

1999

**HOUSE
PENSIONS &
RETIREMENT
COMMITTEE**

MINUTES

HOUSE PENSIONS AND RETIREMENT COMMITTEE MEMBERS 1999

**Rep. Michaux
Chairperson**

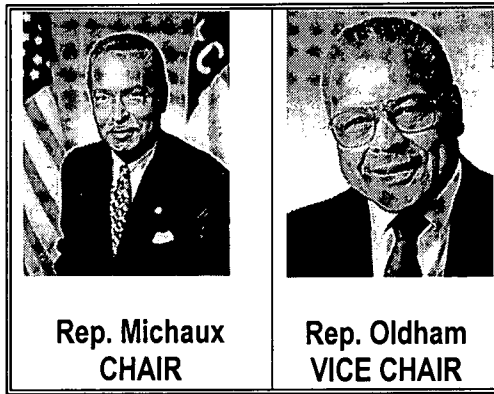
**Rep. Oldham
Vice-Chairperson**

**Rep. Barbee
Rep. Berry
Rep. Gray
Rep. Horn
Rep. McCombs
Rep. McCrary
Rep. Morgan
Rep. Ramsey
Rep. Rogers
Rep. Tucker
Rep. Warren
Rep. Wilson, G.
Rep. Yongue**

Ex Officio Members

**Rep. Hackney
Rep. Baddour
Rep. Earle
Rep. Dedmon
Rep. Cunningham**

1999 HOUSE PENSIONS AND RETIREMENT COMMITTEE



Ex- Officio Members

Rep. Hackney
Rep. Baddour
Rep. Earle
Rep. Dedmon
Rep. Cunningham

Staff Members

Karen Cochrane-Brown
Theresa Mutula
John Young
Stanley Moore

Committee Assistant

Anne M. Peele

NORTH CAROLINA GENERAL ASSEMBLY
COMMITTEE SUMMARY REPORT

HOUSE: PENSIONS AND RETIREMENT

Valid Through 21-JUL-1999

1999-2000 Biennium

BILL	INTRODUCER	SHORT TITLE	LATEST ACTION ON BILL	IN DATE	OUT DATE
H 43	DEDMON	INCREASE FIRE AND RESCUE PENSION	H -RE-REF COM ON APPROP	03-02-99	04-15-99
H 77	FITCH	INCREASE LEO RETIREMENT	H -RE-REF COM ON PENS&RET	03-11-99	
H 179	BROWN	WILKESBORO FIREMAN'S RETIREMENT	*R -CH. SL 99-0056	03-01-99	04-19-99
H 204=	INSKO	REMOVE FLEXIBLE BENEFITS SUNSET	H -RE-REF COM ON APPROP	03-02-99	03-08-99
H 229=	MICHAUX	INCREASE RETIREMENT COLAS	H -RE-REF COM ON APPROP	03-04-99	04-15-99
H 508=	SMITH	PUB. DEF./APP. DEF. RETIREMENT	H -RE-REF COM ON APPROP	03-22-99	05-20-99
H 569	REDWINE	FIRE/RESCUE OPEN ENROLLMENT	H -RE-REF COM ON APPROP	03-23-99	05-25-99
H 717=	ALEXANDER	CHARLOTTE FIREFIGHTERS' RETIREMENT	*S -REF TO COM ON PENSIONS	03-30-99	04-23-99
H 722=	INSKO	PURCHASE OF PART-TIME SERVICE	R -CH. SL 99-0071	03-30-99	04-21-99
H 816=	HENSLEY	LAW OFFICERS' 25-YEAR RETIREMENT	*H -RE-REF COM ON APPROP	04-01-99	05-20-99
H 918=	MCLAWHORN	INCREASE DEATH BENEFITS	H -RE-REF COM ON APPROP	04-20-99	04-21-99
H 940=	HARDAWAY	RETIREMENT SYSTEM TRANSFER	H -RE-REF COM ON APPROP	04-07-99	05-17-99
H 962	FITCH	REPEAL RETIREMENT EXCLUSION	H -RE-REF COM ON APPROP	04-12-99	05-17-99
H 965=	COLE	FIRE MARSHALS IN PENSION FUND	H -RE-REF COM ON APPROP	04-21-99	05-17-99
H1016=	JEFFUS	SCHOOL EMPLOYEE RETIREMENT CREDIT	*H -RE-REF COM ON APPROP	04-21-99	05-25-99
H1034=	MOORE R	PROFESSIONAL FIREFIGHTERS' RETIREMENT	*H -RE-REF COM ON APPROP	04-14-99	05-25-99
H1035	MOORE R	EARLY RETIREMENT AMENDMENT	H -RE-REF COM ON APPROP	04-14-99	05-25-99
H1146	MICHAUX	ADMIN. LAW JUDGES' RETIREMENT	H -RE-REF COM ON APPROP	04-15-99	05-25-99
H1147	MICHAUX	INCREASE POSTRETIREMENT CAP	H -REF TO COM ON PENS&RET	04-15-99	
H1371	BADDOUR	CLERKS OF COURT LONGEVITY	H -RE-REF COM ON APPROP	04-29-99	05-19-99
H1378	WARWICK	REINSTATEMENT OF UNUSED SICK LEAVE	*H -RE-REF COM ON PENS&RET	06-21-99	
S 214	PHILLIPS	WORKERS COM/AFC YEARS	R -CH. SL 99-0158	04-08-99	05-25-99
S 583=	RUCHO	CHARLOTTE FIREFIGHTERS' RETIREMENT	R -CH. SL 99-0100	04-27-99	05-17-99
S 583=	RUCHO	CHARLOTTE FIREFIGHTERS' RETIREMENT	R -CH. SL 99-0100	05-20-99	05-25-99
S 638	RAND	LOCAL GOVT. RETIREMENT DEFINITION	*R -CH. SL 99-0167	04-29-99	05-25-99
S 687	ALLRAN	HICKORY FIREFIGHTERS' RETIREMENT FUN	R -CH. SL 99-0128	05-13-99	05-25-99
S 758=	KINNAIRD	PURCHASE OF PART-TIME SERVICE	H -REF TO COM ON PENS&RET	04-28-99	
S1046	PHILLIPS	LICENSING/EXAMINING BOARD RETIREMENT	*H -RE-REF COM ON APPROP	07-08-99	07-14-99

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.

PENSIONS AND RETIREMENT

[illegible]

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

APRIL 14, 1999

The House Committee on Pensions and Retirement met in Room 1228, of the Legislative Building, on April 14, 1999 at 12:00 p.m. Representative H.M. Michaux, Jr. (Chair) presided at the meeting and the following members were present: Representatives, Oldham, Barbee, Berry, Gray, Horn, McCombs, McCrary, Ramsey, Rogers, Tucker, Warren, G. Wilson, and Yongue. Representative Morgan was not present.

Chairman Michaux welcomed members and guest. The visitor registration sheet, actuarial notes and handouts are attached to the minutes. Legislative Pages were recognized and thanked for their help. They were: Charles Chrisawn, sponsored by Representative Bowie and James Wadsworth, sponsored by Representative Eddins, both of Wake County.

The following staff members were present: Anne M. Peele (Committee Assistant), Stanley Moore (Fiscal Analyst), Theresa Matula (Legislative Analyst) and Karen Cochrane-Brown (Attorney). The Sergeant-at-Arms were Charles Williams and Tom Wilder.

Representative Michaux announced that all bills referred to Pension and Retirement are required by statute to be referred to the Appropriations Committee. There should be no problems with crossover deadlines.

House Bill 179, A BILL TO BE ENTITLED AN ACT TO INCREASE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND, was sponsored by Representative Brown and was explained by Stanley Moore. This bill deals with the Wilkesboro Fireman's supplemental pension fund. The present law stated that any member with 20 years of service as a fireman and is age 55 can receive \$75.00 a month for the rest of his life. This proposed change would increase this amount to \$100.00 a month. The fund is financed by the transferring of funds from the local relief fund from premium tax dollars collected from the Department of Insurance to the supplemental retirement fund. It is on a pay as you go basis. There will be no liability unless there are sufficient funds available to pay the bill.

Representative Yongue presented an amendment changing the effective date from January 1, 1999 to July 1, 1999. The motion passes. Representative Barbee moved that HB 179, the amendment be engrossed into the committee substitute, and the committee substitute be given a favorable report and the original bill be given an unfavorable report. The motion passed and was referred to Appropriations.

House Bill 43, A BILL ENTITLED AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND, was sponsored and explained by Representative Dedmon. The purpose of this bill is to raise the pension of the volunteer fire and rescue squad from \$146.00 a month to \$200.00 a month. Currently, they pay \$10.00 a month into the fund. The fund will require an appropriation by the state as noted in the Actuarial notes. Representative Dedmon said he talked with volunteer fireman and fire chiefs over the years, who have expressed their concerns regarding the recruitment and retention of volunteer staff. Training requires 36 hours of continuing education. To become a certified firefighter, it takes 300 hours to obtain that rating. Representative Dedmon expressed the need to pass this bill because of the great job that is being done and because it will assist the chiefs in retaining qualified people for their volunteer fireman and rescue squads.

Stanley Moore further noted that increasing the benefit from \$146.00 to \$200.00 would run at \$21 million a year on a continuing basis, in addition to the \$11.7 that is presently appropriated each year from General fund dollars. No money comes from the city or county governments. . To qualify, one must have the necessary training, drill for 36 hours and pay into the pension fund. It is a volunteer program. You are not required to join. There are volunteer workers that meet the training requirements but are not members of the Pension Fund. Another bill will be introduced later regarding open enrollment.

Representative Horn spoke to support House Bill 43. Representative Yongue moved for a favorable report. The bill passed favorably.

Finally House Bill 229, A BILL ENTITLED AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYERS' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM, sponsored by Representative Michaux and explained by Stanley Moore. The purpose of this bill is to provide COLAS to present retirees only. In the Teachers, State Employees, Judicial, and the Legislative retirement systems a 2.3% increase is provided and in local government retirement system a 1% increase is provided. As stated in the actuarial notes, an annual value of \$49 million is in the Teachers and State system, \$408 thousand in the judicial, \$38 thousand in the Legislature, and 2.8 million in the local system. There is a 1% increase on the local system because historically the employers have a lower matching rate than the state and less actuarial gains generated as a result. Also, local governments have historically opposed rate increases. All of these benefits with the exception of the legislative system are funded by actuarial gains ie. funds that are already there. Therefore, the increase will cost money, but it does not increase appropriations.

Representative Tucker wanted more information on the 1% increase.

Andy Romanet, General Counsel for the North Carolina League of Municipalities expressed support for the 1% increase and opposed the 2.3% because they have not polled local governing bodies and it would effect employee contributions.

Ed Regan, Deputy Director for the North Carolina Association of County Commissioners also expressed support for the 1% increase and opposed the 2.3% increase.

Representative Rogers wanted more information on the 2.3% increase. Is it based on actuarial gains and without damaging the system and with asking for additional appropriations from the general fund. Stanley Moore noted that it was a recommendation from the Board of Trustees. They would not endorse legislation that would deplete the system or that would dig into actuarial gains or direct appropriations from the General Assembly. This is historical. No legislation exist that, states that 2.3% could not be raised to 3.0% or 3.5% and therefore, telling the system to do the best it can do. Last July, in a flourishing economy, the Board of Trustees based on the advice of the consulting actuary and low actuarial gains reduced the investment earning assumption from 7.50 % to 7.25%. The assumption is that you will not earn as much money forever on your investments. This will cut down on actuarial gains that would have been available. It caused a glitch during the first year. There will be more actuarial gains next year that can be used.

Dropping to 7.25% the first year means that you assume that you would earn less money on your investment than you have been earning. It affected actuarial gains this year. The assumption is that the 7.25% will create gains in the future unless the Market goes south.

Contributions reduced last year effected the actuarial gains. We dropped from 10.83% to 10.10%. It will go back to 10.83 in July 1st. It was done on a non-recurring basis. The reduction in the contribution resulted in \$43 million. This was not the reason for giving the 2.3% COLA. The reason is the change in the interest assumption rate based on the Boards actions, not the actions of the General Assembly

Representative Tucker wanted estimates on earning even though studies stated otherwise. Stanley Moore noted that we were assuming 7.50%. The Actuary suggests that bond sales are very low because of interest rates, which is 50% of the portfolios. Rates were reduced to 7.25% last year. If it had remained at 7.50%, there would have been several million dollars more in actuarial gains. Stanley noted that these figures are available.

Mr. Pruitt, Director of the State Retirement system noted that at the interest rate assumption at 7.50% the Board could have recommended 4% COLA. However the last Legislature cut it. It is a projection of the earnings for the particular actuarial year.

Representative Rogers questioned the Actuarial notes on page 2 for HB 229. The actual results are given to the Board of Trustees who will then take the recommendations and adjust them as necessary one way or the other to align them with our experience over a five year period, This has been historical. It is scheduled to be done again in the year 2000 for the 1999 evaluation.

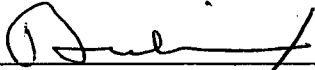
Representative Rogers further questioned the need for dollars to go to other committees. Stanley's viewpoint as an analyst, says that assets and liabilities of the pension fund. There is an unfunded liability of \$302 million. The idea was noted as acceptable, but not popular.

Representative Michaux noted that persons in the retirement system, in past years, have requested that the system be left alone.

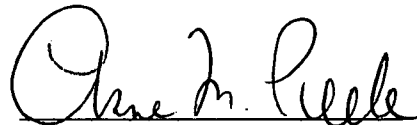
Representative Tucker introduced an amendment to change the bill from 2 3/10% to 4.0% and leave the local system at 1%, which would require another actuarial note.

Representatives Barbee and McCombs expressed opposition to the amendment because it was not the advice of the Board of Trustees. It was also noted that the appropriations committee could change the bill and cannot veto it.

The amendment failed. The original bill passed favorably. The meeting adjourned at 12:30 p.m.



Representative H.M. Michaux, Jr., Chair



Anne M. Peele, Committee Assistant

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

**April 14, 1999
Room 1228/1327
12:00p.m.**

AGENDA

1. Opening Remarks

Representative Michaux, Chair

2. Bills To Be Considered

House Bill 43 – INCREASE FIRE AND RESCUE PENSION
Sponsor: Representative Dedmon

House Bill 179 – WILKESBORO FIREMAN'S RETIREMENT
Sponsor: Representative Brown

House Bill 229 – INCREASE RETIREMENT COLAS
Sponsor: Representative Michaux

3. ADJOURNMENT

VISITOR REGISTRATION SHEET

Retirement + Pension

Name of Committee

4/14/99

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Katherine Joyce	SEANC
Daniel Arnold	SEANC
Paul Brown	North Carolina State Fireman's Association
Joey McIntyre	Greensboro Fire Dept. IAFF
N.W. Bailey Jr.	Greensboro Fire Dept IAFF
MIKE SPATH	IAFF CHARLOTTE FIRE DEPT
DAVID LANE	IAFF Charlotte Fire Dept Retired
James Andrews	NC State AFL-CIO
Thad Davis	NCAE
Bill Wilson	NCAE
Ricky L Dorsey	Wake County Public Safety Fire/Rescue Nashville Fire Dept - Nash Co
Kenneth M. Caudle	Town of Cary Fire Dept. 100 N. Academy St. Cary NC 27511

VISITOR REGISTRATION SHEET

Retirement

4-14-99

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Glenn Holbert	Asheville Professional Fire Fighters
BARRY SHOAF	Professional Firefighters + Paramedics of NC
Ed Reynolds	N.C. A.C.C.
Andy Romenet	N.C. L.M.
Thomas Ackerman	Greenville Fire Rescue 500 S. Greene St. Greenville 27834
James N. ORMOND	GREENVILLE FIRE/RESCUE 500 S. GREEN ST. GREENVILLE NC 27834
John Fisher	Greenville Fire / Rescue PO Box 7207, Greenville, NC. 27834
Jack Gozart	Parker Pte Adams & Berntsen
Leigh H Hammond	NC Ret. Govt Emps Assn
J. Allen Gibson	" " " " "
E. C. Dawson	N.C. Rd Sch Personnel
Larry Presnell	" " " "
Jack Pruitt Marshall Weaver	ST TREASURER dept of State Treasurer

VISITOR REGISTRATION SHEET

Retirement

4-14-99

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

GRADY CREECH	TOWN OF CARY FIRE DEPT 100 N. ACADEMY ST CARY N.C. 27511
Jerky Wiggins	Kinston Fire Dept
Monnie Matthews	Kinston, N.C Fire Dept.
C. Porter	Gene & Associates
TERRY Combs	CLVFD Sugar Linn, NC 28679
REGINALD R. HASSLER	TOWN OF BOONE FIRE DEPT.
Pam Seamans	NC Social Services Consortium
Gordon A. Joyn	NCA R & EMS
Paul F. Miers	NC SFA
Benny Scarborough	Winston Salem Prof Firefighters
Paul Smith	PFF + PNC
David Anderson	PFF PAC

VISITOR REGISTRATION SHEET

Retirement

Name of Committee

4-14-99

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Richard O'Brien

PFFPN C

John Robert

Doctor of Day

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 179 A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY
BENEFIT TO MEMBERS OF THE WILKSBORO FIREMEN'S SUPPLEMENTAL
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.

☐ 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)

2/24/99



HOUSE BILL 179: Wildesboro Firemen's Retirement.

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: April 14, 1999
Version: 1st Edition

Introduced by: Representative Brown
Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

House Bill 179 amends the Supplemental Pension Fund of the Town of Wilkesboro to increase the monthly pension benefit from \$75 to \$100.

CURRENT LAW:

The Wilkesboro Firemen's Supplemental Pension Fund was created by Chapter 131 of the 1985 Session Laws. Currently, the law provides that any member who has served 20 years as a fireman in Wilkesboro and has attained the age of 55 or who has served for five or more years and has become totally and permanently disabled is entitled to receive a monthly pension of \$75.00.

BILL ANALYSIS:

This bill amends the law governing the fund to provide that the monthly benefit will be increased from \$75 to \$100. The increase is applicable to present as well as future retirees.

This act would become effective January 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

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HOUSE BILL 179

Proposed Committee Substitute H179-PCS1203-RO

Short Title: Wilkesboro Firemen's Retirement.

(Local)

Sponsors:

Referred to:

March 1, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE MONTHLY BENEFIT TO MEMBERS OF THE
3 WILKESBORO FIREMEN'S SUPPLEMENTAL PENSION FUND.
4 The General Assembly of North Carolina enacts:
5 Section 1. Chapter 131 of the 1985 Session Laws reads as rewritten:
6 "Section 1. There is established a Supplemental Pension Fund for the Fire
7 Department of the Town of Wilkesboro to be known as the "Wilkesboro Firemen's
8 Supplemental Pension Fund", hereinafter referred to as "Supplemental Pension
9 Fund", and to be administered by a board composed of the members of the trustees
10 of the Firemen's Relief Fund of the Town of Wilkesboro, established in accordance
11 with G.S. 118-6.
12 Sec. 2. Notwithstanding the provisions of G.S. 118-7, all funds in the Firemen's
13 Relief Fund of the Town of Wilkesboro in excess of five thousand dollars (\$5,000)
14 shall be transferred to the "Supplementary Pension Fund" prior to January 1, 1985,
15 and prior to January 1 of each calendar year thereafter, so as to retain in the
16 Firemen's Relief Fund an amount of money not greater than five thousand dollars
17 (\$5,000); provided, however, the Firemen's Relief Fund shall have restored the sums
18 from recurring annual receipts as are necessary to maintain a fund of not less than
19 five thousand dollars (\$5,000); provided further, of the funds and subsequent
20 recurring increments transferred from the Firemen's Relief Fund of the Town of
21 Wilkesboro to the "Supplemental Pension Fund", any or all of the same shall be
22 retrievable by and to the Firemen's Relief Fund of the Town of Wilkesboro in order

1 to defray and meet the legitimate claims accruing under the provisions and coverage
2 of the Firemen's Relief Fund of the Town of Wilkesboro.

3 Sec. 3. Any person who is a member of the Wilkesboro Fire Department, or a
4 retired member of the Wilkesboro Fire Department, as shown by the records of the
5 Town of Wilkesboro at the time of ratification of this act, or any person who becomes
6 a member, or any fireman of the Town of Wilkesboro who has become totally and
7 permanently disabled and who has served as a fireman of the Town of Wilkesboro for
8 five or more years, is eligible for benefits from the "Supplemental Pension Fund";
9 provided that the person has been retired as a member of the Wilkesboro Fire
10 Department under the provisions of the North Carolina Firemen's and Rescue Squad
11 Workers' Pension Fund as set out in Article 3, Chapter 118 of the General Statutes of
12 North Carolina and as participated in by the Town of Wilkesboro, or as a voluntary
13 member of the Fire Department of the Town of Wilkesboro, or has left service
14 because of the total and permanent disability described in this section. This act does
15 not modify or alter in any way the Worker's Compensation Laws of this State.

16 Sec. 4. Any member who has served 20 years as a fireman in the Wilkesboro Fire
17 Department and has attained the age of 55 or who has served for five or more years
18 and has become totally and permanently disabled is entitled to receive a monthly
19 pension from the "Supplemental Pension Fund". This monthly pension shall be in
20 the amount of ~~seventy-five dollars (\$75.00)~~ one hundred dollars (\$100.00) per month.
21 If, for any reason, the Fund shall be insufficient to pay in full any pension benefits, or
22 other charges, then all benefits shall be reduced pro rata for as long as the deficiency
23 in amount exists. No claim shall accrue with respect to any amount by which a
24 benefit payment shall have been reduced.

25 Sec. 5. The Treasurer of the Board of Trustees of the Wilkesboro Firemen's Relief
26 Fund shall, from time to time, pay to the city clerk sufficient funds from the
27 "Supplemental Pension Fund" to pay the beneficiaries on the first day of each and
28 every month any monies the beneficiaries are entitled to under the provisions of this
29 act.

