TOWN OF.....	9	213,013	780,467	0.95%	12,142	7,414	19,556
72593	SBAGROVE, TOWN OF.....	1	24,600	25,933	10.17%	1,402	2,637	4,039
72594	SELMA, TOWN OF.....	24	554,806	1,737,729	1.78%	31,624	30,932	62,556
72595	SEVERN, TOWN OF.....	1	29,006	29,006	9.84%	1,653	2,854	4,507
72597	SHALLOTTE, TOWN OF.....	8	183,944	407,985	1.90%	10,485	7,752	18,237
72610	SHELBY, CITY OF.....	55	1,422,156	7,944,554	1.18%	81,063	93,746	174,809
72625	SILER CITY, TOWN OF.....	17	457,722	1,496,749	1.75%	26,090	26,193	52,283
72630	SMITHFIELD, TOWN OF.....	21	673,402	3,372,420	1.59%	38,384	53,621	92,005
72640	SOUTHERN PINES, TOWN OF.....	26	748,923	2,843,616	2.06%	42,689	58,578	101,267
72645	SOUTHERN SHORES, TOWN OF.....	8	304,321	532,031	3.84%	17,346	20,430	37,776
72650	SOUTHPORT, CITY OF.....	9	254,865	1,015,003	1.14%	14,527	11,571	26,098
72657	SPARTA, TOWN OF.....	3	71,453	71,453	3.93%	4,073	2,808	6,881
72665	SPENCER, TOWN OF.....	13	304,665	604,360	3.19%	17,366	19,279	36,645
72670	SPINDALE, TOWN OF.....	9	274,808	874,419	3.07%	15,664	26,845	42,509

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						Normal	A.L.	Total
72675	SPRING HOPE, TOWN OF.....	8	191,334	314,497	3.99%	10,906	12,548	23,454
72678	SPRUCE PINE, TOWN OF.....	10	236,946	630,420	3.00%	13,506	18,913	32,419
72680	STANFIELD, TOWN OF.....	3	62,148	62,148	1.78%	3,542	1,106	4,648
72682	STANLEY, TOWN OF.....	10	262,876	606,774	3.15%	14,984	19,113	34,097
72683	STANLY COUNTY.....	36	819,886	7,753,441	0.80%	46,734	62,028	108,762
72684	STANTONSBURG, TOWN OF.....	2	65,590	351,982	1.14%	3,739	4,013	7,752
72685	STAR, TOWN OF.....	5	122,628	246,151	3.83%	6,990	9,428	16,418
72700	STATESVILLE, CITY OF.....	67	1,817,790	8,811,035	1.56%	103,614	137,452	241,066
72710	STATESVILLE A.B.C. BOARD.....	1	27,806	186,201	0.59%	1,585	1,099	2,684
72715	STEDMAN, TOWN OF.....	1	28,024	56,175	5.07%	1,597	2,848	4,445
72720	STOKES COUNTY.....	32	736,253	5,996,186	0.73%	41,966	43,772	85,738
72721	STONEVILLE, TOWN OF.....	3	51,803	125,502	1.10%	2,953	1,381	4,334
72723	SUNSET BEACH, TOWN OF.....	9	207,418	443,615	2.54%	11,823	11,268	23,091
72725	SURF CITY.....	11	228,145	374,406	0.92%	13,004	3,445	16,449
72730	SURRY COUNTY.....	41	979,244	10,602,620	0.60%	55,817	63,616	119,433
72740	SWAIN COUNTY.....	12	275,534	1,639,126	0.31%	15,705	5,081	20,786
72745	SWANSBORO, TOWN OF.....	6	120,128	382,234	1.94%	6,847	7,415	14,262
72750	SYLVA, TOWN OF.....	11	286,491	421,416	4.71%	16,330	19,849	36,179
72760	TABOR CITY, TOWN OF.....	13	160,540	387,597	0.70%	9,151	2,713	11,864
72770	TARBORO, TOWN OF.....	27	849,144	4,326,896	1.27%	48,401	54,952	103,353
72775	TAYLORSVILLE, TOWN OF.....	11	240,685	498,348	1.36%	13,719	6,778	20,497
72776	TAYLORTOWN, TOWN OF.....	1	23,552	43,175	1.52%	1,342	656	1,998
72780	THOMASVILLE, CITY OF.....	65	1,448,523	5,457,166	1.85%	82,566	100,958	183,524
72789	NORTH TOPSAIL BEACH, TOWN OF.....	10	191,023	496,077	0.89%	10,888	4,415	15,303
72790	TOPSAIL BEACH, TOWN OF.....	9	169,576	385,162	2.32%	9,666	8,936	18,602
72800	TRANSYLVANIA COUNTY.....	37	1,014,020	5,744,365	1.06%	57,799	60,890	118,689
72810	TRENT WOODS, TOWN OF.....	4	136,562	198,714	5.30%	7,784	10,532	18,316
72822	TROY, TOWN OF.....	12	285,696	729,503	1.41%	16,285	10,286	26,571
72823	TRYON, TOWN OF.....	8	192,364	738,279	1.13%	10,965	8,343	19,308
72825	TYRRELL COUNTY.....	8	165,105	776,699	0.80%	9,411	6,214	15,625
72830	UNION COUNTY.....	120	3,185,033	18,010,826	1.29%	181,547	232,340	413,887