30 Sec. 6. The Treasurer of the Firemen's Relief Fund of the Town of Wilkesboro, as
31 custodian of the "Supplementary Pension Fund", shall be required to give a bond
32 with an indemnity company authorized to do business in the State of North Carolina
33 as surety in a sum equal to the maximum amount estimated by the board of trustees
34 as likely to be in his possession as custodian at any time within the fiscal year for
35 which the bond is given. This bond is in lieu of the bond required by G.S. 118-6.
36 The condition of the bond shall be that the custodian shall faithfully receive, keep,
37 disburse, and account for, as provided in this act, all funds and property coming into
38 his hands as custodian, and the premiums on the bond shall be paid by the Town of
39 Wilkesboro.

40 Sec. 7. The custodian of the "Supplemental Pension Fund" shall invest all monies
41 coming into his possession belonging to the "Supplemental Pension Fund", except so
42 much as the board of trustees from time to time determine is reasonably necessary for
43 the prompt payment of claims and expenses, in securities as the board of trustees
44 shall select. These securities shall be limited to those named in or authorized by

1 either G.S. 159-30 or G.S. 159-31. Investments in certificates of deposit or time
2 deposits in any bank or trust company or savings and loan associations shall not
3 exceed the amount insured by the Federal Deposit Insurance Corporation, the
4 Federal Savings and Loan Insurance Corporation, unless these deposits or
5 investments in shares are secured in the manner provided by G.S. 159-30 or G.S.
6 159-31.

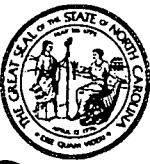
7 Sec. 8. The board of trustees may accept any gift, grant, bequest, or devise or any
8 real or personal property or other instrument of value for the use of "Supplementary
9 Pension Fund".

10 Sec. 9. All laws and clauses of laws in conflict with the provisions of this act are
11 repealed.

12 Sec. 10. None of the provisions of this act shall create a liability for the
13 Wilkesboro Firemen's Supplemental Pension Fund unless sufficient current assets are
14 available in the Fund to pay fully for the liability.

15 Sec. 11. This act is effective upon ratification."

16 Section 2. This act becomes effective July 1, 1999.



North Carolina General Assembly
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Terrence D. Sullivan, Director
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Raleigh, NC 27603-5925
(919) 733-2578

April 1, 1999

MEMORANDUM

TO: Representative John Brown

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note on House Bill 179

Re: Wilkesboro Firemen's Supplemental 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/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 179, March 30, 1999



North Carolina General Assembly
Legislative Services Office

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(919) 733-2578

March 30, 1999

The Honorable John W. Brown
North Carolina House of Representatives
Legislative Building
Raleigh, North Carolina 27601-1096

Re: Actuarial/Fiscal Note (House Bill 179)
Wilkesboro Firemen's Supplemental Pension Fund

Dear Representative Brown:

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 member who has served 20 years as a fireman with the Town of Wilkesboro and has reached age 55 is entitled to receive a monthly benefit of \$75.00 from the Town of Wilkesboro Supplemental Pension Fund. The proposed change will increase the monthly benefit to \$100.00.

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: The Town of Wilkesboro Supplemental Pension Fund is financed by the transfer of funds including investment income in excess of \$5,000 from the Firemen's Relief Fund of the Town of Wilkesboro 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. The bill prohibits the Fund from incurring any additional liability unless sufficient assets are available to pay the liability.

Actuarial Endorsement:

Charles W. Dunn

Charles W. Dunn
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: *4-1-99*
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
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Raleigh, NC 27603-5925
(919) 733-2578

MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 1, 1999

SUBJECT: Actuarial Note Request House Bill 816

Re: Reduces the years of service required for an unreduced benefit from 30 years to 25 years for law enforcement officers in the Teachers' and State Employees' Retirement System and 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, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Hensley
Representative Michaux, Chairman of the House Committee on Pensions and Retirement



**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
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Terrence D. Sullivan, Director
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Suite 545, LOB
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Raleigh, NC 27603-5925
(919) 733-2578

MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore 
Fiscal Research Division

DATE: March 8, 1999

SUBJECT: Actuarial Note Request House Bill 229

Re: Provides a 2.3% cost-of-living increase for retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System, and provides a 1% cost-of-living increase for retirees of 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, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Michaux

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 43 A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKER'S 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.

☐ 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)

2/24/99



HOUSE BILL 43: Increase Fire and Rescue Pension

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: April 13, 1999
Version: 1st Edition

Introduced by: Representative Dedmon
Summary by: Theresa Matula
Committee Staff

SUMMARY:

House Bill 43 increases the benefit paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from \$146.00 to \$200.00 per month.

BILL ANALYSIS:

Chapter 58, Article 86 of the General Statutes pertains to the North Carolina Fireman's and Rescue Squad Workers' Pension Fund. House Bill 43 amends G.S. 58-86-55 to increase the pension paid to an eligible fireman or eligible rescue squad worker from \$146 to \$200 per month. 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, from \$146 to \$200 per month, in the benefit paid to members who become totally and permanently disabled in the line of duty.

This act would become effective July 1, 1999.

BACKGROUND:

Recent Increases in the Fire and Rescue Pension

<i>Year</i>	<i>Monthly Pension</i>	<i>Increase Over Previous Year</i>
1994	\$110	\$10/ month
1995	\$135	\$25/ month
1997	\$141	\$6/ month
1998	\$146	\$5/ month
1999	\$200 <i>proposed</i>	\$54/ month <i>proposed</i>

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 43

Short Title: Increase Fire and Rescue Pension.

(Public)

Sponsors: Representatives Dedmon; Alexander, Allen, Arnold, Baddour, Baker, Barefoot, Bonner, Boyd-McIntyre, Bridgeman, Buchanan, Cansler, Capps, Church, Cole, Cox, Crawford, Culpepper, Davis, Edwards, Fox, Gardner, Gibson, Gillespie, Goodwin, Haire, Hensley, Hill, Horn, Jarrell, Jeffus, Kinney, Kiser, Luebke, McCombs, McCrary, McLawhorn, Moore, Morris, Oldham, Owens, Rogers, Russell, Saunders, Setzer, Sherrill, Smith, Thomas, Tolson, Tucker, Wainwright, Warner, Warren, Warwick, and Yongue.

Referred to: Finance.

February 8, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE
3 FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 58-86-55 reads as rewritten:
6 "§ 58-86-55. Monthly pensions upon retirement.
7 Any member who has served 20 years as an "eligible fireman" or "eligible rescue
8 squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S.
9 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
10 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
11 ~~forty-six dollars (\$146.00)~~ two hundred dollars (\$200.00) per month. Any retired
12 fireman receiving a pension shall, effective ~~July 1, 1998,~~ July 1, 1999, receive a
13 pension of ~~one hundred forty-six dollars (\$146.00)~~ two hundred dollars (\$200.00) per
14 month.
15 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35
16 and G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad
17 member" shall receive a pension prior to July 1, 1983. No member shall be entitled to
18 a pension hereunder until the member's official duties as a fireman or rescue squad

1 worker for which the member is paid compensation shall have been terminated and
2 the member shall have retired as such according to standards or rules fixed by the
3 board of trustees.

4 A member who is totally and permanently disabled while in the discharge of the
5 member's official duties as a result of bodily injuries sustained or as a result of
6 extreme exercise or extreme activity experienced in the course and scope of those
7 official duties and who leaves the fire or rescue squad service because of this
8 disability shall be entitled to be paid from the fund a monthly benefit in an amount
9 of ~~one hundred forty six dollars (\$146.00)~~ two hundred dollars (\$200.00) per month
10 beginning the first month after the member's fifty-fifth birthday. All applications for
11 disability are subject to the approval of the board who may appoint physicians to
12 examine and evaluate the disabled member prior to approval of the application, and
13 annually thereafter. Any disabled member shall not be required to make the monthly
14 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

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

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

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

39 Section 2. This act becomes effective July 1, 1999.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
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February 16, 1999

MEMORANDUM

TO: Representative Andy Dedmon

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 43

Re: Increases the monthly benefit to members and retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$146 to \$200.

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 9, 1999
- (3) Actuarial Note. Hartman & Associates, February 11, 1999

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 43

SHORT TITLE: Fire and Rescue Squad Pensions

SPONSOR(S): Representative Dedmon

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 \$146 to \$200.

EFFECTIVE DATE: July 1, 1999

	SYSTEM ACTUARY				
	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Benefit Increase	\$20,796,346	\$20,796,346	\$20,796,346	\$20,796,346	\$20,796,346

	GENERAL ASSEMBLY ACTUARY				
	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Benefit Increase	\$21,699,792	\$21,699,792	\$21,699,792	\$21,699,792	\$21,699,792

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, 1998 actuarial valuation of the fund. The data included 26,820 active members and 7,353 retired members in receipt of annual pensions totaling \$12.9 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 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

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: February 16, 1999

February 9, 1999

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 43

Dear Mr. Pruitt:

We have received your letter of February 8 regarding House Bill 43 which affects the Firemen's and Rescue Squad Workers' Pension Fund

This legislation appears to provide, effective on and after July 1, 1999, for a fifty-four dollar (\$54.00) increase in the monthly pensions payable to current and future pensioners from this Pension Fund. The current monthly pension payment is \$146.00 to all pensioners. The proposed monthly pension payment would be \$200.00 to all pensioners.

Our cost estimate for this legislation is based on the Fund's valuation as of June 30, 1998, including a funding basis of approximately five years for liquidation of unfunded accrued liabilities.

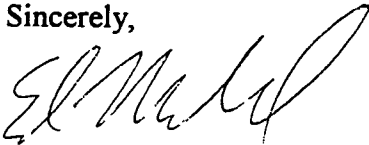
Under the assumption that the current annual contribution amount of \$12,104,780 is continued in the 1999-2000 fiscal year, there are no funds available from actuarial gains as of June 30, 1998, to offset the required contributions for benefit improvements. The annual cost of this proposed legislation is \$20,796,346. Therefore, this legislation would require additional appropriations of \$20,796,346 for the 1999-2000 fiscal year. The following table shows the required annual contribution for this legislation and the offsetting use of gains.

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR AN INCREASE IN PENSION FROM \$146 TO \$200
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution for \$54.00 increase:	
Normal	\$ 1,795,867
Accrued liability	<u>19,000,479</u>
Total	\$ 20,796,346
Available annual contribution due to actuarial gains	
From 6-30-98 valuation	\$ 0
Additional appropriation required	\$ 20,796,346

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

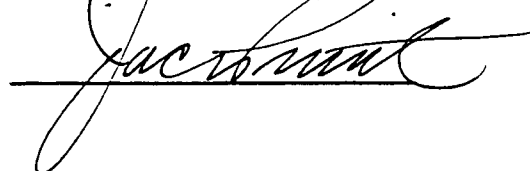
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq
P:\NCFR\1999\DOCS\CORR\HB43
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

February 11, 1999

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

Re: House Bill 43: An Act to Increase the Monthly Pension for
Members of the FRSW Pension Fund

Dear Mr. Moore:

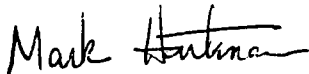
This bill would rewrite G.S. 58-86-55 to increase the monthly retirement benefit in the Firemen's and Rescue Squad Workers' Pension Fund from \$146 per month to \$200 per month for current and future retirees. This act would become effective July 1, 1999.

The increase in the retirement benefit amount will increase both the normal cost rate and the unfunded accrued liability. The estimated cost of this Act for the fiscal year beginning July 1, 1999, is \$21,699,792. This cost maintains the amortization period of the unfunded accrued liability at approximately a five year period.

This estimation is based on the data contained in the most recent actuarial valuation prepared as of June 30, 1998.

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: 2-17-99
Legislative Fiscal Research



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

February 11, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1409 of the State Legislative Building
Raleigh, North Carolina

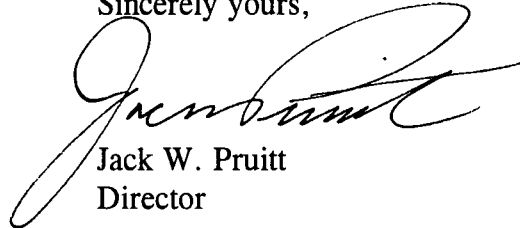
Re: Actuarial Note/House Bill 43

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 43 which affects the Firemen's and Rescue Squad Workers' Pension Fund.

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

February 9, 1999

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 43

Dear Mr. Pruitt:

We have received your letter of February 8 regarding House Bill 43 which affects the Firemen's and Rescue Squad Workers' Pension Fund

This legislation appears to provide, effective on and after July 1, 1999, for a fifty-four dollar (\$54.00) increase in the monthly pensions payable to current and future pensioners from this Pension Fund. The current monthly pension payment is \$146.00 to all pensioners. The proposed monthly pension payment would be \$200.00 to all pensioners.

Our cost estimate for this legislation is based on the Fund's valuation as of June 30, 1998, including a funding basis of approximately five years for liquidation of unfunded accrued liabilities.

Under the assumption that the current annual contribution amount of \$12,104,780 is continued in the 1999-2000 fiscal year, there are no funds available from actuarial gains as of June 30, 1998, to offset the required contributions for benefit improvements. The annual cost of this proposed legislation is \$20,796,346. Therefore, this legislation would require additional appropriations of \$20,796,346 for the 1999-2000 fiscal year. The following table shows the required annual contribution for this legislation and the offsetting use of gains.

Mr. Jack Pruitt
February 9, 1999
Page 2

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR AN INCREASE IN PENSION FROM \$146 TO \$200
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution for \$54.00 increase:

Normal	\$ 1,795,867
Accrued liability	<u>19,000,479</u>
Total	\$ 20,796,346

Available annual contribution due to actuarial gains
From 6-30-98 valuation

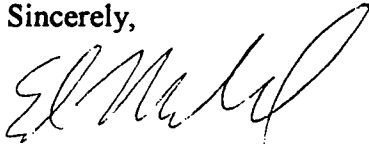
\$ 0

Additional appropriation required

\$ 20,796,346

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

Sincerely,

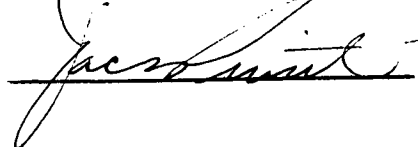


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

P:\NCFR\1999\DOCS\CORR\HB43
JC 1950 BC A33

THIS IS TO CERTIFY THAT THIS IS A
TRUE AND EXACT COPY OF AN
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**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 229 A BILL TO BE ENTITLED AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENT 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.

☐ 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)

2/24/99



HOUSE BILL 229: Increase Retirement COLAs

BILL ANALYSIS

Committee: House Pensions and Retirement
Date: April 13, 1999
Version: 1st Edition

Introduced by: Representative Michaux
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 229 provides a two and three-tenths percent (2.3%) increase to retired beneficiaries of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System. House Bill 229 provides a one percent (1.0%) increase to retired beneficiaries of the Local Governmental Employees' Retirement System.*

BILL ANALYSIS:

Section 1.

Chapter 135, Article 1, Section 5 of the General Statutes pertains to the benefits of the *Retirement System for Teachers and State Employees*. Senate Bill 242 increases by two and three-tenths percent (2.3%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 1998. Beneficiaries whose retirement commences after July 1, 1998, but before June 30, 1999 shall receive a prorated amount of the increase.

Section 2.

Chapter 135, Article 4, Section 65 of the General Statutes pertains to the post-retirement increases in allowances in the *Consolidated Judicial Retirement System*. Senate Bill 242 increases by two and three-tenths percent (2.3%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 1998. Beneficiaries whose retirement commences after July 1, 1998, but before June 30, 1999 shall receive a prorated amount of the increase.

Section 3.

Chapter 120, Article 1A, Section 22A of the General Statutes pertains to the post-retirement increases in allowances in the *Legislative Retirement System*. Senate Bill 242 increases by two and three-tenths percent (2.3%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before January 1, 1999. Beneficiaries whose retirement commences after January 1, 1999, but before June 30, 1999 shall receive a prorated amount of the increase.

Section 4.

Chapter 128, Article 3, Section 27 of the General Statutes pertains to the benefits of the *Retirement System for Counties, Cities and Towns*. Senate Bill 242 increases by one percent (1.0%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 1998. Beneficiaries whose retirement commences after July 1, 1998, but before June 30, 1999 shall receive a prorated amount of the increase.

This act becomes effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 229*

Short Title: Increase Retirement COLAs.

(Public)

Sponsors: Representatives Michaux; Wainwright, Hunter, and Melton.

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

March 4, 1999

1 A BILL TO BE ENTITLED

2 AN ACT TO PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF
3 THE 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 is amended by adding a new subsection to read:

9 "(fff) From and after July 1, 1999, the retirement allowance to or on account of
10 beneficiaries whose retirement commenced on or before July 1, 1998, shall be
11 increased by two and three-tenths percent (2.3%) of the allowance payable on June 1,
12 1999, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 1999, the
13 retirement allowance to or on account of beneficiaries whose retirement commenced
14 after July 1, 1998, but before June 30, 1999, shall be increased by a prorated amount
15 of two and three-tenths percent (2.3%) of the allowance payable as determined by the
16 Board of Trustees based upon the number of months that a retirement allowance was
17 paid between July 1, 1998, and June 30, 1999."

18 Section 2. G.S. 135-65 is amended by adding a new subsection to read:

19 "(t) From and after July 1, 1999, the retirement allowance to or on account of
20 beneficiaries whose retirement commenced on or before July 1, 1998, shall be
21 increased by two and three-tenths percent (2.3%) of the allowance payable on June 1,
22 1999. Furthermore, from and after July 1, 1999, the retirement allowance to or on
23 account of beneficiaries whose retirement commenced after July 1, 1998, but before
24 June 30, 1999, shall be increased by a prorated amount of two and three-tenths

1 percent (2.3%) of the allowance payable as determined by the Board of Trustees
2 based upon the number of months that a retirement allowance was paid between July
3 1, 1998, and June 30, 1999."

4 Section 3. G.S. 120-4.22A is amended by adding a new subsection to
5 read:

6 "(n) In accordance with subsection (a) of this section, from and after July 1, 1999,
7 the retirement allowance to or on account of beneficiaries whose retirement
8 commenced on or before January 1, 1999, shall be increased by two and three-tenths
9 percent (2.3%) of the allowance payable on June 1, 1999. Furthermore, from and
10 after July 1, 1999, the retirement allowance to or on account of beneficiaries whose
11 retirement commenced after January 1, 1999, but before June 30, 1999, shall be
12 increased by a prorated amount of two and three-tenths percent (2.3%) of the
13 allowance payable as determined by the Board of Trustees based upon the number of
14 months that a retirement allowance was paid between January 1, 1999, and June 30,
15 1999."

16 Section 4. G.S. 128-27 is amended by adding a new subsection to read:

17 "(vv) From and after July 1, 1999, the retirement allowance to or on account of
18 beneficiaries whose retirement commenced on or before July 1, 1998, shall be
19 increased by one percent (1.0%) of the allowance payable on June 1, 1999, in
20 accordance with subsection (k) of this section. Furthermore, from and after July 1,
21 1999, the retirement allowance to or on account of beneficiaries whose retirement
22 commenced after July 1, 1998, but before June 30, 1999, shall be increased by a
23 prorated amount of one percent (1.0%) of the allowance payable as determined by
24 the Board of Trustees based upon the number of months that a retirement allowance
25 was paid between July 1, 1998, and June 30, 1999."

26 Section 5. This act becomes effective July 1, 1999.

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. _____

DATE _____

S. B. No. _____

Amendment No. _____

COMMITTEE SUBSTITUTE _____

(to be filled in by
Principal Clerk)

Rep.) Tucker
Sen.) _____

1 moves to amend the bill on page 1, line 11

2 () WHICH CHANGES THE TITLE

3 by deleting the phrase:

4 "two and three-tenths^{percent} (2.3%)"

5 and substituting

6 "four percent (4%)"

7 _____

8 and on line 21, by deleting the phrase:

9 "two and three-tenths percent (2.3%)"

10 and substituting

11 "four percent (4%)"

12 , 1.24%

13 and on page 3, lines 1 + 9

14 by deleting

15 two and three tenths percent (2.3%)

16 subst,

17 4.7%

18 _____

19 _____

SIGNED _____

Russell Inman

ADOPTED _____ FAILED ☒ TABLED _____



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

March 17, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1409 of the State Legislative Building
Raleigh, North Carolina

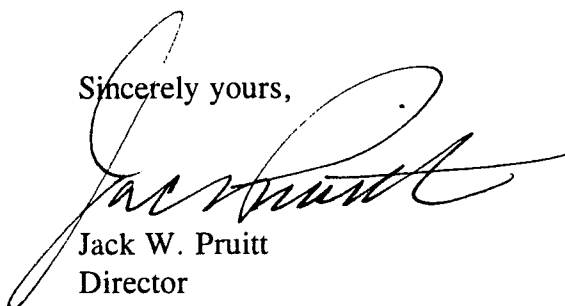
Re: Actuarial Note/House Bill 229

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 229 which affects the Teachers' and State Employees' Retirement System, Local Governmental Employees' Retirement System, Consolidated Judicial Retirement System and the Legislative 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

March 15, 1999

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

House Bill 229

Dear Mr. Pruitt:

We have received your letter of March 5 regarding House Bill 229 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 of the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System equal to 2.3% for those who commenced retirement on and before July 1, 1998, and a prorated portion of the 2.3% post-retirement increase for those who commenced retirement after July 1, 1998 and before June 30, 1999, with all increases payable effective July 1, 1999.

This legislation also appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Local Governmental Employees' Retirement System, equal to 1.0% for those who commenced retirement on and before July 1, 1998 and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 1998 and before June 30, 1999, with all increases payable effective July 1, 1999.

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 17.21% of payroll.

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

Sincerely,

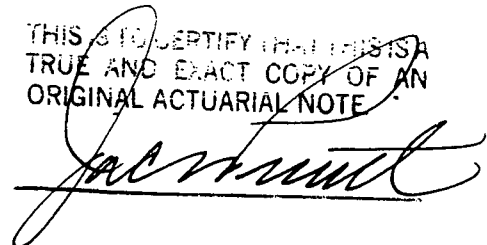


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jg

Buck Consultants, Inc.
770|955-2488 Fax 770|933-8336

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



HOUSE BILL 229

SYSTEM	<u>GAINS</u>			<u>HOUSE BILL 229</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	0.59%	\$36,964,000	\$2,974,000	0.58%	\$36,337,000	\$2,923,000	0.01%	\$627,000	\$51,000
Consolidated Judicial Retirement System	4.38%	\$1,905,000	N/A	0.94%	\$409,000	N/A	3.44%	\$1,496,000	N/A
Local Governmental Employees' Retirement System	0.09%	\$2,790,000*	N/A	0.09%	\$2,790,000*	NA	0.00%	\$0*	N/A

* Equivalent local funding

March 15, 1999

P:\NCTEN\999\DOCS\CORRU\B229

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 229

SHORT TITLE: Increase Retirement COLAs

SPONSOR(S): Representative Michaux

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 2.3% in the benefits of retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System. Provides a post-retirement increase of 1% in the benefits of retirees of the Local Governmental Employees' Retirement System.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE:

Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.3% COLA to be 0.58% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$ 36.3m	\$ 38.3m	\$ 40.3m	\$ 42.4m	\$ 44.7m
Highway Fund	\$ 3.0m	\$ 3.1m	\$ 3.2m	\$ 3.3m	\$ 3.5m
Receipt Funds	\$ 9.8m	\$ 10.3m	\$ 10.9m	\$ 11.5m	\$ 12.0m
Total	\$ 49.1m	\$ 51.7m	\$ 54.4m	\$ 57.2m	\$ 60.2m

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be 0.50% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$ 31.3m	\$ 33.0m	\$ 34.7m	\$ 36.6m	\$ 38.5m
Highway Fund	\$ 2.5m	\$ 2.6m	\$ 2.8m	\$ 2.9m	\$ 3.0m
Receipt Funds	\$ 8.5m	\$ 8.9m	\$ 9.4m	\$ 9.9m	\$ 10.4m
Total	\$ 42.3m	\$ 45.5m	\$ 46.9m	\$ 49.4m	\$ 51.9m

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.3% COLA to be .94% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$408,900	\$434,824	\$462,392	\$491,708	\$522,882

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be .89% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$387,150	\$411,695	\$437,797	\$465,553	\$495,069

Legislative Retirement System

Retirement System Actuary: Dilts, Umstead & Dunn estimates the cost of the 2.3% COLA to be 1.06% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$38,160	\$38,160	\$38,160	\$38,160	\$38,160

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be 1.19% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$42,840	\$42,840	\$42,840	\$42,840	\$42,840

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.3% COLA to be .09% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Local Funds	\$2.8m	\$3.0m	\$3.1m	\$3.3m	\$3.5m

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be .08% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Local Funds	\$2.5m	\$2.6m	\$2.8m	\$3.0m	\$3.2m

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, 1997 actuarial valuation of the fund. The data included 271,128 active members with an annual payroll of \$7.374 billion and 92,236 retired members in receipt of annual pensions totaling \$1.231 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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, 1997 actuarial valuation of the fund. The data included 456 active members with an annual payroll of \$39.7 million and 327 retired members in receipt of annual pensions totaling \$10.8 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 prorate. 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, 1997 actuarial valuation of the fund. The data included 106,802 active members with an annual payroll of \$2.743 billion and 25,456 retired members in receipt of annual pensions totaling \$261.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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: (919) 733-4910

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, 1999 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.

PREPARED BY: Stanley Moore

APPROVED



DATE : March 22, 1999



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

March 19, 1999

JACK W. PRUTTT
DEPUTY TREASURER

The Honorable Ruth M. Easterling
Co-Chair of the House Committee on Appropriations
Suite 631 of the Legislative Office Building
Raleigh, North Carolina

The Honorable Thomas C. Hardaway
Co-Chair of the House Committee on Appropriations
Suite 643 of the Legislative Office Building
Raleigh, North Carolina

The Honorable Edward D. Redwine
Co-Chair of the House Committee on Appropriations
Suite 635 of the Legislative Office Building
Raleigh, North Carolina

Re: Recommendations on Retirement
System Benefit Enhancements

Dear Representatives Easterling, Hardaway, and Redwine:

This is written in my capacities as State Treasurer and as ex officio Chairman of the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System. My purpose is to make you aware of the Boards' legislative recommendations for the current Session, to urge your support of these benefit improvements, and to make you aware of the fiscal implications of these proposed benefit enhancements.

All costs associated with these benefit changes would be borne by use of the unencumbered actuarial gains in each of the affected retirement systems, and would require no increased appropriations of either the General Assembly or the participating local governments. The contributions rates shown below, as determined by actuarial valuation and set for 1999-2000 in Section 22(b) of Session Law 1998-153, will be sufficient to fund these benefit enhancements in the Teachers' and State Employees' Retirement System and the Judicial Retirement System. Also, after funding the proposed benefit enhancements, the contribution rate set for the Judicial Retirement System can still be reduced by 3.44% as recommended by the Board of Trustees. Questions concerning funding of the Legislative Retirement System may be addressed to our office or to staff of the Fiscal Research Division.

	<u>Retirement System</u>	<u>Retirees' Health</u>	<u>Death Benefit</u>	<u>Disability Income</u>	<u>401(k) Plan</u>	<u>Total</u>
Teachers and State Employees	8.15%	2.00%	0.16%	0.52%	-0-	10.83%
State Law Enforcement	8.15%	2.00%	0.16%	0.52%	5.00%	15.83%
Consolidated Judicial	20.65%	2.00%	-0-	-0-	-0-	22.65%
Legislative	22.58%	2.00%	-0-	-0-	-0-	24.58%

The Honorable Ruth M. Easterling
The Honorable Thomas C. Hardaway
The Honorable Edward D. Redwine

Page Two
March 19, 1999

The unencumbered actuarial gains recognized subsequent to the 1998 Session result in the ability of the General Assembly to increase retirement benefits equal to a *present value* cost of approximately \$291.761 million, which is equivalent to approximately 0.59% of payroll based on 9 year amortization of the additional costs. In terms of *annual appropriations*, these proposed benefit increases, with a General Fund value of \$36.337 million and a Highway Fund value of \$2.923 million, could be enacted without increased appropriations by the General Assembly. *In the alternative*, the General Assembly could reduce the employer contribution rate by 0.59% of payroll for 9 years for a savings of approximately \$36.964 million to the General Fund and to the Highway Fund of approximately \$2.974 million during the 1999-2000 budget year. *As another alternative*, the General Assembly could do a combination of some benefit increase and some employer rate reduction within the stated monetary parameters. For purposes of illustration, we are attaching a chart prepared by our consulting actuary. (This chart does not include figures for the Legislative Retirement System since our consulting actuary is not the consulting actuary for the Legislative Plan.)

The Boards' total package of recommended benefit enhancements is embodied in House Bill 229 which Representative Michaux, as Chairman of the House Committee on Pensions and Retirement, introduced. The recommendations included in this legislation are as follows:

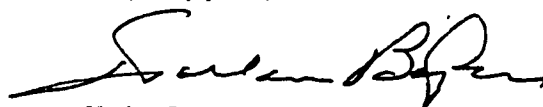
a 2.3% cost-of-living adjustment for retirees and other beneficiaries in the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System, all of which assumes that State employees will be granted a 3% total across-the-board increase in salary; and, a 1% cost-of-living adjustment for retirees and other beneficiaries of the Local Governmental Employees' Retirement System.

This legislative package has the support and endorsement of the organizations representing teachers, State employees, law enforcement officers, State and local governmental retirees, and local governments, and contains all of the benefit enhancements and recommendations of the Retirement Systems' Boards of Trustees.

We will leave to your judgment whether to consider the Boards' recommendations for inclusion in your Budget Bill, as has been the past practice, or to consider the proposed House Bill separately.

Again, we urge your support and ask for your assistance with this legislation.

Very truly yours,



Harlan E. Boyles
State Treasurer

HEB/dsp

Enclosure

cc: Speaker James B. Black
Representative Henry M. Michaux, Jr. ✓
Members of the Boards of Trustees

HOUSE BILL 229

SYSTEM	GAINS			HOUSE BILL 229			REMAINING GAINS		
	Cost As % of Payroll	Equivalent Appropriations		Cost As % of Payroll	Equivalent Appropriations		Cost as % of Payroll	Equivalent Appropriations	
		General Fund	Highway Fund		General Fund	Highway Fund		General Fund	Highway Fund
Teachers' and State Employees' Retirement System	0.59%	\$36,964,000	\$2,974,000	0.58%	\$36,337,000	\$2,923,000	0.01%	\$627,000	\$51,000
Consolidated Judicial Retirement System	4.38%	\$1,905,000	N/A	0.94%	\$409,000	N/A	3.44%	\$1,496,000	N/A
Local Governmental Employees' Retirement System	0.09%	\$2,790,000*	N/A	0.09%	\$2,790,000*	NA	0.00%	\$0*	N/A

* Equivalent local funding

March 15, 1999

PNCTEN1997 DOCSNOORAW0229

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 229

SHORT TITLE: Increase Retirement COLAs

SPONSOR(S): Representative Michaux

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 2.3% in the benefits of retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System. Provides a post-retirement increase of 1% in the benefits of retirees of the Local Governmental Employees' Retirement System.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE:

Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.3% COLA to be 0.58% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$ 36.3m	\$ 38.3m	\$ 40.3m	\$ 42.4m	\$ 44.7m
Highway Fund	\$ 3.0m	\$ 3.1m	\$ 3.2m	\$ 3.3m	\$ 3.5m
Receipt Funds	\$ 9.8m	\$ 10.3m	\$ 10.9m	\$ 11.5m	\$ 12.0m
Total	\$ 49.1m	\$ 51.7m	\$ 54.4m	\$ 57.2m	\$ 60.2m

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be 0.50% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$ 31.3m	\$ 33.0m	\$ 34.7m	\$ 36.6m	\$ 38.5m
Highway Fund	\$ 2.5m	\$ 2.6m	\$ 2.8m	\$ 2.9m	\$ 3.0m
Receipt Funds	\$ 8.5m	\$ 8.9m	\$ 9.4m	\$ 9.9m	\$ 10.4m
Total	\$ 42.3m	\$ 45.5m	\$ 46.9m	\$ 49.4m	\$ 51.9m

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.3% COLA to be .94% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$408,900	\$434,824	\$462,392	\$491,708	\$522,882

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be .89% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$387,150	\$411,695	\$437,797	\$465,553	\$495,069

Legislative Retirement System

Retirement System Actuary: Dilts, Umstead & Dunn estimates the cost of the 2.3% COLA to be 1.06% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$38,160	\$38,160	\$38,160	\$38,160	\$38,160

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be 1.19% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$42,840	\$42,840	\$42,840	\$42,840	\$42,840

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.3% COLA to be .09% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Local Funds	\$2.8m	\$3.0m	\$3.1m	\$3.3m	\$3.5m

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be .08% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Local Funds	\$2.5m	\$2.6m	\$2.8m	\$3.0m	\$3.2m

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, 1997 actuarial valuation of the fund. The data included 271,128 active members with an annual payroll of \$7.374 billion and 92,236 retired members in receipt of annual pensions totaling \$1.231 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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, 1997 actuarial valuation of the fund. The data included 456 active members with an annual payroll of \$39.7 million and 327 retired members in receipt of annual pensions totaling \$10.8 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 prorate. 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, 1997 actuarial valuation of the fund. The data included 106,802 active members with an annual payroll of \$2.743 billion and 25,456 retired members in receipt of annual pensions totaling \$261.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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: (919) 733-4910

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, 1999 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.

PREPARED BY: Stanley Moore

APPROVED



DATE : March 22, 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

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
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Suite 400, LOB
300 N. Salisbury St.
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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

March 19 1999

MEMORANDUM

TO: Representative H. M. Michaux, Jr.

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note on House Bill 229

Re: Provides a 2.3% cost-of-living increase for retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System, and provides a 1% cost-of-living increase for retirees of 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: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, March 15, 1999
- (3) Actuarial Note, Hartman & Associates, March 16, 1999

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 229

SHORT TITLE: Increase Retirement COLAs

SPONSOR(S): Representative Michaux

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 2.3% in the benefits of retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System. Provides a post-retirement increase of 1% in the benefits of retirees of the Local Governmental Employees' Retirement System.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE:

Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.3% COLA to be 0.58% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$ 36.3m	\$ 38.3m	\$ 40.3m	\$ 42.4m	\$ 44.7m
Highway Fund	\$ 3.0m	\$ 3.1m	\$ 3.2m	\$ 3.3m	\$ 3.5m
Receipt Funds	\$ 9.8m	\$ 10.3m	\$ 10.9m	\$ 11.5m	\$ 12.0m
Total	\$ 49.1m	\$ 51.7m	\$ 54.4m	\$ 57.2m	\$ 60.2m

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be 0.50% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$ 31.3m	\$ 33.0m	\$ 34.7m	\$ 36.6m	\$ 38.5m
Highway Fund	\$ 2.5m	\$ 2.6m	\$ 2.8m	\$ 2.9m	\$ 3.0m
Receipt Funds	\$ 8.5m	\$ 8.9m	\$ 9.4m	\$ 9.9m	\$ 10.4m
Total	\$ 42.3m	\$ 45.5m	\$ 46.9m	\$ 49.4m	\$ 51.9m

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.3% COLA to be .94% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$408,900	\$434,824	\$462,392	\$491,708	\$522,882

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be .89% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$387,150	\$411,695	\$437,797	\$465,553	\$495,069

Legislative Retirement System

Retirement System Actuary: Dilts, Umstead & Dunn estimates the cost of the 2.3% COLA to be 1.06% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$38,160	\$38,160	\$38,160	\$38,160	\$38,160

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be 1.19% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$42,840	\$42,840	\$42,840	\$42,840	\$42,840

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.3% COLA to be .09% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Local Funds	\$2.8m	\$3.0m	\$3.1m	\$3.3m	\$3.5m

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.3% COLA to be .08% of payroll.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Local Funds	\$2.5m	\$2.6m	\$2.8m	\$3.0m	\$3.2m

ASSUMPTIONS AND METHODOLOGY:

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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, 1999 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: March 19, 1999

BUCK CONSULTANTS

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945
March 15, 1999

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

House Bill 229

Dear Mr. Pruitt:

We have received your letter of March 5 regarding House Bill 229 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 of the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System equal to 2.3% for those who commenced retirement on and before July 1, 1998, and a prorated portion of the 2.3% post-retirement increase for those who commenced retirement after July 1, 1998 and before June 30, 1999, with all increases payable effective July 1, 1999.

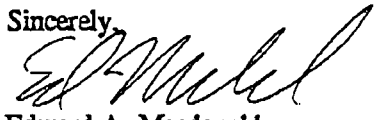
This legislation also appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Local Governmental Employees' Retirement System, equal to 1.0% for those who commenced retirement on and before July 1, 1998 and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 1998 and before June 30, 1999, with all increases payable effective July 1, 1999.

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 17.21% of payroll.

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

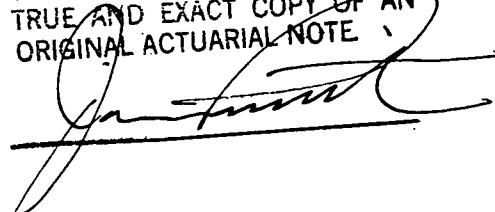
Sincerely,


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

Buck Consultants, Inc.
770 | 955-2488 Fax 770 | 933-8336

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



HOUSE BILL 229

SYSTEM	<u>GAINS</u>			<u>HOUSE BILL 229</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	0.59%	\$36,964,000	\$2,974,000	0.58%	\$36,337,000	\$2,923,000	0.01%	\$627,000	\$51,000
Consolidated Judicial Retirement System	4.38%	\$1,905,000	N/A	0.94%	\$409,000	N/A	3.44%	\$1,496,000	N/A
Local Governmental Employees' Retirement System	0.09%	\$2,790,000*	N/A	0.09%	\$2,790,000*	NA	0.00%	\$0*	N/A

* Equivalent local funding

March 15, 1999

P:\NCTE\1999\DOCS\CORRU (B 229

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

March 16, 1999

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

Re: House Bill 229: An Act to Provide Cost-of-Living Increases
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 and CJRS, the bill would increase the retirement allowances 2.3% for all beneficiaries who retired on or before July 1, 1998, with a prorated increase for retirements between July 1, 1998 and June 30, 1999.
2. In the LRS, the bill would provide a 2.3% increase in the retirement allowances payable to beneficiaries whose retirement began on or before January 1, 1999, with a prorated increase for retirements after January 1, 1999 and before June 30, 1999.
3. In the LGERS, the bill would increase the retirement allowances 1.0% for all beneficiaries who retired on or before July 1, 1998, with a prorated increase for retirements between July 1, 1998 and June 30, 1999.

All provisions of this act are effective July 1, 1999. The estimated cost of this act for the fiscal year beginning July 1, 1999, expressed as a percent of payroll, is shown below.

Mr. Stanley Moore
March 16, 1999

Page 2

<u>System</u>	<u>Cost as % of Payroll</u>	<u>Amort. Period for Unfunded Liability</u>
TSERS	0.50%	9 years
CJRS	0.89	8 years
LRS	1.19	5 years
LGERS	0.08	n/a

This estimation is based on the data contained in the most recent actuarial valuations prepared as of December 31, 1997.

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: 3-19-99
Legislative Fiscal Research

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

**April 21, 1999
Room 1228/1327
12:00p.m.**

AGENDA

1. Opening Remarks

Representative Michaux, Chair

2. Bills To Be Considered

House Bill 717 – CHARLOTTE FIREFIGHTERS' RETIREMENT
Sponsor: Representative Alexander

House Bill 722 – PURCHASE OF PART-TIME SERVICE
Sponsor: Representative Insko

House Bill 918 – INCREASE DEATH BENEFITS
Sponsor: Representative McLawhorn

House Bill 940 – RETIREMENT SYSTEM TRANSFER
Sponsor: Representative Hardaway

3. ADJOURNMENT

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

APRIL 21, 1999

The House Committee on Pensions and Retirement met in Room 1228, of the Legislative Building, on April 21, 1999 at 12:00 p.m. Representative H.M. Michaux, Jr. (Chair) presided at the meeting and the following members were present: Representatives, Oldham, Barbee, Berry, Gray, Horn, McCombs, McCrary, Morgan, Ramsey, Rogers, Tucker, Warren, G. Wilson, and Yongue.

Chairman Michaux welcomed members and guests. The visitor registration sheet, actuarial notes and handouts are attached to the minutes. The Legislative Page for the day was Ronald Rogers of Wake County, sponsored by Representative Dan Blue.

The following staff members were present: Anne M. Peele (Committee Assistant), Stanley Moore (Fiscal Analyst), Theresa Matula (Legislative Analyst) and Karen Cochrane-Brown (Attorney). Melvin Kimble and Anne Lassiter were the Sergeants-at-Arms for the meeting.

House Bill 940 was been pulled from the agenda.

House Bill 918, A BILL TO BE ENTITLED AN ACT TO INCREASE THE DEATH BENEFIT FOR LAW ENFORCEMENT OFFICERS, FIREMEN, RESCUE SQUAD WORKERS, AND SENIOR CIVIL AIR PATROL MEMBERS KILLED IN THE LINE OF DUTY, was presented by Representative McLawhorn. There is an increase is from \$25,000 to \$50,000. This also includes correctional officers and forest fire fighters. They have to be killed in the line of duty before this is applicable. The Industrial Commission would award a death benefit to either the spouse, the surviving independent child or children, or dependent parents of the person killed. The payment is by the state. It is not a local mandate. The method of payment would be \$20,000 at the time of death and \$10,000 annually, for the next three years until \$ 50,000 is reached. There are two actuarial notes prepared. The estimated impact on the state is predicted at \$200,000. The last increase was in 1978-1979.

Representative Oldham was on the Committee that reviewed this bill and noted that it got a good report. He moved that the bill be passed favorably. The motion passed.

House Bill 717, A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE FIREMEN'S RETIREMENT SYSTEM was presented by Representative Alexander.

Representative Yongue moves to amend the bill on page 7 line 9 by changing 10 back to 5 and that HB 717 the amendment be engrossed into the committee substitute and the committee substitute be given a favorable report and the original bill be given an unfavorable report. The motion passed.

Stanley Moore was recognized by the Chair to further explain House Bill 717. The City of Charlotte is a unique group of people. They are the only group in the State that has their own pension plan. They are not covered by Social Security or any of the other State Retirement Plans. These request comes to the State every few years to make technical changes or minor changes in their retirement plan. The Actuarial notes shows that it does not create liability on the Charlotte firefighters system unless money is available to pay those funds. It does not put any liability on the State. These are conforming changes. Section 6 changes the requirement to purchase military service from 13 years to 5 years. Section 10 clarifies that any member with less than 5 years who terminates employment shall receive only contributions made by the members and not contributions or interest paid by the City of Charlotte shall be refunded to the member. Section 11 was amended. Section 17 states that the benefit limit of 100% of average final compensation is replaced by the Internal Revenue Code 415 limits but no less than \$905.72 per month. The benefit for disability in the line of duty was increased from 72% to 78%. The benefit for disability not in the line of duty was increase from 36% plus 1.80% per year of service over 10 years to 39% plus 1.90% per year of service over 10 years. The retirees will get a post retirement increase of 8.33% retro to July 1998.