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72883	VALDESE, TOWN OF.....	12	299,915	1,725,014	0.99%	17,095	17,078	34,173
72890	VANCE COUNTY.....	37	809,463	5,559,736	0.72%	46,139	40,030	86,169
72910	VANCEBORO, TOWN OF.....	1	20,632	148,961	0.43%	1,176	641	1,817
72920	VASS, TOWN OF.....	6	101,043	171,150	3.23%	5,759	5,528	11,287
72930	WADESBORO, TOWN OF.....	19	499,285	1,405,501	2.10%	28,459	29,516	57,975
72935	WAGRAM, TOWN OF.....	7	100,588	100,588	0.49%	5,734	493	6,227
72940	WAKE COUNTY.....	232	7,762,413	77,654,897	0.98%	442,458	761,018	1,203,476
72950	WAKE COUNTY A.B.C. BOARD.....	5	209,359	1,739,611	1.56%	11,933	27,138	39,071
72960	WAKE FOREST, TOWN OF.....	20	641,019	2,428,044	1.15%	36,538	27,923	64,461
72970	WALLACE, TOWN OF.....	13	269,238	777,072	2.04%	15,347	15,852	31,199
72975	WALNUT COVE, TOWN OF.....	8	187,198	245,137	5.05%	10,670	12,379	23,049
72980	WARREN COUNTY.....	22	403,161	3,830,377	0.37%	22,980	14,172	37,152
72981	WARSAW, TOWN OF.....	12	245,167	619,281	1.97%	13,975	12,200	26,175
72983	WATAUGA COUNTY.....	28	665,528	4,353,593	1.04%	37,935	45,277	83,212
72985	WASHINGTON COUNTY.....	16	317,736	2,195,029	0.91%	18,111	19,975	38,086
72990	WASHINGTON, CITY OF.....	29	860,499	5,609,277	0.87%	49,048	48,801	97,849
72995	WAXHAW, TOWN OF.....	5	114,841	133,028	3.73%	6,546	4,962	11,508
72997	WAYNE COUNTY.....	56	1,211,430	12,740,945	0.52%	69,052	66,253	135,305
73010	WAYNESVILLE, TOWN OF.....	31	784,556	2,983,817	1.44%	44,720	42,967	87,687
73016	WEAVERVILLE, TOWN OF.....	8	205,093	775,736	1.02%	11,690	7,913	19,603
73017	WELDON, TOWN OF.....	9	202,064	509,723	2.81%	11,518	14,323	25,841
73020	WENDELL, TOWN OF.....	11	231,674	692,895	1.38%	13,205	9,562	22,767
73025	WEST JEFFERSON, TOWN OF.....	9	123,067	240,155	2.96%	7,015	7,109	14,124
73040	WHISPERING PINES, VILLAGE OF.....	8	175,637	303,959	4.53%	10,011	13,769	23,780
73045	WHITAKERS, TOWN OF.....	4	92,514	149,643	0.86%	5,273	1,287	6,560
73050	WHITE LAKE, TOWN OF.....	5	107,356	236,058	2.10%	6,119	4,957	11,076
73060	WHITEVILLE, CITY OF.....	26	553,827	1,470,605	1.77%	31,568	26,030	57,598
73072	WILKESBORO, TOWN OF.....	15	328,585	999,491	2.19%	18,729	21,889	40,618
73075	WILKES COUNTY.....	61	1,376,876	8,097,542	0.95%	78,482	76,927	155,409
73080	WILLIAMSTON, CITY OF.....	21	458,238	1,558,008	1.27%	26,120	19,787	45,907
73090	WILMINGTON, CITY OF.....	178	5,547,069	18,851,870	1.97%	316,183	371,382	687,565

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73100	WILSON, CITY OF.....	111	3,032,260	16,794,102	1.23%	172,839	206,567	379,406
73110	WILSON COUNTY.....	60	1,523,658	13,563,040	0.81%	86,849	109,861	196,710
73122	WINDSOR, TOWN OF.....	8	221,692	611,205	2.23%	12,636	13,630	26,266
73125	WINGATE, TOWN OF.....	7	131,928	225,610	1.56%	7,520	3,520	11,040
73130	WINSTON-SALEM, CITY OF.....	455	14,764,635	67,226,511	1.60%	841,584	1,075,624	1,917,208
73140	WINSTON-SALEM A.B.C. BOARD.....	6	247,129	1,466,464	1.87%	14,086	27,423	41,509
73150	WINTERVILLE, TOWN OF.....	15	268,191	555,342	1.00%	15,287	5,553	20,840
73155	WINTON, TOWN OF.....	2	50,383	191,359	2.48%	2,872	4,746	7,618
73160	WOODFIN, TOWN OF.....	12	200,894	302,569	2.04%	11,451	6,172	17,623
73162	WOODLAND, TOWN OF.....	1	24,321	97,208	0.65%	1,386	632	2,018
73165	WRIGHTSVILLE BEACH, TOWN OF.....	20	574,830	2,045,199	2.00%	32,765	40,904	73,669
73170	YADKIN COUNTY.....	25	629,625	4,916,505	0.75%	35,889	36,874	72,763
73180	YADKINVILLE, TOWN OF.....	9	220,275	706,777	2.40%	12,556	16,963	29,519
73190	YANCEY COUNTY.....	9	181,611	1,554,544	0.72%	10,352	11,193	21,545
73192	YANCEYVILLE, TOWN OF.....	2	42,654	164,100	0.18%	2,431	295	2,726
73195	YAUPON BEACH, TOWN OF.....	5	130,565	222,323	3.79%	7,442	8,426	15,868
73200	YOUNGSVILLE, TOWN OF.....	10	106,054	136,738	2.63%	6,045	3,596	9,641
73210	ZEBULON, TOWN OF.....	21	606,576	1,329,516	2.68%	34,575	35,631	70,206
		15,229	444,383,645	2,317,785,910		25,329,870	31,768,106	57,097,976