Representative Alexander noted that there are sufficient funds in the system to take care of this.

Representative Barbee moves for a favorable report.

This is a City of Charlotte local bill and liability. There are no state funds. If there are not enough funds in the system to pay the benefits out, then they won't pay it out.

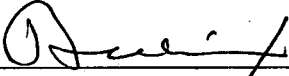
This motion passed. It will go straight to the floor because there are not any state funds involved.

Finally, House Bill 722, A BILL ENTITLED AN ACT TO ALLOW MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE CERTAIN PART-TIME SERVICE RENDERED WHILE FULL-TIME STUDENTS was explained by Representative Insko. This bill will allow people who worked part-time for the state while they were full-time students to go back and buy the service years if they had enough time i.e., five years vested as state employees. The purpose of the bill is to allow people who have demonstrated that they have made a commitment to state employment to go ahead and claim credit for early part-time service. This would exclude anyone who does not stay in the state retirement system for five years, non-serious state employees and someone who does not work at least half-time, then they don't qualify. This bill is supported by the Office of State Personnel, Jack Pruitt, (Director of the State Retirement System) and State employees.

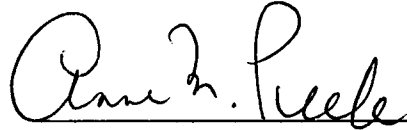
Representative Michaux noted that this bill does not cost the State any money because they will be buying service.

Representative Yongue moved for favorable report. The bill passed and goes straight to the floor because there are not any state funds involved.

The meeting adjourned at 12:20 p.m.



Representative H.M. Michaux, Jr., Chair



Anne M. Peele, Committee Assistant

VISITOR REGISTRATION SHEET

Pension & Retirement

4/21/99

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Tim BRADLEY

N.C. DOI

Barbara Aycard

Charlotte Firefighters Retirement Sys

Richard O'Driscoll

PFFPNC

Benny Scarbro

WS PFA

David Anders

PFFPNC

Ann T. Harrell

Clerk Superior Court - Wilson Co.

Mark Speer

asst atty 19A

Jean W. Boyd

Clerk of Superior Court - Craven Co

Sandra Gaskins

Clerk of Superior Court - Pitt Co.

Andy Lomax

N.C.L.M.

Tara Arnold

SEANC

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

- ☐ Committee Substitute for
H.B. 918 A BILL TO BE ENTITLED AN ACT TO INCREASE THE DEATH BENEFIT
FOR LAW ENFORCEMENT OFFICERS, FIREMEN, RESCUE SQUAD WORKERS,
AND SENIOR CIVIL AIR PATROL MEMBERS KILLED IN THE LINE OF DUTY.
- ☒ 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.
- ☐ 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)

2/24/99



HOUSE BILL 918: Increase Death Benefits

BILL ANALYSIS

Committee: House Pensions & Retirement

Date: April 21, 1999

Version: 1st Edition

Introduced by: Representative McLawhorn

Summary by: Theresa Matula
Committee Staff

SUMMARY:

House Bill 918 doubles the amount of the death benefit for Law Enforcement Officers, Firemen, Rescue Squad Workers, and Senior Civil Air Patrol Members killed in the line of duty.

BILL ANALYSIS:

Chapter 143, Article 12A of the General Statutes concerns the Law-Enforcement Officers', Firemen's, Rescue Squad workers', and Civil Air Patrol Members' Death Benefits Act. House Bill 918 makes amendments to Section 3 regarding Payments; determination.

Subsection (b) specifies that payment shall be made to the person or persons qualifying therefor under subsection (a) in the following amounts:

- (1) The amount that is **paid at the time of the death** of an officer, fireman, rescue squad worker or senior Civil Air Patrol member is **increased from ten thousand dollars (\$10,000) to twenty thousand dollars \$20,000.**
- (2) The amount that shall be **paid annually** to the person or persons entitled thereto is **increased from five thousand dollars (\$5,000) to ten thousand dollars (\$10,000).** The annual payment shall be made **until the sum of the initial payment and each annual payment reaches fifty thousand dollars (\$50,000), previously twenty five thousand dollars (\$25,000).**
- (3) **In the event that no person qualifies under subsection (a) of this section, the amount that is paid to the estate** of the deceased officer, fireman, rescue squad worker or senior Civil Air Patrol member at the time of death is **increased from twenty-five thousand dollars (\$25,000) to fifty thousand dollars (\$50,000).**

House bill 918 also makes conforming changes to subsections (c) and (d).

This act becomes effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 918*

Short Title: Increase Death Benefits.

(Public)

Sponsors: Representatives McLawhorn; Alexander, Barefoot, Bonner, Bridgeman, Cole, Cox, Cunningham, Dedmon, Earle, Edwards, Fox, Gibson, Gillespie, Goodwin, Hackney, Haire, Hensley, Horn, Hurley, Insko, McComas, McCrary, McMahan, Melton, Michaux, Moore, Morris, Mosley, Oldham, Owens, Preston, Rayfield, Rogers, Russell, Saunders, Setzer, Smith, Sutton, Teague, Thomas, Thompson, Tolson, Tucker, Walend, Warner, Warren, Warwick, G. Wilson, Womble, Wright, and Yongue.

Referred to: Ways and Means.

April 5, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE DEATH BENEFIT FOR LAW ENFORCEMENT
3 OFFICERS, FIREMEN, RESCUE SQUAD WORKERS, AND SENIOR CIVIL
4 AIR PATROL MEMBERS KILLED IN THE LINE OF DUTY.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 143-166.3 reads as rewritten:
7 "§ 143-166.3. Payments; determination.
8 (a) When any law-enforcement officer, fireman, rescue squad worker or senior
9 Civil Air Patrol member shall be killed in the line of duty, the Industrial Commission
10 shall award a death benefit to be paid in the amounts set forth in subsection (b) to
11 the following:
12 (1) The spouse of such officer, fireman, rescue squad worker or senior
13 Civil Air Patrol member if there be a surviving spouse; or
14 (2) If there be no spouse qualifying under the provisions of this
15 Article, then payments shall be made to any surviving dependent
16 child of such officer, fireman, rescue squad worker or senior Civil
17 Air Patrol member and if there be more than one surviving

dependent child, then said payment shall be made to and equally divided among all surviving dependent children; or

- (3) If there be no spouse and no dependent child or children qualifying under the provisions of this Article, then payments shall be made to the surviving dependent parent of such officer, fireman, rescue squad worker or senior Civil Air Patrol member and if there be more than one surviving dependent parent then said payments shall be made to and equally divided between the surviving dependent parents of said officer, fireman, rescue squad worker or senior Civil Air Patrol member.

(b) Payment shall be made to the person or persons qualifying therefor under subsection (a) in the following amounts:

- (1) At the time of the death of an officer, fireman, rescue squad worker or senior Civil Air Patrol member, ~~ten thousand dollars (\$10,000)~~ twenty thousand dollars (\$20,000) shall be paid to the person or persons entitled thereto.

- (2) Thereafter, ~~five thousand dollars (\$5,000)~~ ten thousand dollars (\$10,000) shall be paid annually to the person or persons entitled thereto until the sum of the initial payment and each annual payment reaches ~~twenty-five thousand dollars (\$25,000)~~ fifty thousand dollars (\$50,000).

- (3) In the event there is no person qualifying under subsection (a) of this section, ~~twenty-five thousand dollars (\$25,000)~~ fifty thousand dollars (\$50,000) shall be paid to the estate of the deceased officer, fireman, rescue squad worker or senior Civil Air Patrol member at the time of death.

(c) In the event that any person or persons eligible for payments under subsection (a) of this section shall become ineligible, and other eligible person or persons qualify for said death benefit payments under subsection (a), then they shall receive the remainder of any payments up to the limit of ~~twenty-five thousand dollars (\$25,000)~~ fifty thousand dollars (\$50,000) in the manner set forth in subsection (b) of this section.

(d) In the event any person or persons eligible for payments under subsection (a) of this section shall become ineligible and no other person or persons qualify for payments under that subsection and where the sum of the initial payment of ~~ten thousand dollars (\$10,000)~~ twenty thousand dollars (\$20,000) and each subsequent annual payment of ~~five thousand dollars (\$5,000)~~ ten thousand dollars (\$10,000) does not total ~~twenty-five thousand dollars (\$25,000)~~ fifty thousand dollars (\$50,000) then the difference between the total of the payments made and ~~twenty-five thousand dollars (\$25,000)~~ fifty thousand dollars (\$50,000), shall immediately be payable to the estate of the deceased officer, fireman, rescue squad worker, or senior Civil Air Patrol member."

Section 2. This act becomes effective July 1, 1999.

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 717 A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW ESTABLISHING
THE CHARLOTTE FIREMEN'S 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 (~~#717~~), ~~☐ which changes the title,~~
unfavorable as to (original bill) (Committee Substitute Bill # 717), ~~(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.

☐ 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)

2/24/99



HOUSE BILL 717: Charlotte Firefighters' Retirement

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: April 21, 1999
Version: 1st Edition

Introduced by: Representative Alexander
Summary by: Theresa Matula
Committee Staff

SUMMARY:

House Bill 717 amends and clarifies the Session Laws regarding the Charlotte Firemen's Retirement System.

BILL ANALYSIS:

House Bill 717 makes the following amendments to the Session Laws regarding the Charlotte Firemen's Retirement System:

Section 2 makes technical and clarifying amendments to the definitions section of the law.

Section 5 deletes language regarding reemployment by the Charlotte Fire Department before January 1, 1959 and after December 31, 1958.

Section 7 allows Membership Service Credit for prior active military duty to be purchased upon the completion of five years (previously thirteen years) of Membership Service.

Section 10 clarifies that members with less than five years of service who terminate employment shall receive only their contributions. The former Member shall not be entitled to any contributions made by the City of Charlotte, or to any interest which has accrued on the contributions.

Section 11 corrects the language to clarify that Members are vested with five years of service (ten years prior to 1989).

Section 15 changes the age and Membership Service Credit requirements effective dates so that effective July 1, 1989, one requirement is age 60 years or older and 5 or more, but fewer than 25 years of Membership Service Credit.

Section 17 replaces the benefit limit of 100% of final average compensation with the salary limits imposed by Section 415 of the Internal Revenue Code.

Section 19 outlines the administration of disability pursuant to the Disability Regulations and specifies that the Administrator shall request the Board of Trustees to conduct hearings on the Applications for Disability Retirement in the Line of Duty. Members, or other person filing on the Member's behalf, may appeal from any order of the Board to the Superior Court of Mecklenburg County. Additionally, the benefit for disability in the line-of-duty is increased to seventy-eight percent (78%) or two and six-tenths percent (2.6%), from seventy two percent (72%) or two and four tenths percent (2.4%), multiplied by his Membership Service Credit not to exceed the Final Average Salary.

HOUSE BILL 717

Page 2

Section 20 outlines that the Administrator shall request the Board of Trustees to conduct a hearing on the Application for Disability Retirement not in the Line of Duty and that appeals from any order of the Board are to the Superior Court of Mecklenburg County. The monthly benefit that a Member shall receive is increased from thirty-six (36%) plus 1.8% of service over ten years, to thirty-nine percent (39%) of his Final Average Salary plus one and ninety-five hundredths percent (1.95%).

Section 21 makes clarifying changes.

Section 23 specifies that a retiree shall receive a post retirement increase of 8.33% retroactive to July 1, 1998.

Sections 25, 29, 30 make clarifying changes.

Section 32 specifies that a vacancy shall be deemed to have occurred if a Trustee or the Chairman should fail to satisfy the classification requirements specified in the act.

Sections 24, 35 make clarifying changes.

Section 36 specifies that all fees and expenses in connection with the employment of a qualified actuary to perform the annual evaluation of the Retirement System's financial condition shall be paid by the City of Charlotte. The Board of Trustees shall appoint a Medical Board to be composed of one or more, previously three, physicians. Additionally the amendments specify that the Board may employ separate legal counsel as it deems necessary and beneficial for the operation of the System.

Section 37 allows the Chairman of the Board to appoint a Benefits Committee.

Sections 40, 46, 51 make clarifying amendments.

This act becomes effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

D

HOUSE BILL 717*

Proposed Committee Substitute H717-PCS1228-RO

Short Title: Charlotte Firefighters' Retirement.

(Local)

Sponsors:

Referred to:

March 30, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE
3 FIREMEN'S RETIREMENT SYSTEM.

4 The General Assembly of North Carolina enacts:

5 Section 1. Section 1 of Chapter 830 of the 1991 Session Laws, as
6 amended by Chapter 171 of the 1995 Session Laws and Chapter 640 of the 1993
7 Session Laws, which rewrote Chapter 926 of the 1947 Session Laws, as amended,
8 reads as rewritten:

9 "Section 1. Chapter 926, 1947 Session Laws, as amended, is rewritten to read:

10

11

12

TITLE I. PREFACE.

13 Section 1. **Introduction.** The Charlotte Firemen's Retirement System heretofore
14 established pursuant to the provisions of Chapter 926 of the 1947 Session Laws, as
15 amended, is hereby continued and shall hereafter be known as the Charlotte
16 Firefighters' Retirement System. The purpose of the Charlotte Firefighters'
17 Retirement System shall be to provide retirement, disability and survivor benefits for
18 the uniformed employees of the Charlotte Fire Department who are entitled thereto
19 under the provisions of this act. This act shall be officially known and may be
20 referred to as the Charlotte Firefighters' Retirement System Act.

21 Sec. 2. **Definitions.** The following words and phrases as used in this act shall have
22 the indicated meanings unless a different meaning is clearly required by the context.

- (1) 'Accrued Benefit' means the amount of monthly retirement benefits earned by a Member computed, as of any date, on his Final Average Salary and Membership Service Credit as of such date. In no event shall the Accrued Benefit be less than the Accrued Benefit as of June 30, 1986.
- (1a) 'Act' means Chapter 926 of the 1947 Session Laws, as amended.
- (2) 'Actuarial Equivalent' means a benefit payable by the System that is determined by the Actuary to be equal to the basic benefit provided by the System based on the interest rate and the mortality and other tables and assumptions adopted for such purposes by the Board of Trustees. In no event shall any Actuarial Equivalent be less than the corresponding Actuarial Equivalent as of June 30, 1987, based on the Accrued Benefit and the assumptions in effect on that date.
- (3) 'Actuarial Valuation' or 'Valuation' means a determination of the normal costs, actuarial accrued liability, actuarial value of assets and related actuarial present values of the System performed by an Actuary which are based on the characteristics of the System. Such characteristics include, but are not limited to, age, service, salaries, and rate of turnover by death, disability, termination or retirement.
- (3a) 'Adjustment Factor' means the cost of living adjustment factor prescribed by the Secretary of the Treasury under section 415(d) of the Code for years beginning after December 31, 1987, applied to those items and in the manner the Secretary prescribes.
- (4) 'Armed Forces' means the Armed Forces of the United States of America.
- (5) 'Audit' means an examination of the accounting records of the System performed by a certified public accountant or certified public accounting firm. Such examination is to determine if said records are properly maintained and to make recommendations and suggestions for better record-keeping and management.
- (6) 'Beneficiary', 'Designated Beneficiary', or 'Surviving Beneficiary' means any person, or persons, who is in receipt of, or who is designated in writing to receive, a retirement benefit or other benefit as provided in this act.
- (7) 'Board of Trustees', 'Board' or ~~'Trustee'~~ 'Trustees' means the Board of Trustees of the Charlotte Firefighters' Retirement System, as specified in Section 29, or any individual Member thereof.
- (8) 'City' means the City of Charlotte.
- (8a) 'Code' means the Internal Revenue Code of 1986, as amended.
- (9) 'Compensation' means the remuneration earned by a Member for services performed as an employee of the Charlotte Fire Department and for which contributions are made to the System.

1 Compensation shall include compensation received during the
2 applicable period by the Member from the City for services
3 performed as an employee of the Charlotte Fire Department
4 during the taxable year ending with or within the Plan Year that is
5 required to be reported as wages on the Member's Form W-2.
6 Compensation also includes compensation realized during the
7 applicable period that is not currently includable in the Member's
8 gross income by reason of the application of sections 125, 401(k),
9 402(a)(8), 402 (h)(1)(B), 403(b), or 457 of the Code. For the
10 purpose of calculating a Member's Final Average Salary, any lump
11 sum payments for which contributions were made to the System,
12 such as longevity pay and bonus payments, and received by said
13 Member within two consecutive years of Membership Service shall
14 be apportioned over the previous Membership Service for which
15 the payment(s) was earned.

16 (9a) 'Death Benefit Recipient' means any person who is in receipt of
17 benefits payable as specified in Section 21.

18 (10) 'Effective Date' of this amended and restated act means July 1,
19 ~~1989~~, 1999, unless otherwise specified herein.

20 (11) 'Final Average Salary' means the monthly average Compensation
21 received by a Member during any two consecutive years of
22 Membership Service which produces the highest average and is
23 contained within the Member's last five years of Membership
24 Service. If a Member has less than two years of Membership
25 Service, his Final Average Salary shall mean the monthly average
26 Compensation for his total Membership Service. Effective July 1,
27 1989, if the Member's monthly benefit, as calculated pursuant to
28 Section 17(a) of this act, exceeds one hundred percent (100%) of
29 his Final Average Salary, as defined by this subdivision, then 'Final
30 Average Salary' means the monthly average Compensation
31 received by a Member during any three consecutive years of
32 Membership Service during which the Member was an active
33 Member of the Retirement System and had the greatest aggregate
34 Compensation from the City. If a Member has fewer than three
35 years of Membership Service, his Final Average Salary shall mean
36 the monthly average Compensation for his total Membership
37 Service.

38 (12) 'He', 'Him', 'His', and any other pronouns and terms shall be used
39 when referring to both male and female Members and/or
40 Beneficiaries of this System, and vice versa.

41 (13) 'Investment Fiduciary' means any person, or persons, who
42 exercises any discretionary authority or control in the investment
43 of the System's assets and/or renders investment advice for a fee to
44 the System.

- 1 (14) 'Majority Vote' means that number of votes which is more than
2 fifty percent (50%) of the System Members casting ballots.
- 3 (15) 'Member' means an employee of the Charlotte Fire Department
4 who is subject to the provisions of the Civil Service Act contained
5 in Chapter 333 of the 1969 Session Laws as amended, and, in
6 addition, shall include the chief of the fire department where the
7 chief was subject to the provisions of the Civil Service Act
8 immediately prior to being appointed fire chief, and any
9 probationary employee or officer of the fire department under the
10 Civil Service Act.
- 11 (16) 'Membership Service Credit' or 'Membership Service' means the
12 amount of service credited to a Member as provided in this act to
13 determine what, if any, benefits are due him.
- 14 (17) 'Participant' means any Member, Retiree, Beneficiary in receipt of
15 benefits or a former Member with a deferred Accrued Benefit.
- 16 (17a) 'Qualified Participant' means a Participant who is in a defined
17 benefit plan that is maintained by a State or a political subdivision
18 thereof; and
- 19 a. Who has at least 15 years of Membership Service Credit as a
20 full-time employee of any police department or fire
21 department that is organized and operated by the State or a
22 political subdivision, that maintains such a defined benefit
23 plan; or
- 24 b. Who is a member of the armed forces of the United States.
- 25 (18) 'Retiree' means any person who retires with a retirement benefit
26 payable by the System.
- 27 (19) 'Retirement System' or 'System' means the Charlotte Firefighters'
28 Retirement System.
- 29 (20) 'Total Contributions' means the sum of the amounts paid by or on
30 behalf of a Member and credited to his individual account by the
31 System.
- 32 (20a) 'Trustee' means any individual member of the Board of Trustees
33 of the Charlotte Firefighters' Retirement System, as specified in
34 Section 29 of this act.
- 35 (21) 'Year,' 'Plan Year,' or 'Limitation Year' means the twelve months
36 from July 1 through June 30.

37 TITLE II. MEMBERSHIP SERVICE CREDIT.

38
39
40 Sec. 3. General. A Member of this Retirement System shall receive Membership
41 Service Credit for all periods of employment with the Charlotte Fire Department for
42 which contributions have been paid to, and not subsequently refunded by, the
43 Charlotte Firefighters' Retirement System. In no case shall more than one year of

1 Membership Service Credit be credited a Member for any 12 calendar month period
2 of time.

3 **Sec. 4. Periods of Workers' Compensation & Accident and Sickness, Family**
4 **Medical Leave Act, and Long-Term Disability Benefits.** Membership Service Credit
5 shall be credited to a Member for any periods of workers' compensation, accident
6 and sickness, Family Medical Leave Act, or long-term disability benefits for which
7 said Member contributes to the Charlotte Firefighters' Retirement System an amount
8 equal to the Compensation the Member would have earned multiplied by the sum of
9 the then current social security contribution rate ~~and~~ plus five percent (5%). Such
10 contributions must be made within a 12 calendar month period from and after the
11 date the Member returns to employment with the Charlotte Fire Department and
12 prior to the Member's termination of membership or retirement.

13 **Sec. 5. Reinstatement of Membership Service Credit Previously Forfeited.**
14 Membership Service Credit shall be credited for previous Membership Service for a
15 Member who is reemployed by the Charlotte Fire Department within five years of the
16 termination date of his previous employment, and provided the Member has not
17 received reimbursement of his ~~Total Contributions~~ contributions pursuant to the
18 provisions of this act. ~~Any Member who is reemployed by the Charlotte Fire~~
19 ~~Department before January 1, 1959, shall receive Membership Service Credit for all~~
20 ~~previous membership employment in said department. Any Member who was~~
21 ~~reemployed by the Charlotte Fire Department after December 31, 1958, and has~~
22 ~~previously received reimbursement of his Total Contributions pursuant to the~~
23 ~~provisions of this act, shall receive no Membership Service Credit for any previous~~
24 ~~membership employment with the Charlotte Fire Department.~~

25 **Sec. 6. Return from Active Military Duty.** Membership Service Credit shall be
26 credited to any Member who entered the Armed Forces of the United States of
27 America during World War I, World War II, the Korean War, any period of national
28 emergency conditions, or entered the Armed Forces at any time through the
29 operation of the compulsory military service law of the United States of America,
30 upon the return to membership employment with the Charlotte Fire Department.
31 Such Membership Service Credit shall include the period of active military service
32 and any period after discharge or release from active duty from the Armed Forces for
33 which his reemployment rights are guaranteed by law unless otherwise specified in
34 this act.

35 **Sec. 7. Purchase of Membership Service Credit for Prior Active Military Duty.**
36 ~~Membership Service Credit may be purchased for credit upon the completion of ten~~
37 ~~or more years of Membership Service Credit. Effective July 1, 1988, the purchase of~~
38 ~~such~~ Effective July 1, 1999, Membership Service Credit must occur before for prior
39 active military duty may be purchased upon the completion of 13 five years of
40 Membership Service Credit, or by October 7, 1990, whichever is later, prior to
41 termination of membership or retirement, Credit by any Member who served on
42 active duty in the Armed Forces of the United States of America prior to his
43 employment with the Charlotte Fire Department. Such Membership Credit shall be
44 purchased by the Member before termination of membership or retirement. The

1 amount of Membership Service Credit ~~to be credited to~~ that may be purchased by a
2 Member will be equal to the actual active military duty by the Member not to exceed
3 five years and shall be credited upon the payment of the required contributions as
4 determined by the Administrator, provided that the Membership Service to be so
5 credited shall not be credited in any other retirement system, except the national
6 guard or any reserve component of the Armed Forces of the United States. The
7 required contributions shall be an amount equal to the annualized Compensation rate
8 the Member earned when he first entered membership in the Retirement System,
9 multiplied by the sum of the Member and the City of Charlotte contribution rates in
10 effect at the time when he first entered membership in the Retirement System,
11 increased by five percent (5%) compounded per annum from the date of membership
12 to the date of the payment of the required contributions and multiplied by the
13 number of years and days of Membership Service to be credited.

14 **Sec. 8. Accumulated Sick Leave and Vacation at Retirement.** Membership Service
15 Credit shall be credited to a Member for the balance of any unpaid sick leave and/or
16 unpaid vacation at the time of his retirement, excluding any sick leave and/or
17 vacation that was converted to a qualified deferred compensation program as defined
18 by the City. Such Membership Service Credit shall be determined by the
19 Administrator and shall be proportional based on the normal work schedule of the
20 Member. Such Membership Service Credit cannot be used to meet the minimum
21 qualifications for a disability retirement benefit, vested benefit or early retirement
22 benefit, but may be used to meet the minimum qualifications for a service retirement
23 benefit.

24 **Sec. 9. Determination by Board of Trustees.** In any case of doubt as to the period
25 of Membership Service Credit to be so credited any Member, the Board of Trustees
26 shall have final ~~power~~ authority to determine such period.

27 28 TITLE III. TERMINATION OF MEMBERSHIP. 29

30 **Sec. 10. Members With Less Than Five Years of Membership Service Credit.** (a)
31 If a Member with less than five years of Membership Service Credit with this
32 Retirement System shall cease employment with the Charlotte Fire Department,
33 whether voluntary or involuntary, said former Member shall thereupon cease
34 membership and shall be entitled to reimbursement of the ~~Total Contributions made~~
35 ~~by or on his behalf to the Retirement System, excluding~~ contributions made by the
36 Member. The former Member shall not be entitled to any contributions made on the
37 former Member's behalf by the City of Charlotte under the provisions of Section 25
38 of this act ~~without interest. or to any interest which has accrued on his contributions~~
39 or any contributions made on the Member's behalf. A former Member desiring
40 reimbursement of said contributions must complete and file the form 'Application for
41 Refund of Accumulated Contributions' with the Administrator within five years of
42 the termination date of his employment. Should a former Member fail to complete
43 and file said form with the Administrator within such five years, the former Member

1 shall receive reimbursement of said ~~contributions~~. contributions as provided in this
2 act.

3 (b) If such a former Member dies within five years after terminating his
4 employment prior to receiving reimbursement of contributions pursuant to subsection
5 (a) of this section, his Designated Beneficiary(s) on file with the Retirement System
6 or his personal representative in the absence of any Designated Beneficiary, may
7 apply for reimbursement of contributions pursuant to subsection (a) of this section
8 and must file such application with the Administrator within five years of the date of
9 death of the former Member or the funds will be paid to the Designated Beneficiary,
10 if living, or otherwise to the former Member's estate.

11 **Sec. 11. Members With Five or More Years of Membership Service Credit.** (a)
12 ~~Effective July 1, 1986, if a Member with ten or more years of Membership Service~~
13 ~~Credit with this Retirement System shall cease employment with the Charlotte Fire~~
14 ~~Department, whether voluntary or involuntary, said Member shall receive his~~
15 ~~Accrued Benefit and defer such benefit until the Participant reaches age 60 years.~~
16 ~~Effective July 1, 1989, if a Member with five or more years of Membership Service~~
17 ~~Credit with this Retirement System ceases employment with the Charlotte Fire~~
18 ~~Department, whether voluntarily or involuntarily, the Member shall receive his~~
19 ~~Accrued Benefit and defer this benefit until the Participant reaches 60 years of age.~~
20 ~~The Accrued Benefit shall be calculated pursuant to the provisions of Sections 15 and~~
21 ~~17 of this act in effect on the last day of work by said Participant. If such Participant~~
22 ~~dies before applying for his deferred benefits and attaining age 60 years,~~
23 ~~reimbursement of the Participant's contributions may be accomplished in the same~~
24 ~~manner and in all respects as in Section 10 of this act.~~

25 (b) As an alternative to the provisions of subsection (a) of this section, if a
26 Member with five or more years of Membership Service Credit with this Retirement
27 System shall cease employment with the Charlotte Fire Department, whether
28 voluntary or involuntary, said Member shall thereupon cease membership and may
29 elect to receive reimbursement of his contributions in the same manner and in all
30 respects as in Section 10 of this act.

31 **Sec. 12. Failure to Return From Active Military Duty.** Should any Member of
32 this Retirement System who entered the Armed Forces of the United States of
33 America pursuant to the provisions of Section 6 of this act fail to return to
34 employment with the Charlotte Fire Department within the period for which his
35 reemployment rights are guaranteed by law, said Member shall thereupon cease
36 membership and shall be entitled to a deferred benefit or reimbursement of his
37 contributions in the same manner and in all respects as provided for in Section 10 or
38 11 of this act, whichever is applicable.

39 Such former Member shall not receive Membership Service Credit for the period
40 of active military duty or any period after discharge or release from active duty from
41 the Armed Forces for which his reemployment rights had been guaranteed by law.

42 **Sec. 13. Repealed by Section 7 of Chapter 248 of the 1989 Session Laws.**

43 **Sec. 13.1. Direct Rollover of Eligible Rollover Distributions.** (a) This Section
44 applies to distributions made on or after January 1, 1993. Notwithstanding any

1 provision of the plan to the contrary that would otherwise limit a distributee's
2 election under this Section, a distributee may elect, at the time and in the manner
3 prescribed by the plan administrator, to have any portion of an eligible rollover
4 distribution paid directly to an eligible retirement plan specified by the distributee in
5 a direct rollover.

6 (b) Definitions.

7 (1) Eligible rollover distribution. An eligible rollover distribution is
8 any distribution of all or any portion of the balance to the credit of
9 the distributee, except that an eligible rollover distribution does
10 not include: any distribution that is one of a series of substantially
11 equal periodic payments (not less frequently than annually) made
12 for the life (or life expectancy) of the distributee or the joint lives
13 (or joint life expectancies) of the distributee and the distributee's
14 designated beneficiary, or for a specified period of 10 years or
15 more; any distribution to the extent such distribution is required
16 under section 401(a)(9) of the Code; and the portion of any
17 distribution that is not includable in gross income (determined
18 without regard to the exclusion for net unrealized appreciation
19 with respect to employer securities).

20 (2) Eligible retirement plan. An eligible retirement plan is an
21 individual retirement account described in section 408(a) of the
22 Code, an individual retirement annuity described in section 408(b)
23 of the Code, an annuity plan described in section 403(a) of the
24 Code, or a qualified trust described in section 401(a) of the Code,
25 that accepts the distributee's eligible rollover distribution.
26 However, in the case of an eligible rollover distribution to the
27 surviving spouse, an eligible retirement plan is an individual
28 retirement account or individual retirement annuity.

29 (3) Distributee. A distributee includes an employee or former
30 employee. In addition, the employee's or former employee's
31 surviving spouse and the employee's or former employee's spouse
32 or former spouse who is the alternate payee under a qualified
33 domestic relations order, as defined in section 414(p) of the Code,
34 are distributees with regard to the interest of the spouse or former
35 spouse.

36 (4) Direct rollover. A direct rollover is a payment by the plan to the
37 eligible retirement plan specified by the distributee.

38 **Sec. 14. Retirement of Member.** Upon his retirement pursuant to the provisions of
39 this act, a Member shall thereupon cease membership in the Charlotte Firefighters'
40 Retirement System.

41
42 **TITLE IV. BENEFITS**
43

1 **Sec. 15. Service Retirement.** A Member may upon written application through
2 the Administrator to the Board of Trustees set forth an effective date of not less than
3 30 days nor more than 90 days subsequent to the execution and filing thereof that he
4 desires to be retired, provided that he has attained the age and acquired the required
5 Membership Service Credit and has been approved by the Board:

6 (1) The age and Membership Service Credit requirements for service
7 retirement are as follows:

8 a. Any age and 30 or more years of Membership Service
9 Credit;

10 b. Age 50 years or older and 25 or more, but less than 30 years
11 of Membership Service Credit; or

12 c. ~~Effective July 1, 1986, age 60 years or older and 10 or more,~~
13 ~~but fewer than 25 years of Membership Service Credit.~~
14 ~~Effective July 1, 1989, age 60 years or older and 5 or more,~~
15 ~~but fewer than 25 years of Membership Service Credit.~~

16 (2) Upon a Member's service retirement, he shall be paid a benefit as
17 provided in Section 17 of this act.

18 **Sec. 16.** Repealed by Section 9 of Chapter 248 of the 1989 Session Laws.

19 **Sec. 17.** (a) ~~Effective July 1, 1986, 1998, upon retirement pursuant to the~~
20 ~~provisions of Sections 15 or 16, a Member shall receive a monthly benefit equal to~~
21 ~~two and four-tenths percent (2.4%) of his Final Average Salary multiplied by his~~
22 ~~Membership Service Credit, not to exceed one hundred percent (100%) of Final~~
23 ~~Average Salary, but not less than five hundred dollars (\$500.00) per month. Effective~~
24 ~~July 1, 1989, upon retirement pursuant to the provisions of Section 15, Section 15 of~~
25 ~~this act, a Member shall receive a monthly benefit equal to two and six-tenths percent~~
26 ~~(2.6%) of his Final Average Salary multiplied by his Membership Service Credit, not~~
27 ~~to exceed one hundred percent (100%) of the Final Average Salary, but not less than~~
28 ~~five hundred dollars (\$500.00). Effective July 1, 1995, upon retirement pursuant to~~
29 ~~the provisions of Section 15 of this act, a Member shall receive a monthly benefit~~
30 ~~equal to two and six-tenths percent (2.6%) of his Final Average Salary multiplied by~~
31 ~~his Membership Service Credit, not to exceed one hundred percent (100%) of his~~
32 ~~Final Average Salary, but not less than eight hundred thirty-three dollars and~~
33 ~~thirty-three cents (\$833.33). Salary limits imposed by section 415 of the Internal~~
34 ~~Revenue Code, as amended, but not less than nine hundred two dollars and seventy-~~
35 ~~five cents (\$902.75). The benefit payable pursuant to this subsection shall be referred~~
36 ~~to as the basic benefit.~~

37 (b) Prior to his retirement, but not thereafter, a Member may elect to receive an
38 Actuarial Equivalent, computed as of the effective date of his retirement, of his basic
39 benefit from subsection (a) of this section in a reduced monthly amount payable
40 throughout his life, and nominate a Beneficiary in accordance with the provisions of
41 option 1, 2, 3, 4, 5 or 6 as set forth below. Actuarial Equivalent for all Members
42 retiring prior to July 1, 1987, shall be computed in accordance with the Group
43 Annuity Table for 1951 with interest at four percent (4%). Actuarial Equivalent for
44 all Members retiring after June 30, 1987, shall be computed in accordance with the

1 Unisex Mortality Table for 1984 set forward one year in age with interest at six
2 percent (6%). If a Member does not have an option election in force at the time of
3 his retirement, his monthly benefit shall be paid as the basic benefit.

4 (c) Option 1. Benefit for 10 Years Certain and Life Thereafter. A Retiree shall
5 receive a reduced basic benefit payable monthly throughout his life with the
6 provision that if he dies before he has received 120 monthly payments, the payments
7 will continue for the remainder of the 120-month period to such Beneficiary, if living,
8 as the Retiree shall have nominated by written designation duly executed and filed
9 with the Board of Trustees.

10 (d) Option 2. 100% Joint and Survivor Benefit. A Retiree shall receive a
11 reduced basic benefit payable monthly throughout his life and upon his death his
12 reduced monthly benefit shall continue throughout the life of such Beneficiary, if
13 living, as the Retiree shall have nominated by written designation duly executed and
14 filed with the Board of ~~Trustees~~. Trustees prior to retirement but not thereafter.

15 (e) Option 3. 75% Joint and Survivor Benefit. A Retiree shall receive a reduced
16 basic benefit payable monthly throughout his life and upon his death seventy-five
17 percent (75%) of his reduced monthly benefit shall continue throughout the life of
18 such Beneficiary, if living, as the Retiree shall have nominated by written designation
19 duly executed and filed with the Board of ~~Trustees~~. Trustees prior to retirement but
20 not thereafter.

21 (f) Option 4. 66 2/3% Joint and Survivor Benefit. A Retiree shall receive a
22 reduced basic benefit payable monthly throughout his life and upon his death sixty-
23 six and two-thirds percent (66 2/3%) of his reduced monthly benefit shall continue
24 throughout the life of such Beneficiary, if living, as the Retiree shall have nominated
25 by written designation duly executed and filed with the Board of ~~Trustees~~. Trustees
26 prior to retirement but not thereafter.

27 (g) Option 5. 50% Joint and Survivor Benefit. A Retiree shall receive a reduced
28 basic benefit payable monthly throughout his life and upon his death fifty percent
29 (50%) of his reduced monthly benefit shall continue throughout the life of such
30 Beneficiary, if living, as the Retiree shall have nominated by written designation duly
31 executed and filed with the Board of ~~Trustees~~. Trustees prior to retirement but not
32 thereafter.

33 (h) Option 6. A Retiree may elect any of Options 2 through 5 with the added
34 provision that in the event the Designated Beneficiary predeceases the Retiree, the
35 monthly benefit payable to the Retiree after the Beneficiary's death shall be equal to
36 the basic benefit. Such election will result in a benefit that is further reduced than
37 the corresponding benefit payable under Options 2 through 5 if this Option 6 has not
38 been elected. The intent of this additional reduction is to support the additional cost
39 of this election.

40 (i) In the event that a Retiree who named his spouse as Beneficiary in accordance
41 with the provisions of Options 1 through 6 and shall subsequently become divorced
42 from the named Beneficiary, the Retiree may then elect a life annuity which shall be
43 the Actuarial Equivalent of the value of all future benefit payments under the option
44 then in effect upon written request to the Board of Trustees provided such request is

1 not inconsistent with the terms of the divorce decree. It is the Retiree's responsibility
2 to provide all pertinent documentation.

3 **Sec. 18. Early Retirement.** A Member may upon written application through the
4 Administrator to the Board of Trustees set forth an effective date of not less than 30
5 days nor more than 90 days subsequent to the execution and filing thereof that he
6 desires to be retired, provided that he has acquired 25 or more, but less than 30 years
7 of Membership Service Credit and is less than age 50 years. Upon a Member's early
8 retirement, he shall receive a benefit as provided in Section 17, except such benefit
9 shall be reduced by twenty-five one-hundredths of one percent (.25%) for each whole
10 month the early retirement date precedes the Member's attainment of age 50 years.

11 **Sec. 19. Disability Retirement in the Line of Duty.**

12 (a) An 'Application for Disability Retirement in the Line of Duty' shall be filed by
13 the Member or his department head with the Administrator, provided that the
14 Member has applied for and been granted workers' compensation benefits on account
15 of this disability.

16 (b) An 'Application for Disability Retirement in the Line of Duty' shall be
17 administered pursuant to ~~rules and regulations~~ the Disability Regulations adopted by
18 the Board of Trustees from time to time and approved by the City of Charlotte and
19 administered in a uniform and nondiscriminatory manner. The Administrator shall
20 request the Board of Trustees to conduct a hearing on the Application for Disability
21 Retirement in the Line of Duty pursuant to the provisions of the Disability
22 Regulations. The Member or any person filing on the Member's behalf or the
23 Administrator may appeal from any order of the Board to the Superior Court of
24 Mecklenburg County, within 10 days of the order. The appeal to the Superior Court
25 shall be upon the record of the proceeding before the Board at the hearing.

26 (c) Effective July 1, 1986, 1999, upon retirement pursuant to the provisions of this
27 section, a Member shall receive a monthly benefit equal to ~~seventy-two percent~~
28 ~~(72%) of his Final Average Salary, but not less than five hundred dollars (\$500.00)~~
29 ~~per month. Effective July 1, 1987, upon retirement pursuant to the provisions of this~~
30 ~~section, a Member shall receive a monthly benefit equal to the greater of seventy-two~~
31 ~~percent (72%) or two and four-tenths percent (2.4%)~~ seventy-eight percent (78%) or
32 two and six-tenths percent (2.6%) multiplied by his Membership Service, of his
33 Service Credit, not to exceed the Final Average Salary, ~~not to exceed one hundred~~
34 ~~percent (100%) of his Final Average Salary, Salary limits imposed by section 415 of~~
35 ~~the Internal Revenue Code, as amended, but not less than five hundred dollars~~
36 ~~(\$500.00)~~ nine hundred two dollars and seventy-five cents (\$902.75) per month.
37 Effective July 1, 1988, prior to his retirement pursuant to the provisions of this
38 Section, but not thereafter, a Member may elect to receive an Actuarial Equivalent,
39 computed as of the effective date of his retirement, of his monthly amount payable
40 throughout his life, and nominate a Beneficiary in accordance with the provisions of
41 the Option 5, Fifty Percent (50%) Joint and Survivor Benefit, as set forth in
42 subsection (g) of Section 17. The Actuarial Equivalent for all Members retiring
43 pursuant to this Section shall be computed in accordance with the Unisex Mortality
44 Table for 1984 set forward one year in age, with interest at six percent (6%).

1 Benefits payable under this Section shall be effective on the date of approval by the
2 Board of Trustees or upon exhaustion of workers' compensation benefits, whichever
3 is later. Also, disability retirement benefits payable under this Section may be
4 adjusted by the disability retirement regulations adopted pursuant to the requirements
5 contained in subsection (b) of this Section. A Retiree receiving disability retirement
6 benefits shall revert to a service retirement as specified in Section 15 and shall
7 receive the greater of such disability retirement benefits or his Accrued Benefit as
8 determined as of the last date of active employment with the Charlotte Fire
9 Department at such time as the Retiree's attained age and Membership Service
10 Credit meet the requirements for a service retirement.

11 **Sec. 20. Disability Retirement not in the Line of Duty.**

12 (a) An 'Application for Disability Retirement not in the Line of Duty' shall be
13 filed by a Member or his department head with the Administrator, provided that the
14 Member has 10 or more years of Membership Service Credit and has applied for and
15 been granted accident and sickness benefits on account of the disability.

16 (b) An 'Application for Disability Retirement not in the Line of Duty' shall be
17 administered pursuant to rules and regulations adopted by the Board of Trustees
18 from time to time and approved by the City of Charlotte and administered in a
19 uniform and nondiscriminatory manner. The Administrator shall request the Board
20 of Trustees to conduct a hearing on the Application for Disability Retirement not in
21 the Line of Duty pursuant to the provisions of the Disability Regulations. The
22 Member or any person filing on the Member's behalf or the Administrator may
23 appeal from any order of the Board to the Superior Court of Mecklenburg County by
24 giving notice of appeal, in writing, to the Superior Court, within 10 days of the order.
25 The appeal to the Superior Court shall be upon the record of the proceeding before
26 the Board at the hearing.

27 (c) Effective July 1, ~~1986~~, 1999, upon retirement pursuant to the provisions of this
28 section, a Member shall receive a monthly benefit equal to ~~thirty-six percent (36%)~~
29 thirty-nine percent (39%) of his Final Average Salary, plus ~~one and eight-tenths~~
30 ~~percent (1.8%)~~ one and ninety-five hundredths percent (1.95%) of his Final Average
31 Salary multiplied by the Membership Service Credit in excess of 10 years, not to
32 exceed ~~one hundred percent (100%)~~ of his Final Average Salary, but not less than
33 ~~five hundred dollars (\$500.00)~~ the Final Average Salary limits imposed by section 415
34 of the Internal Revenue Code, as amended, but not less than nine hundred two
35 dollars and seventy-five cents (\$902.75) per month. Effective July 1, 1988, prior to
36 his retirement pursuant to the provisions of this section, but not thereafter, a Member
37 may elect to receive an Actuarial Equivalent, computed as of the effective date of his
38 retirement, of his monthly amount payable throughout his life, and nominate a
39 Beneficiary in accordance with the provisions of the Option 5, Fifty Percent (50%)
40 Joint and Survivor Benefit, as set forth in subsection (g) of Section 17. The Actuarial
41 Equivalent for all Members retiring pursuant to this section shall be computed in
42 accordance with the Unisex Mortality Table for 1984 set forward one year in age,
43 with interest at six percent (6%). Benefits payable under this section shall be
44 effective on the date of approval by the Board of Trustees. Also, disability retirement

1 benefits payable under this Section may be adjusted by the disability retirement
2 regulations adopted pursuant to the requirements contained in subsection (b) of this
3 Section. A Retiree receiving disability retirement benefits shall revert to a service
4 retirement as specified in Section 15 and shall receive the greater of such disability
5 retirement benefits or his Accrued Benefit as determined as of the last date of active
6 employment with the Charlotte Fire Department at such time as the Retiree's
7 attained age and Membership Service Credit meet the requirements for a service
8 retirement.

9 Sec. 21. (a) In the event of the death of any Member of the System prior to his
10 effective date of retirement pursuant to the provisions of Sections 15, 16, 18, 19, or 20
11 of this act, his Designated Beneficiary(s) on file with the Retirement System, or his
12 personal representative in the absence of any Designated Beneficiary, shall be entitled
13 to reimbursement of the Total Contributions by him or on his behalf and
14 contributions by City of Charlotte to the System; System on his behalf; plus, two and
15 five-tenths percent (2.5%) interest compounded annually on the contribution balance
16 at the beginning of each Plan Year in which the Participant contributed or in which
17 contributions were made on his behalf. However, the two and five-tenths percent
18 (2.5%) interest shall not apply to death benefits occurring before July 1, 1986. Such
19 Beneficiary(s) or personal representative must complete and file the form
20 'Application for Survivor Death Benefits' with the Administrator to receive
21 reimbursement. As an option, a Beneficiary may elect to receive an annuity equal to
22 and in lieu of a lump sum distribution by so designating on the above form. Effective
23 July 1, 1989, as an option, a surviving spouse of a deceased Member who was eligible
24 for a service or early retirement benefit on the date preceding death may elect to
25 receive an Actuarial Equivalent computed as of the date preceding death in the same
26 manner as if the deceased member had retired and elected a reduced monthly
27 amount payable throughout his life, and nominated the surviving spouse as his
28 beneficiary in accordance with the provisions of Option 4, Sixty-Six and Two-Thirds
29 Percent (66 2/3%) Joint and Survivor benefit, as set forth in subsection (f) of Section
30 17. The Actuarial Equivalent for all benefits payable pursuant to this section shall be
31 computed in accordance with the Unisex Mortality Table for 1984 set forward one
32 year in age, with interest at six percent (6%).

33 (b) In the event of the death of a Retiree of this System before he has received
34 monthly benefit payments equal to the present value on the effective date of
35 retirement of the Total Contributions by him or on his behalf and contributions by
36 the City of Charlotte to the System; System on his behalf; plus, two and five-tenths
37 percent (2.5%) interest compounded annually on the contribution balance at the
38 beginning of each Plan Year in which the Participant contributed or in which
39 contributions were made on his behalf and provided a monthly benefit is not payable
40 in accordance with Section 17, the Designated Beneficiary(s) or estate of the retiree
41 shall be entitled to an amount equal to the difference between such contributions,
42 plus interest, and the sum of the monthly benefit payments received by the retiree.
43 However, the two and five-tenths percent (2.5%) interest shall not apply to death
44 benefits occurring before July 1, 1986. Such Beneficiary(s) or personal representative

1 must complete and file the form 'Application for Survivor Death Benefits' with the
2 Administrator to receive reimbursement.

3 **Sec. 22. Coordination of Benefits.** The Board of Trustees shall reduce the amount
4 of any benefits payable under the provisions of this section by any amount of benefits
5 being concurrently paid to a Retiree by or on behalf of the City of Charlotte.

6 **Sec. 23. Post-Retirement Adjustments.**

7 (a) The retirement benefits payable to a Retiree pursuant to the provisions of this
8 act may be adjusted at the discretion of the Board of Trustees based upon the
9 prevailing economic and funding conditions. Such adjustment shall not be paid until
10 such adjustment is ratified by the City of Charlotte.

11 (b) Effective July 1, 1989, the Board of Trustees shall make an annual bonus
12 payment in the month of January following an annual actuarial valuation when the
13 actuary determines that the actual payroll contributions exceed the required
14 contributions adjusted for any actuarial gains and losses that may have occurred
15 during the preceding year. The lesser of fifty percent (50%) of the excess amount
16 determined by the actuary or the aggregate monthly benefit of the Retirees eligible
17 for the bonus shall be distributed. A Retiree who has been retired for at least one
18 year as of December 31, preceding distribution of the bonus, shall receive a bonus
19 that is determined by the Administrator as proportional of the Retiree's monthly
20 benefit to the aggregate monthly benefits of all Retirees eligible for the bonus.

21 (b1) Effective July 1, 1998, a Member who retired prior to July 1, 1989, shall
22 receive an adjustment to the annual benefit equivalent to eight and thirty-three one
23 hundredths percent (8.33%), which shall result in a monthly benefit of not less than
24 nine hundred two dollars and seventy-five cents (\$902.75) per month. Effective July
25 1, 1998, a Member who retired pursuant to a disability retirement after July 1, 1989,
26 shall receive an adjustment to the annual benefit equivalent to eight and thirty-three
27 one hundredths percent (8.33%) through July 1, 1999, which shall result in a monthly
28 benefit of not less than nine hundred two dollars and seventy-five cents (\$902.75) per
29 month.

30 (c) Effective July 1, 1994, the provisions of this section shall apply to surviving
31 beneficiaries and death benefit recipients receiving benefits from the Charlotte
32 Firefighters' Retirement System.

33 34 TITLE V. METHOD OF FINANCING. 35

36 **Sec. 24. Member Contributions.** Each Member shall contribute to the Charlotte
37 Firefighters' Retirement System and the City of Charlotte shall cause to be deducted
38 from each and every payroll of such Member, an amount equal to the Member's
39 Compensation multiplied by the sum of the then current social security contribution
40 rate ~~and~~ plus five percent (5%).

41 Notwithstanding any provision of this act to the contrary, effective July 1, 1983, the
42 City of Charlotte, as an employer, pursuant to the provisions of Section 414(h)(2) of
43 the Internal Revenue Code of 1986, as amended from time to time, may elect to pick
44 up and pay the contributions that would be payable by the Members of the

1 Retirement System under this section with respect to the service of the Members after
2 June 30, 1983.

3 The Members' contributions picked up by the City of Charlotte shall be designated
4 for all purposes of the Retirement System as Member contributions, except for the
5 determination of tax upon a distribution from the Retirement System. These
6 contributions shall be credited to the fund created by this act accumulated within the
7 fund in a Member's account that shall be separately established for the purpose of
8 accounting for picked-up contributions. Member contributions picked up by the City
9 of Charlotte shall be payable from the same source of funds used for the payment of
10 Compensation to a Member. A deduction shall be made from a Member's
11 Compensation equal to the amount of his contributions picked up by the City of
12 Charlotte. This deduction, however, shall not reduce his Compensation for purposes
13 of the Retirement System. Picked-up contributions shall be transmitted to the
14 Retirement System.

15 Sec. 25. **City of Charlotte Contributions.** (a) The City of Charlotte shall
16 contribute to the Charlotte Firefighters' Retirement System an amount equal to the
17 Member's Compensation multiplied by the sum of the then current social security
18 contribution rate ~~and~~ plus five percent (5%), for each and every payroll of such
19 Member.

20 (b) Should any Member of this Retirement System enter the Armed Forces of the
21 United States of America, the City of Charlotte shall contribute to the Charlotte
22 Firefighters' Retirement System for each and every payroll an amount equal to the
23 Compensation such Member would have earned based upon the last pay grade with
24 the Fire Department multiplied by the contribution rate established pursuant to
25 subsection (a) of this section for a period not to exceed the lesser of the Member's
26 actual period of active military duty or five years.

27 (c) Should any Member of the Retirement System enter the Armed Forces of the
28 United States of America, upon approval by the City Council, the City of Charlotte
29 by and on behalf of such Member may contribute an amount equal to, but not to
30 exceed, the Compensation such Member would have earned based upon the last pay
31 grade with the Fire Department multiplied by the contribution rate established
32 pursuant to Section 24 of this act. Any contributions by and on behalf of such
33 Member shall inure to the benefit of such Member as though made by such Member
34 under the provisions of this act unless otherwise specified in this act.

35 (c1) Should any Member of the Retirement System contribute an amount pursuant
36 to Section 4 for the purpose of receiving Membership Service Credit for any period
37 of benefits under the federal Family Medical Leave Act, the City of Charlotte shall
38 contribute to the Charlotte Firefighters' Retirement System an amount equal to the
39 Compensation that Member would have earned multiplied by the then current social
40 security contribution rate ~~and~~ plus five percent (5%).

41 (d) In addition thereto, the City Council may, within its discretion and upon the
42 recommendation of the Board of Trustees, appropriate funds necessary to provide a
43 cost of living increase to the Retirees of the System.

1 Sec. 26. **Other.** Any other contributions by or on the behalf of any Member or
2 the City of Charlotte pursuant to the provisions of this act, shall be received by the
3 Charlotte Firefighters' Retirement System.

4
5 **TITLE VI. ADMINISTRATION BY BOARD OF TRUSTEES.**
6

7 Sec. 27. **General.** The Board of Trustees heretofore established is hereby
8 continued. The general administration, management and responsibility for the proper
9 operation of the Retirement System and for construing and making effective the
10 provisions of this act are vested in the Board of Trustees.

11 Sec. 28. **Body Politic and Corporate.** The Board of Trustees shall be a body
12 politic and corporate under the name of the Board of Trustees of the Charlotte
13 Firefighters' Retirement System and as a body politic and corporate shall have the
14 right to sue and be sued, shall have perpetual succession and a common seal, and in
15 said corporate name shall be able and capable in law to take, receive, demand and
16 possess all kinds of property hereinafter specified, and to bargain, sell, grant, transfer
17 or dispose of all such property as it may lawfully acquire. All such property owned
18 or acquired by said body politic and corporate shall be exempt from all taxes
19 imposed by the State or any political subdivision thereof, specifically, but not limited
20 to, income, license, machinery, franchise and sales taxes. In addition, the Board of
21 Trustees as a body politic and corporate may purchase and maintain such insurance
22 policy or policies as may be necessary for the protection of the System, the System's
23 assets, and trustees for acts performed by them as trustees, excluding malfeasance.
24 All expenses for the purchase or maintenance of insurance shall be borne by the
25 System.

26 Sec. 29. **Board of Trustees.** (a) The Board of Trustees shall consist of 11 Trustees,
27 as follows: (i) City Manager, or some other City department head or employee as
28 duly designated by the City Manager; (ii) City Finance Director, or a deputy finance
29 director as duly designated by the City Finance Director; (iii) City Treasurer; (iv) a
30 Chairman of the Board and three Trustees to represent the public and who are
31 residents of Mecklenburg County and who are appointed by the Resident Judge of
32 the Superior Court of Mecklenburg County and who shall hold office for a period of
33 three years or until their successor shall have been appointed and been qualified; (v)
34 ~~three Members of the Retirement System to~~ System, each of whom shall be elected
35 by a vote of the Members of the Retirement System for a term of three years,
36 pursuant to the Charlotte Firefighters' Retirement System Election Regulation; and
37 (vi) one Retiree of the Retirement System to be elected by a majority vote of the
38 retirees of the Retirement System for a term of three years, pursuant to the Charlotte
39 Firefighters' Retirement System Election Regulation. The terms of office for elected
40 Member Trustees and, effective July 1, 1989, for appointed Trustees, shall be
41 ~~graduated so that only one Trustee's term~~ no more than three Trustees' terms shall
42 expire each year. Any Member shall be eligible to succeed himself as a Trustee.

43 (b) **Conflict of Interest.** No trustee, chairman, or other officer or employee of the
44 Charlotte Firefighters' Retirement System shall directly or indirectly become an

1 independent contractor for work done by, or on behalf of, the System, or become
2 directly or indirectly financially interested in, or receive profits from any purchase,
3 contract, or association by or with the System.

4 **Sec. 30. Election of Member Trustees.** The elections of the Member Trustees as
5 provided for in ~~Section 29(v)~~ Subsection 29(a) and the Retiree Trustee as provided
6 for in ~~Section 29 (vi)~~ Subsection 29(a) shall be administered in accordance with rules
7 and regulations adopted by the Board of Trustees from time to time.

8 **Sec. 31. Oath of Office.** An oath of office shall be administered to the Chairman
9 of the Board and each Trustee prior to their assumption of duties with the Board of
10 Trustees. The oath of office shall be administered by the Mayor only after the
11 Trustee having first qualified and within 10 days after having been appointed or
12 elected. The Chairman of the Board and each Trustee shall swear to diligently and
13 honestly administer the affairs of said Board and that he will not knowingly violate or
14 willfully permit to be violated any of the provisions of the law applicable to the
15 Retirement System. Such oath of office shall be subscribed to by the Member making
16 it, and certified by the officer by whom it is taken, and immediately filed in the office
17 of the City Clerk.

18 **Sec. 32. Vacancy on Board of Trustees.** A vacancy on the Board of Trustees shall
19 be deemed to have occurred for any or all of the following reasons:

20 (a) In the event that an elected Trustee of the Board shall make application for
21 benefits under this act he shall first submit a written notice to the Chairman of the
22 Board disqualifying himself from his trusteeship.

23 (b) A vacancy shall be deemed to have occurred if a Trustee or the Chairman
24 fails to attend any three consecutive meetings of the Board without prior notification
25 unless excused for cause by the Trustees attending said meetings.

26 (c) A vacancy shall be deemed to have occurred if a Trustee or the Chairman
27 should die.

28 (c1) A vacancy shall be deemed to have occurred if a Trustee or the Chairman
29 should fail to satisfy the classification requirements in Subsection 29(a) of this act.

30 (d) If a Trustee shall deem himself incapable of fulfilling his Board obligations for
31 any reason or if any condition exists that renders the Trustee disqualified, the Trustee
32 shall submit a written notice to the Chairman disqualifying himself from his
33 trusteeship. If the Chairman shall deem himself to be disqualified for any of the
34 foregoing reasons, he shall submit written notice to the Resident Judge of the
35 Superior Court of Mecklenburg County.

36 (e) If a vacancy shall occur pursuant to the provisions of subsections (a) through
37 (d) of this section, the vacancy shall be filled within 90 days after the date of the
38 vacancy, for the unexpired portion of the term, for the same classification and in the
39 same manner as the position was previously filled.

40 **Sec. 33. Compensation of Trustees.** The members of the Board of Trustees of the
41 Charlotte Firefighters' Retirement System shall serve without compensation, but shall
42 be reimbursed for all reasonable and necessary expenses incurred through service
43 upon said Board.

1 Sec. 34. **Officers of System.** (a) The Chairman of the Board, named pursuant to
2 the provisions of ~~Section 29(iv)~~ Subsection 29(a) of this act, shall preside at all
3 meetings that he is in attendance.

4 (b) At its first regular meeting each year, the Board shall elect from its
5 membership: (1) A Vice Chairman, who shall preside at any meeting that the
6 Chairman is absent; and (2) A Secretary of the Board, who shall be responsible for
7 the recording and certifying of the record of proceedings.

8 (c) The City Treasurer shall be the Treasurer of the Retirement System and shall
9 be custodian of its assets.

10 Sec. 35. **Meetings.** (a) The Board of Trustees shall conduct its business at
11 meetings that conform with the 'Open Meetings Law,' Article 33C of Chapter 143 of
12 the General Statutes, G.S. 143-318.9 through ~~G.S. 143-318.18~~. G.S. 143-318.18, as
13 amended.

14 (a1) The Board of Trustees shall hold meetings regularly, at least one in each
15 calendar quarter, and shall designate the time and place thereof. The first regular
16 meeting in each Plan Year shall be held on the fourth Thursday of the month of July.

17 (b) The Chairman or, in the absence of the Chairman, the Vice Chairman may
18 hold a special meeting and/or an emergency meeting at his discretion. Additionally,
19 upon the written request of two members of the Board of Trustees, the Chairman
20 shall call a special meeting of the Board.

21 When a special meeting is called, the Administrator shall insure that notice is
22 given to each trustee either in person or by first class mail to the address of record on
23 file with the Administrator. Such notice shall include the purpose of the meeting and
24 designate the time, date and place thereof. The Chairman or Vice Chairman shall
25 insure that the business of the special meeting be limited to the purpose as set forth
26 in the notice.

27 When an emergency meeting is called, the Administrator shall attempt to notify
28 each Trustee by telephone to the telephone number on file with the Administrator.

29 (c) Each Trustee shall be entitled to one vote on each motion presented to the
30 Board of Trustees. The Chairman shall only vote in case of a tie or in such case as to
31 create a ~~quorum of voting~~ quorum. Six attending Trustees, including the Chairman,
32 shall constitute a quorum at any meeting of the Board and at least six affirmative
33 votes shall be necessary for a decision by the Trustees at any meeting of said Board.
34 Prior to any discussion of a specific agenda item for which a Trustee or the Chairman
35 deems himself to have a conflict of interest, or at such point during discussion that he
36 determines himself to have a conflict of interest, the ~~member of the Board~~ Trustee or
37 Chairman shall thereupon make such conflict known to the Board and the Board
38 shall inquire into the nature of the conflict and make a determination whether a
39 conflict of interest exists and if the ~~Board member should~~ Trustee or Chairman
40 participate in the discussion and vote on the agenda item.

41 (d) The Board of Trustees through the Secretary shall cause to be kept a record of
42 all of its proceedings which shall be open to public inspection.

43 Sec. 36. **Employment of Professional Services.** (a) The Board of Trustees shall
44 have the authority to employ and/or utilize professional and secretarial services and

1 to purchase and maintain such property, equipment and supplies as are deemed
2 necessary for the proper operation of the System. All expenses, fees and/or retainers
3 for the employment of services shall be borne by the System with the singular
4 exception of the employment of the Actuary. All fees and expenses in connection
5 with the employment of a qualified actuary to perform the annual evaluation of the
6 Retirement System's financial condition shall be paid by the City of Charlotte.

7 (a1) **Actuary.** The Board of Trustees shall annually request the City to employ a
8 qualified Actuary to perform such studies and evaluations of the Charlotte
9 Firefighters' Retirement System as may be necessary and/or desirable by the Board or
10 City in connection with the administration of the System. Within the meaning of this
11 subsection, a qualified Actuary shall be an Actuary who has been enrolled by the
12 Joint Board for the Enrollment of Actuaries and shall be an associate, member, or
13 fellow of the conference of Actuaries in Public Practice or a member of the American
14 Academy of Actuaries.

15 (b) **Medical Board.** The Board of Trustees shall appoint a Medical Board to be
16 composed of ~~three~~ one or more physicians to serve at the pleasure of the Board. The
17 Medical Board shall arrange for and evaluate all medical examinations required
18 under provisions of this act. The Medical Board shall also investigate and evaluate
19 all medical evidence, statements, and certificates submitted by and on behalf of a
20 Member in connection with an application for disability retirement. The Medical
21 Board shall render its conclusions and recommendations in writing to the Board of
22 Trustees in accordance with the provisions of this act.

23 (c) **Legal Counsel.** The City attorney and staff shall be the legal advisor to the
24 Board of Trustees. The Board may employ separate legal counsel as it deems
25 necessary and beneficial for the operation of the System.

26 (d) **Auditor.** The Board of Trustees shall appoint an Auditor who shall be a
27 certified public accountant.

28 (e) **Administrator.** The Board of Trustees shall have the authority to appoint an
29 Administrator who shall be responsible for the administration and coordination of all
30 System operations and activities that are not otherwise specified in this act. Such
31 administration shall be in accordance with rules and regulations of this act and the
32 policy and direction of the Board. In the absence of an Administrator, the Secretary
33 of the Board as specified in Section 34(b)(2) shall be responsible for the coordination
34 of Board meetings and providing proper notice of such meetings.

35 (f) **Insurance.** The Board of Trustees may purchase and maintain that insurance
36 coverage necessary for the proper operation of the System, including worker's
37 compensation, fidelity insurance, and officers' and employees' liability coverage. All
38 expenses incurred in purchasing or maintaining this coverage, including fees, and
39 retainers, shall be borne by the System.

40 **Sec. 37. Committees.** The Chairman of the Board shall appoint an Investment
41 Committee and a Benefits Committee and shall have the authority to appoint such
42 other committees of the Board as deemed appropriate.

43 **Sec. 38. Authority of Board of Trustees to Recommend Changes to the Retirement**
44 **System.** The Board of Trustees shall have the authority to recommend to the City

1 changes to the Retirement System. All recommendations for changes must be
2 actuarially sound and must take into account the interest of all Participants in the
3 System.

4 **Sec. 39. Authority of City of Charlotte to Make Changes with Respect to the**
5 **Retirement System.** Upon the recommendation of the Board of Trustees as provided
6 in Section 38 of this act, the City may, within its discretion, increase or decrease the
7 rate of contribution of the Members of the System and the City of Charlotte as may
8 be necessary for the proper operation of the Retirement System. Provided, however,
9 that no change shall reduce benefits being paid to Retirees of the System.

10 The City may deviate from the provisions of this act to the extent necessary to
11 make any changes in the System required by the Internal Revenue Service prior to its
12 issuing a favorable determination letter under Section 401(a) and Section 501(a) of
13 the Internal Revenue Code of 1986, as amended from time to time, and as required
14 by the Internal Revenue Service to maintain the qualified status of the Retirement
15 System.

16 **Sec. 40. Authority of City of Charlotte to Recommend Changes to the Retirement**
17 **System.** The Subject to the approval of the Board of Trustees, the City may
18 recommend to the General Assembly of the State of North Carolina changes to the
19 Retirement System. All recommendations for changes must be actuarially sound and
20 must take into account the interest of all Participants in the System.

21 **Sec. 41. Rules and Regulations.** Consistent with the provisions of this act, the
22 Board of Trustees shall have the authority to adopt the rules and regulations for the
23 administration of the Retirement System and for the transaction of its business.

24 25 TITLE VII. RECORD-KEEPING AND REPORTING REQUIREMENTS. 26

27 **Sec. 42. Record-Keeping.** The Administrator, or the Secretary of the Board in the
28 absence of an administrator, shall maintain all data, files and records as is necessary
29 to comply with the reporting requirements of this act.

30 **Sec. 43. Annual Audit.** There shall be an annual Audit of the books of the
31 System. The Audit shall be performed by the Auditor as specified in Section 36(d).

32 **Sec. 44. Annual Actuarial Valuation.** There shall be an annual Actuarial
33 Valuation as of the 1st of July. The Valuation shall be performed by the actuary as
34 specified in Section 36(a1). Such Valuation shall be completed and presented to the
35 Board no later than the second regular quarterly meeting each year.

36 **Sec. 45. Annual Report to City Council.** An annual report of the financial and
37 actuarial condition of the System, as of the preceding June 30, shall be prepared and
38 forwarded to the City Council in the quarter after receipt of the System's audit report
39 from the Auditor. Such report shall contain but shall not be limited to the Auditor's
40 opinion, such statements contained in the Auditor's report, a summary of the annual
41 actuarial valuation and the actuary's valuation certification.

42 **Sec. 46. Annual Report to ~~Members~~ Participants.** A copy of the report required
43 by Section 45 shall be provided to each of the fire stations and Fire Department

1 administrative offices of the City of Charlotte. In addition, a copy of the report or
2 portions of the report shall be provided to the Participants of the System.

3 Sec. 47. **Other Reports.** The Administrator, or the Secretary of the Board in the
4 absence of an administrator, shall be responsible for insuring that all reporting
5 requirements with the Internal Revenue Service and the United States Government,
6 including its various other agencies, departments, and offices, are complied with.

7
8 TITLE VIII. CUSTODY AND INVESTMENT OF SYSTEM ASSETS.
9

10 Sec. 48. **Trusteeship of Funds.** The Board of Trustees of the Charlotte
11 Firefighters' Retirement System shall be the ~~Trustee~~ trustee of the funds and assets of
12 the System and shall have the power to take by gift, grant, devise or bequest any
13 money, real or personal property or other things of value, and hold, sell or invest the
14 same.

15 Sec. 49. **Custody of System Assets.** The Treasurer of the Retirement System shall
16 be the custodian and responsible for the safekeeping of all funds paid into the
17 Charlotte Firefighters' Retirement System. The Treasurer shall deposit said funds in
18 a bank or banks as designated by the Board of Trustees. The Treasurer may, with
19 Board concurrence, use one or more nominees to facilitate transfer of the System's
20 securities and may hold the securities in safekeeping with the Federal Reserve
21 System, a clearing corporation, or a custodian bank which is a member of the Federal
22 Reserve System. All payments from said funds shall be authorized by the treasurer
23 only upon the signed, written request of the Administrator, or the Secretary of the
24 Board in the absence of an administrator. The Treasurer shall furnish such bond as
25 shall be required by the Board of Trustees and premium for said bond shall be paid
26 out of the funds of the System.

27 Sec. 50. **Investment/Reinvestment of Funds and Assets.** The Board of Trustees
28 shall be vested with the authority and responsibility and shall have full power to hold,
29 purchase, sell, assign, transfer, lend and dispose of any of the securities and
30 investments in which the System shall have been invested, as well as the proceeds of
31 said investments and any monies belonging to the System. The Board of Trustees as
32 fiduciaries shall:

- 33 (1) Discharge its duties solely in the interest of the Participants and the
34 Beneficiaries;
- 35 (2) Act with the same care, skill, prudence and diligence under the
36 circumstances then prevailing, that a prudent person acting in a
37 similar capacity and familiar with those matters would use in the
38 conduct of a similar enterprise with similar aims;
- 39 (3) Act with due regard for the management, reputation and stability
40 of the issuer and the character of the particular investments being
41 considered;
- 42 (4) Make investments for the exclusive purpose of providing benefits
43 to Participants and Participants' Beneficiaries;

- 1 (5) Give appropriate consideration to those facts and circumstances
2 the Board of Trustees knows or should know are relevant to the
3 particular investment or investment course of action involved,
4 including the role the investment or investment course of action
5 plays in that portion of the System's investments for which the
6 Board of Trustees has responsibility, and shall act accordingly.
7 Appropriate consideration shall include, but is not limited to, a
8 determination by the Board of Trustees that a particular
9 investment or investment course of action is reasonably designed as
10 part of the investments of the System to further the purposes of the
11 System taking into consideration the risk of loss and the
12 opportunity for gain or other return associated with the investment
13 or investment course of action; and consideration of the following
14 factors as they relate to the investment or the investment course of
15 action:
16 a. The diversification of the investments of the System;
17 b. The liquidity and current return of the investments of the
18 System relative to the anticipated cash flow requirements of
19 the System; and
20 c. The projected return of the investments of the System
21 relative to the funding objectives of the System;
22 (6) Give appropriate consideration to investments which would
23 enhance the general welfare of the City and its citizens if those
24 investments offer the safety and rate of return comparable to other
25 investments held by the System and available to the Board of
26 Trustees at the time the investment decision is made;
27 (7) May use a portion of income of the System to defray the cost of
28 investing, managing and protecting the assets of the System; and
29 (8) May utilize the services of Investment Fiduciaries to manage the
30 assets of the System. These Investment Fiduciaries shall be subject
31 to the terms, conditions, and limitations provided in this section
32 and any limitations as set forth by the Board of Trustees.
33

34 TITLE IX. RESTRICTIONS. 35

36 Sec. 51. **Restrictions.** Notwithstanding any provision of this act to the contrary:

- 37 (1) No part of the funds contributed to the Retirement System
38 ~~pursuant to this act, System,~~ or the income thereon, may be used
39 for, or diverted to, purposes other than for the exclusive benefit of
40 the Participants of the Retirement System. System as authorized by
41 the provisions of this act.
42 (2) Upon termination of the Retirement System or upon complete
43 discontinuance of contributions to the Retirement System, the
44 rights of all Participants of the Retirement System to benefits

1 accrued to the date of the termination or discontinuance, to the
2 extent then funded, are nonforfeitable.

3 (3) Forfeitures under the Retirement System may not be applied to
4 increase the benefits that any Participant would otherwise receive
5 under the Retirement System.

6 (4) Notwithstanding any provision of the Retirement System to the
7 contrary, the maximum annual benefit payable in the form of a
8 straight life annuity from the Retirement System on behalf of a
9 Participant, when combined with any benefits from another
10 qualified benefit plan maintained by the City, shall not exceed the
11 amount as provided in this section. If the normal form of payment
12 is other than a straight life annuity or a qualified joint and survivor
13 annuity, the amount so determined hereunder shall be adjusted on
14 an actuarially equivalent basis to reflect such other payment form.
15 If a Participant has completed 10 or more years of service, the
16 maximum annual benefit payable in accordance with this
17 subdivision (4) shall be the lesser of a. ~~and~~ or b. below:

18 a. Ninety thousand dollars (\$90,000) (or, beginning January 1,
19 1988), such larger dollar amount as the Commissioner of
20 Internal Revenue may prescribe. Such amount shall be the
21 maximum annual benefit pursuant to this subdivision a. for
22 that calendar year and shall apply to the limitation year
23 ending with or within that calendar year.

24 b. The average annual ~~Compensation~~ compensation the
25 Participant received from the City during the three
26 consecutive calendar years which would produce the highest
27 such average.

28 If a Participant has completed less than 10 years of service, the
29 maximum annual benefit payable in accordance with this
30 subdivision (4) shall be the lesser of subdivisions a. ~~and~~ or b.
31 above, multiplied by the ratio that the Participant's actual number
32 of years of service bears to 10.

33 If the payment of a benefit to a Participant begins after he attains
34 age 65, the maximum benefit shall be actuarially adjusted to that
35 amount that, if paid in the same form and beginning at the same
36 time as the benefit, would be the actuarial equivalent of the
37 maximum benefit that was payable in the normal form of
38 retirement allowance beginning on the first day of the month
39 coincident with or next following the Participant's attainment of
40 age 65.

41 If the payment of a benefit to a Participant begins before he attains
42 age 62, the maximum benefit shall be actuarially adjusted to that
43 amount which, if paid in the same form and beginning at the same
44 time as his benefit, would be the actuarial equivalent of the

1 maximum benefit payable in the normal form of retirement
2 allowance beginning on the first day of the month coincident with
3 or next following his attaining the age of 62. The reductions
4 required by this paragraph shall in no event reduce the limitation
5 in this subdivision a. below seventy-five thousand dollars (\$75,000),
6 if the benefit begins on or after the Participant's attainment of age
7 55 or the actuarial equivalent of the seventy-five thousand dollars
8 (\$75,000) benefit limitation for age 55, if the benefit begins prior to
9 such age.

10 For purposes of this subdivision (4), if benefits begin before age 62,
11 the maximum annual benefit payable shall be adjusted by an
12 interest rate assumption not less than the greater of five percent
13 (5%) or the rate specified in the Retirement System. For purposes
14 of this subdivision (4), in addition to the above limitations, if a
15 Participant is a Qualified Participant as defined in Title 1, Section
16 2 (17a) of this act, the actuarial reduction to the maximum benefit
17 payable for benefits that begin prior to the attainment of age 55
18 shall not be reduced to an amount less than fifty thousand dollars
19 (\$50,000). If payment of a Participant's benefit begins after age 65,
20 the maximum annual benefit payable shall be adjusted by an
21 interest rate assumption not greater than the lesser of five percent
22 (5%) or the rate specified in the Retirement System.

23 In the event a Participant is covered by one or more defined
24 benefit plans maintained by the City, all such plans shall be
25 aggregated in determining whether the maximum benefit
26 limitations hereunder have been met. Further, the maximum
27 retirement allowance as noted above may be decreased as
28 determined necessary by the City to ensure that all plans will
29 remain qualified under the Internal Revenue Code of 1986, as
30 amended from time to time.

31 In addition to the other limitations set forth in the Retirement
32 System and notwithstanding any other provisions of the Retirement
33 System, the Accrued Benefit, including the right to any optional
34 benefit provided in the Retirement System (and all other defined
35 benefit plans required to be aggregated with the Retirement System
36 under the provisions of Section 415 of the Internal Revenue Code
37 of 1986, as amended from time to time), shall not increase to an
38 amount in excess of the amount permitted under Section 415 of
39 the Internal Revenue Code of 1986, as amended from time to time.

- 40 (5) Any benefit payable to a Participant pursuant to Section 4 of this
41 act shall commence not later than the April 1 immediately
42 following the calendar year in which the Participant attains age 70
43 1/2 or, if later, the April 1 immediately following the calendar year
44 in which the Participant terminates service. Additionally, the

1 distribution of any such benefit must satisfy the minimum
2 distribution requirements set forth in this paragraph and must be
3 consistent with Treasury Regulations, as of the required beginning
4 date. The minimum distribution for a calendar year equals the
5 Participant's nonforfeitable Accrued Benefit at the beginning of the
6 year divided by the Participant's life expectancy or, if applicable,
7 the joint and last survivor expectancy of the participant and his
8 Designated Beneficiary. The minimum distribution shall be
9 computed by using the life expectancy multiples under Treasury
10 Regulation 1.72-9. The minimum distribution for a calendar year
11 subsequent to the first calendar year for which a minimum
12 distribution is required may be computed by redetermining the
13 applicable life expectancy. However, there shall be no
14 redetermination of the joint life and last survivor expectancy of the
15 Participant and a nonspouse Designated Beneficiary in a manner
16 which takes into account any adjustment to a life expectancy other
17 than the Participant's life expectancy. A distribution to the
18 Participant in the form of a life annuity, joint and survivor annuity,
19 or an annuity over a fixed period will satisfy the minimum
20 distribution requirements of this paragraph if the method of
21 distribution provides non-increasing payments or otherwise satisfies
22 Treasury Regulations. If the Participant dies after the payment of
23 his benefit has commenced, the death benefit provided by this act
24 shall be paid over a period which does not exceed the payment
25 period which had commenced. If a Participant dies prior to the
26 time the payment of his benefit commences, the death benefit
27 provided by this act shall be paid over a period not exceeding: (i)
28 five years after the date of the Participant's death; or (ii) if the
29 Beneficiary is a Designated Beneficiary, over the Designated
30 Beneficiary's life or life expectancy. No payment of benefit over a
31 period described in (ii) shall be permitted, unless the payment of
32 such benefit to the Designated Beneficiary will commence no later
33 than one year after the date of the Participant's death, or, if later,
34 and the Designated Beneficiary is the Participant's surviving
35 spouse, the date the Participant would have attained age 70 1/2.
36 The life expectancy multiples under Treasury Regulation 1.72-9
37 shall be used for purposes of applying this paragraph. The life
38 expectancy of a Participant's surviving spouse may be recalculated
39 not more frequently than annually, but the life expectancy of a
40 nonspouse Designated Beneficiary may not be recalculated after
41 the commencement of payment of benefits to the Designated
42 Beneficiary. Any amount paid to a Participant's child, which
43 becomes payable to the Participant's surviving spouse upon the
44 child's attaining the age of majority, shall be treated as paid to the

Participant's surviving spouse for purposes of applying this paragraph.

TITLE X. MISCELLANEOUS.

Sec. 52. Liabilities of Trustees. No member of the Board of Trustees shall be personally liable by reason of his service as a Trustee for any acts performed by him as a Trustee, except for malfeasance in office. Except for costs or expenses incurred because of Trustee malfeasance, the System shall indemnify each Trustee for any and all costs or expenses incurred by that Trustee as a result of acts performed as a Trustee, including all insurance deductibles, copayments, and amounts exceeding insurance policy limits.

Sec. 53. Assignments Prohibited. The right of a Member to any benefits payable or reimbursement of any contributions, and any other right accrued or accruing to any person pursuant to the provisions of this act, and any monies belonging to the Retirement System shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever, and shall be unassignable except as is specifically authorized by statute. If a Member is covered under a group insurance or prepayment plan participated in by the City, and should he be permitted to, and elect to, continue such coverage as a Retiree, he may authorize the Board of Trustees to have deducted from his monthly retirement benefits the payments required of him to continue coverage under such group insurance or prepayment plan.

Sec. 54. Errors. Should any change in the records result in any person receiving from the Retirement System more or less than he would have been entitled to receive had the records been correct, the Board of Trustees shall correct such error, and as far as practicable shall adjust the payment in such manner that the Actuarial Equivalent of the benefit to which the said person was correctly entitled shall be paid.

Sec. 55. Protection Against Fraud. Whoever with intent to deceive shall make any statements and/or reports required under this act which are untrue, or shall falsify or permit to be falsified any records of the Retirement System, or who shall otherwise violate, with intent to deceive, any of the provisions of this act, shall be prosecuted to the fullest extent of the law.

The Charlotte Firefighters' Retirement System shall have the right of setoff for any claim arising from embezzlement or by fraud of a Participant.

Sec. 56. Repealed by Section 17 of Chapter 248 of the 1989 Session Laws.

Sec. 57. Laws Inconsistent Repealed. All laws and clauses of law pertaining to the Charlotte Firefighters' Retirement System that are in conflict with the provisions of this act are hereby revoked.

Sec. 58. Savings Provisions. If any section or part of this act is for any reason held to be invalid or unconstitutional, such holding shall not be construed as affecting the validity of the remaining sections of this act or the act in its entirety; it being the

1 legislative intent that this act shall stand notwithstanding the invalidity of any section
2 or part of a section.

3 Sec. 59. This act shall apply to the City of Charlotte only."

4 Section 2. None of the provisions of this act shall create an additional
5 liability for the Charlotte Firefighters' Retirement System unless sufficient assets are
6 available to pay for the liability.

7 Section 3. This act becomes effective July 1, 1999.

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

- ☐ Committee Substitute for
H.B. 722 A BILL TO BE ENTITLED AN ACT TO ALLOW MEMBERS OF THE
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE
CERTAIN PART-TIME SERVICE RENDERED WHILE FULL-TIME STUDENTS.
- ☒ 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.
- ☐ 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)

2/24/99



HOUSE BILL 722: Purchase of Part-Time Service

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: April 20, 1999
Version: 1st Edition

Introduced by: Representative Insko
Summary by: Theresa Matula
Committee Staff

SUMMARY:

House Bill 722 allows a member with five or more years of membership service in the Teachers and State Employees Retirement System to purchase service rendered while a permanent part-time teacher or State employee and full-time student. In order to qualify, the member must have been in a permanent part-time position requiring at least 20 hours per week, and the part-time service must have been rendered while a full-time student in pursuit of a degree or diploma in a degree-granting program.

BILL ANALYSIS:

Chapter 135, Section 4 of the General Statutes covers creditable service in the Teachers and State Employees Retirement System. Subsection (p1) covers Part-Time Service Credit. Sub-subsection (1) states that upon completion of five years of membership service, any member may purchase service previously rendered as a part-time teacher or employee, 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.

House Bill 722 amends subsection (p1) by adding sub-subsection (3). This bill allows the purchase of service pursuant to all the requirements and conditions set forth in sub-subsection (1) except for the condition that part-time service rendered while a full-time student in pursuit of a degree or diploma in a degree-granting program. In effect, this bill allows members with five or more years of membership service to purchase service rendered as a part-time teacher or employee of the State.

Under House Bill 722, a member meeting the following criteria may purchase service:

- A member of the Teachers and State Employees Retirement System with five or more years of membership service
- Part-time service was rendered while a full-time student in pursuit of a degree or diploma in a degree-granting program
- Service was rendered on a permanent part-time basis and required at least 20 hours of service per week.

This act becomes effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

SESSION LAW 1999-71
HOUSE BILL 722

AN ACT TO ALLOW MEMBERS OF THE TEACHERS' AND STATE
EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE CERTAIN PART-
TIME SERVICE RENDERED WHILE FULL-TIME STUDENTS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 135-4(p1) reads as rewritten:

"(p1) Part-Time Service Credit. --

- (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 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 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. 135-4(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. Service rendered for the regular school year in any district shall be equivalent to one year's service. 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.
- (2) Under all requirements and conditions set forth in the preceding subdivision of this subsection (p1), except for the requirement that the completion of five years of membership service be subsequent to service rendered as a part-time teacher or employee of the State, any member with five or more years of membership service standing to his credit may purchase additional membership service for service rendered as a part-time teacher or employee of the State if (i) the member terminates or has terminated employment in any capacity as a teacher or employee of the State, (ii) the

purchase of the additional membership service causes the member to become eligible to commence an early or service retirement allowance, and (iii) the member immediately elects to commence retirement and become a beneficiary.

- (3) Under all the requirements and conditions set forth in subdivision (1) of this subsection, except for the condition that part-time service rendered when a full-time student in pursuit of a degree or diploma in a degree-granting program is not eligible for purchase, any member with five or more years of membership service standing to the member's credit may purchase creditable service for service rendered as a part-time teacher or employee of the State if that service was rendered on a permanent part-time basis and required at least 20 hours of service per week."

Section 2. This act becomes effective July 1, 1999.

In the General Assembly read three times and ratified this the 12th day of May, 1999.

s/ Dennis A. Wicker
President of the Senate

s/ James B. Black
Speaker of the House of Representatives

s/ James B. Hunt, Jr.
Governor

Approved 9:15 a.m. this 21st day of May, 1999

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

May 11, 1999

The House Committee on Pensions and Retirement met in Room 1228, of the Legislative Building, on April 21, 1999 at 12:00 p.m. Representative H.M. Michaux, Jr. (Chair) presided at the meeting and the following members were present: Representatives, Oldham, Barbee, Horn, McCombs, McCrary, Ramsey, Rogers, Tucker, Warren, G. Wilson, and Yongue. Representative Berry and Gray were not present.

Vice Chairman Oldham welcomed members and guest. Representative Michuax will conduct the remainder of the meeting later. The visitor registration sheet, actuarial notes and handouts are attached to the minutes. The Legislative Pages for the day were David Monroe of Mecklenburg County, sponsored by Representative Gulley and Clay Madden of Durham County, sponsored by Representative Luebke.

The following staff members were present: Anne M. Peele (Committee Assistant), Stanley Moore (Fiscal Analyst), Theresa Matula (Legislative Analyst) and Karen Cochrane-Brown (Attorney). John Goodman and Anne Lassiter were the Sergeant-at-Arms for the meeting.

House Bill 77 has been pulled from today's agenda.

House Bill 965, A BILL ENTITLED AN ACT TO INCLUDE FULL-TIME COUNTY FIRE MARSHALS IN THE FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUND presented by Representative Cole. This bill includes Fire Marshals in the Firemen's Pension fund because their duties fall into the same category as firemen. The fiscal impact is approximately \$12,600 a year. There are no opponents to the bill.

Representative Rogers presents a motion for favorable report to be re-referred to Appropriations. The motion passes.

Senate Bill 583, A BILL ENTITLED AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE FIREMEN'S RETIREMENT SYSTEM was presented by Senator Rucho. This bill expands opportunity to buy into time using military service and increases opportunities retirement benefits for fire fighters. The Charlotte delegation and the City of Charlotte supports it. The firefighters system has supported this bill. There are sufficient funds available to allow for these increases. There is no opposition to this bill. This bill does not include any state funds or the local retirement system. It only effects Charlotte firefighters retirement system.

A motion is on the floor for a favorable report to be re-referred to Appropriations. The motion passes.

House Bill 508, A BILL ENTITLED AN ACT TO INCLUDE PUBLIC DEFENDERS AND THE APPELLATE DEFENDER AS MEMBERS OF THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM was presented by Representative Smith. This bill would add the public defenders to the Judicial Retirement System. There is some opposition to

this bill. It does not cost the state, but the retirement system. Stanley Moore explains the bill in detail. Eleven public defenders and one appellate defender are transferred from the State and Teachers Retirement System to the Judicial Retirement System. Service and contributions are transferred. The annual cost is \$563,000 to \$725,000 five years later.

Jack Pruitt, Deputy State Treasurer and Director of the Retirement Systems Division noted that this would become effective July 1, 1999. Would apply to thirteen persons and would cost to the state would be about \$ 2.5 million in unfunded accrued liability or about 1% of payroll. There is sufficient gains in the judicial system to give COLA as recommended by the Retirement Board and to fund this bill, depending on the combination of bills chosen by the General Assembly. The Board of Trustees has no opposition to this bill. It will cost \$564,000 per year and will increase from this point. The fund will not take any additional funding. There are actuarial gains in the system, but there are five bills competing for these gains. It could effect the general fund. If it does it would cost \$564,000. If this bill passes and the other bills don't, the general fund will not be effected.

These people are not required to be members of the State and Teachers and Retirement System. They can't buy into the system. The State and Teachers Retirement System is at a less accrual rate of \$108 versus \$302 in the Judicial Retirement System. This is the only vehicle in which they can become members of the judicial retirement system. Public defenders are appointed by Superior Court Judges. Their terms are staggered. Therefore there will always someone in this position. Also, there are five or six bills in competition with this bill.

Representative Smith requests that this bill go to a study commission.

Isabelle Daye, the Public Defender in Mecklenberg County, since 1983, and President of the NC Association of the Public Defenders spoke on the history of the system. Members of the judicial system included in the system (the elected district attorneys clerks, and other persons). The public defenders system was in its beginning stages and did not have an organization to ask the legislator to be included in the system at that time. The public defenders organization have grown and this bill want to include them in Judicial Retirement System. It will provide fairness.

This bill was introduced two years ago in Appropriations, but was never heard or acted upon. The additional funding requirement to the state would be \$141,000. There is money in the judicial retirement system. It would increase their retirement per month by 50%. After five year it would go to 75%.

Representative Tucker opposes this bill in this form. He would like to make this position effective on a date, because there is a group of people trying to get credit for state and teachers retirement system. This bill would automatically give it that to this class of employee. He recommends that they become judicial and then work twenty-five years, then he would not be opposed to the bill.

Representative Oldham suggest that this bill go to subcommittee and be headed by Representative McCombs along with Representatives Horn and Warren.

House Bill 940, A BILL ENTITLED AN ACT TO PROVIDE FOR MEMBERS OF THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM TO TRANSFER CREDITABLE SERVICE FROM THE TEACHER'S AND STATE EMPLOYEE'S RETIREMENT SYSTEM AND THE LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM TO THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM was presented by Representative Hardaway. This bill allow any member of the Consolidate Judicial Retirement System who has five or more years of service to transfer any prior creditable services in the Teachers and State Employees Retirement System or the Local Government Retirement System to the Consolidated Judicial Retirement System. This bill effects Clerks of Court, District Attorneys and judges who were formally Assistant Clerks, Deputy Clerks or Assistant DA's and moved into the elected ranks.

Representative feels this bill encourages District Attorneys to seek elective office, we benefit from the prior experience and service in the Clerks office. This bill is competing for actuarial gains.

Mark Speas, District Attorney for Judicial District 19-A in Carbarus County. A similar bill two years ago passed this committee and went to the House Floor passed, and failed in Conference Committee because it included Legislators. HB 940 does not include Legislators. It requires five years of service as an elected DA, Clerk of Court, District Court or Superior Court Judge. It would keep these appointments from retiring three or four days later. The five years coincides with to everyone in the bill having to win an election not just being able to be appointed. Superior Court Judges have terms longer than four year. Therefore, they are still appointed, but they still have to be there five years.

The North Carolina Retirement System figures retirement income on three factors (1) years in service, (2) average final compensation, and (3) the benefit accrual factor. The average final compensation this bill changes. The accrual factor or years of service do not change. It simply allows Asst. DA's, Asst. Deputy Clerks of Court, Probation and Parole officers, and one Deputy Sheriff to have the salary they retire on be the salary that they earn in their last days as a North Carolina public employee, not figured on a salary which might be ten, fifteen, or twenty years old. It bumps the salary that it is figured on up to highest salary as a state employee as opposed to a member in any particular system. It could be considered akin to what already exist in the Local Retirement System and the State Employee Retirement System. The accrual rate stays and 1.8.

Stanley Moore says that this bill effects about 160 people in this group. These are the people who were in one point in time a teacher or state employee that became members of the judicial system that left their contributions in the retirement system. The cost is \$1.6 million. This is another bill that is competing for these funds. There is not enough money to fund all three bills that are effected by the Judicial System. It

would use all of the gains in system if all three bills were funded and give the retirees the 2.3% COLA. You would have go to the General Fund for additional dollars.

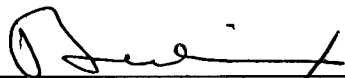
Representative Michaux conducted the remainder of the meeting. Representative McCombs recommend that these bills be sent to the subcommittee because it pertains to a select group of people. Representative Michaux noted that the Pension and Retirement Committee is the first step. The second step is Appropriation. There is where it determined whether or not the money is available or if further study is necessary, but should be passed out of this committee.

Representative Rogers moves for a favorable report to be re-referred to Appropriations. The motion passes.

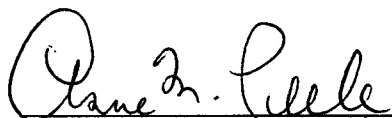
House Bill 962, A BILL ENTITLED AN ACT TO REPEAL THE LAW REQUIRING THAT RETIRED JUDGES FOREGO RETIREMENT BENEFITS OR RECEIVE REDUCED BENEFITS WHILE SERVING AS JUDICIAL OFFICERS IN FEDERAL COURTS was presented by Stanley Moore. There is a statute currently on the books that says that if member of the Judicial Retirement System is elected or appointed as a Federal Judge, he is prohibited from receiving his retirement benefits. This bill repeals this section of the law and says that anyone who is a federal judge can withdraw the judicial retirement from the State of North Carolina. There is one person effected by this law. It would cost \$61,000 a year. This money comes out of the retirement system not the general fund. It would put an additional liability on the system that under the current law if not there. If a state employee retires they can go to work anywhere they want to besides the State and earn as much as they are able to and still withdraw their retirement. This provision was put in the judicial system in the late 1970's. There were retired judges who were considered for federal judgeships. There was a legislator who felt that they should be able to receive their judicial retirement benefit plus be appointed to a judgeship for life, therefore, this statute exist.

Representative Oldham moves that this bill be given a favorable bill and be re-referred to Appropriations. The motion passes.

The meeting adjourned at 12:00 p.m.



Representative H.M. Michaux, Jr., Chair



Anne M. Peele, Committee Assistant

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

**May 11, 1999
Room 1228/1327
12:00p.m.**

AGENDA

1. Opening Remarks

Representative Michaux, Chair

2. Bills To Be Considered

House Bill 77 – INCREASE LEO RETIREMENT

Sponsor: Representative Fitch

House Bill 508 – PUB. DEF./APP. DEF. RETIREMENT and
Identical Senate Bill 304

Sponsors: Representative Smith and Senator Rand

Senate Bill 583 – CHARLOTTE FIREFIGHTERS' RETIREMENT

Sponsor: Senator Rucho

House Bill 940 – RETIREMENT SYSTEM TRANSFER

Sponsor: Representative Hardaway

House Bill 962 – REPEAL RETIREMENT EXCLUSION

Sponsor: Representative Fitch

House Bill 965 – FIRE MARSHALL IN PENSION FUND

Sponsor: Representative Cole

3. ADJOURNMENT

VISITOR REGISTRATION SHEET

PENSIONS & RETIREMENT

5/11

, 1999

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

John, Lynne
MIC HUNTER

N.C. State Bar
App. Defender

Isabel S Day
Cinn Cove

Public Defender, Meck. Co.

SETH W. CHAPMAN

CLERK OF COURT ALEXANDER COUNTY

CHARLES H. AUSTIN

CLERK OF COURT, Pamlico county

Peg Dorn

Conference of A.A.S.

ELIS HANKINS

NCLM

Ed Regan

N.C.A.C.C.

Karl Kapp

City of Winston-Salem

James Harrell

CSC Moores County

Debbie Pearson

CSC Martin County

Jan M. Boyd

CSC Curran Co.

Thomas T. Harrell

CSC Pitt Co.

James L. Loefer

CSC Robeson Co.

Pat Judd

CSC Surry Co.

Shirley Landman

CSC Mills Co.

James C. Turner

CSC Caldwell Co.

Walter Cherry

NCPC

Thomas R. Rouse

Base & Assoc - Freeman

David Powell

NESA & NCLCO

Bill Alexander

NEPBA

Don Pugh

CSC Beaufort County

Timothy B. Spear

CSC Washington Co.

Mark Spear

DA 19A CARROLL Co.

BOB CAUDLE

DA (6A) HALIFAX Co.

Barry L. Wade

DA

Robert Brown, Jr.

Public Defender - Durham

De Fener

NCPC

Venus M. Spruill

Clerk - Northampton Co.

Name:

Name of Agency or Firm:

Donna Phillips Gunn

Woody Brinson

James E Wright

Dick Taylor

Mike Owen

Duplin Cty Econ. Dev. Comm.

11

11

N.C. Agri. Ext. Serv.

~~Donor~~

Mark H. Co

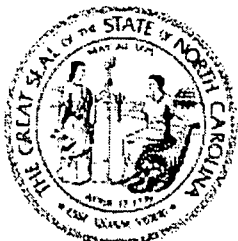
**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

- ☐ Committee Substitute for
H.B. 965 A BILL TO BE ENTITLED AN ACT TO INCLUDE FULL-TIME COUNTY
FIRE MARSHALS IN 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 _____.)
- ☐ With a favorable report as to House committee substitute bill (# _____), ☐ which changes
the title, unfavorable as to Senate committee substitute bill.
- ☐ 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)

2/24/99



HOUSE BILL 965: Fire Marshals in Pension Fund

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: May 10, 1999
Version: 1st Edition

Introduced by: Representative Cole
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 965 changes the definition of "Eligible Firemen" to include county Fire Marshals in the Firemen's and Rescue Squad Workers' Pension Fund.*

BILL ANALYSIS:

House Bill 965 amends the definition of "eligible firemen" to include an employee of a county whose sole duty is to act as fire marshal of the county, provided the board of county commissioners certifies the fire marshal's attendance at not less than 36 hours of all drills and meetings in each calendar year.

This act becomes effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 965*

Short Title: Fire Marshals in Pension Fund.

(Public)

Sponsors: Representatives Cole; Alexander, Barefoot, Cox, Dedmon, Fox, Hurley, Melton, Mosley, and Sherrill.

Referred to: Insurance.

April 12, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO INCLUDE FULL-TIME COUNTY FIRE MARSHALS IN THE
3 FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 58-86-25 reads as rewritten:
6 **"§ 58-86-25. "Eligible firemen" defined; determination and certification of volunteers**
7 **meeting qualifications.**
8 "Eligible firemen" shall mean all firemen of the State of North Carolina or any
9 political subdivision thereof, including those performing such functions in the
10 protection of life and property through fire fighting within a county or city
11 governmental unit and so certified to the Commissioner of Insurance by the
12 governing body thereof, and who belong to a bona fide fire department which, as
13 determined by the Commissioner, is classified as not less than class "9" or class "A"
14 and "AA" departments in accordance with rating methods, schedules, classifications,
15 underwriting rules, bylaws or regulations effective or applied with respect to the
16 establishment of rates or premiums used or charged pursuant to Articles 36 or 40 of
17 this Chapter or by such other reasonable methods as the Commissioner may
18 determine, and which operates fire apparatus and equipment of the value of five
19 thousand dollars (\$5,000) or more, and said fire department holds drills and meetings
20 not less than four hours monthly and said firemen attend at least 36 hours of all drills
21 and meetings in each calendar year. "Eligible firemen" shall also mean an employee
22 of a county whose sole duty is to act as fire marshal of the county, provided the
23 board of county commissioners of that county certifies the fire marshal's attendance

1 at no less than 36 hours of all drills and meetings in each calendar year. "Eligible
2 firemen" shall also mean those persons meeting the other qualifications of this
3 section, not exceeding 25 volunteer firemen plus one additional volunteer fireman per
4 100 population in the area served by their respective departments. Each department
5 shall annually determine and report the names of those firemen meeting the eligibility
6 qualifications to its respective governing body, which upon determination of the
7 validity and accuracy of the qualification shall promptly certify the list to the board.
8 For the purposes of the preceding sentence, the governing body of a fire department
9 operated: by a county is the county board of commissioners; by a city is the city
10 council; by a sanitary district is the sanitary district board; by a corporation, whether
11 profit or nonprofit, is the corporation's board of directors; and by any other entity is
12 that group designated by the board."

13 Section 2. This act becomes effective July 1, 1999.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

April 20, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

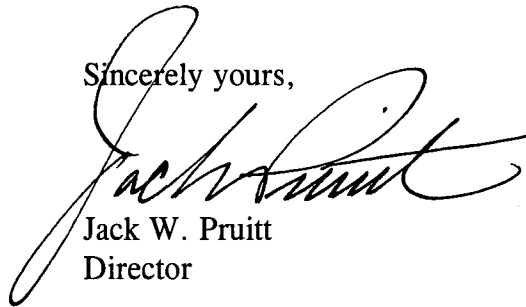
Re: Actuarial Note/House Bill 965

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 965 which affects the Firemen's and Rescue Squad Workers' Pension Fund.

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

April 20, 1999

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 965

Dear Mr. Pruitt:

We have received your letter of April 20 regarding House Bill 965 which affects the North Carolina Firemen's and Rescue Squad Workers' Pension Fund.

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, 1999.

The estimated cost of this legislation as an appropriation amount required from the General Fund for the fiscal year 1999-2000 would be \$12,600 assuming 100 fire marshalls become members. The annual appropriation amount for each prospective active member is \$125.96.

As a technical observation, House Bill 965 does not contain provisions for funding the increased cost for this legislation.

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

Sincerely,

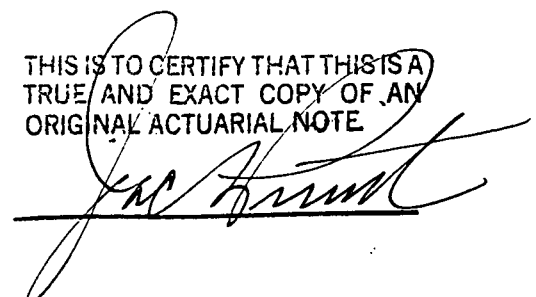


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

P:\NCFR\1999\DOCS\CORRUHB965.DOC
JC 1930 BC A33

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





**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

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

MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 12, 1999

SUBJECT: Actuarial Note Request Senate Bill 965

Re: Allows the fire marshal of each county to be eligible for membership in the Firemen's and Rescue Squad Workers' Pension Fund if his sole duty is that of fire marshal.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Cole
✓ Representative Michaux; Chairman of the House Committee on Pensions and Retirement

GENERAL ASSEMBLY OF NORTH CAROLINA FILED

SESSION 1999

0965

APR -8 99

H

HOUSE PRINCIPAL CLERK

D

HOUSE DRH8092*-LL106(3.17)

Short Title: Fire Marshals in Pension Fund.

(Public)

Sponsors: Representative Cole.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO INCLUDE FULL-TIME COUNTY FIRE MARSHALS IN THE
3 FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 58-86-25 reads as rewritten:
6 "§ 58-86-25. "Eligible firemen" defined; determination and certification of volunteers
7 meeting qualifications.
8 "Eligible firemen" shall mean all firemen of the State of North Carolina or any
9 political subdivision thereof, including those performing such functions in the
10 protection of life and property through fire fighting within a county or city
11 governmental unit and so certified to the Commissioner of Insurance by the
12 governing body thereof, and who belong to a bona fide fire department which, as
13 determined by the Commissioner, is classified as not less than class "9" or class "A"
14 and "AA" departments in accordance with rating methods, schedules, classifications,
15 underwriting rules, bylaws or regulations effective or applied with respect to the
16 establishment of rates or premiums used or charged pursuant to Articles 36 or 40 of
17 this Chapter or by such other reasonable methods as the Commissioner may
18 determine, and which operates fire apparatus and equipment of the value of five
19 thousand dollars (\$5,000) or more, and said fire department holds drills and meetings
20 not less than four hours monthly and said firemen attend at least 36 hours of all drills
21 and meetings in each calendar year. "Eligible firemen" shall also mean an employee
22 of a county whose sole duty is to act as fire marshal of the county, provided the
23 board of county commissioners of that county certifies the fire marshal's attendance
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1 section, not exceeding 25 volunteer firemen plus one additional volunteer fireman per
2 100 population in the area served by their respective departments. Each department
3 shall annually determine and report the names of those firemen meeting the eligibility
4 qualifications to its respective governing body, which upon determination of the
5 validity and accuracy of the qualification shall promptly certify the list to the board.
6 For the purposes of the preceding sentence, the governing body of a fire department
7 operated: by a county is the county board of commissioners; by a city is the city
8 council; by a sanitary district is the sanitary district board; by a corporation, whether
9 profit or nonprofit, is the corporation's board of directors; and by any other entity is
10 that group designated by the board."

11 Section 2. This act becomes effective July 1, 1999.



**North Carolina General Assembly
Legislative Services Office**

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Raleigh, NC 27603-5925
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cc: Representative Cole
Representative Michaux; Chairman of the House Committee on Pensions and Retirement

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

0965

APR -8 99

H

HOUSE PRINCIPAL CLERK

D

HOUSE DRH8092*-LL106(3.17)

Short Title: Fire Marshals in Pension Fund.

(Public)

Sponsors: Representative Cole.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO INCLUDE FULL-TIME COUNTY FIRE MARSHALS IN THE
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**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

S.B. 583 A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW ESTABLISHING
THE CHARLOTTE FIREMEN'S 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.

☐ 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.

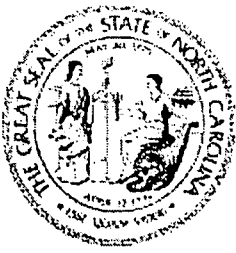
☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

2/24/99



SENATE BILL 583: Charlotte Firefighters' Retirement

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: May 10, 1999
Version: 2nd Edition

Introduced by: Senator Rucho
Summary by: Theresa Matula
Committee Staff

SUMMARY:

Senate Bill 583 amends and clarifies the Session Laws regarding the Charlotte Firemen's Retirement System.

BILL ANALYSIS:

Senate Bill 583 makes the following amendments to the Session Laws regarding the Charlotte Firemen's Retirement System:

Section 2 makes technical and clarifying amendments to the definitions section of the law.

Section 5 deletes language regarding reemployment by the Charlotte Fire Department before January 1, 1959 and after December 31, 1958.

Section 7 allows Membership Service Credit for prior active military duty to be purchased upon the completion of five years (previously thirteen years) of Membership Service.

Section 10 clarifies that members with less than five years of service who terminate employment shall receive only their contributions. The former Member shall not be entitled to any contributions made by the City of Charlotte, or to any interest which has accrued on the contributions.

Section 11 corrects the language to clarify that Members are vested with five years of service (ten years prior to 1989).

Section 15 changes the age and Membership Service Credit requirements effective dates so that effective July 1, 1989, one requirement is age 60 years or older and 5 or more, but fewer than 25 years of Membership Service Credit.

Section 17 replaces the benefit limit of 100% of final average compensation with the salary limits imposed by Section 415 of the Internal Revenue Code.

Section 19 outlines the administration of disability pursuant to the Disability Regulations and specifies that the Administrator shall request the Board of Trustees to conduct hearings on the Applications for Disability Retirement in the Line of Duty. Members, or other person filing on the Member's behalf, may appeal from any order of the Board to the Superior Court of Mecklenburg County. Additionally, the benefit for disability in the line-of-duty is increased to seventy-eight percent (78%) or two and six-tenths percent (2.6%), from seventy two percent (72%) or two and four tenths percent (2.4%), multiplied by his Membership Service Credit not to exceed the Final Average Salary.

SENATE BILL 583

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Section 20 outlines that the Administrator shall request the Board of Trustees to conduct a hearing on the Application for Disability Retirement not in the Line of Duty and that appeals from any order of the Board are to the Superior Court of Mecklenburg County. The monthly benefit that a Member shall receive is increased from thirty-six (36%) plus 1.8% of service over ten years, to thirty-nine percent (39%) of his Final Average Salary plus one and ninety-five hundredths percent (1.95%).

Section 21 makes clarifying changes.

Section 23 specifies that a retiree shall receive a post retirement increase of 8.33% retroactive to July 1, 1998.

Sections 25, 29, 30 make clarifying changes.

Section 32 specifies that a vacancy shall be deemed to have occurred if a Trustee or the Chairman should fail to satisfy the classification requirements specified in the act.

Sections 24, 35 make clarifying changes.

Section 36 specifies that all fees and expenses in connection with the employment of a qualified actuary to perform the annual evaluation of the Retirement System's financial condition shall be paid by the City of Charlotte. The Board of Trustees shall appoint a Medical Board to be composed of one or more, previously three, physicians. Additionally the amendments specify that the Board may employ separate legal counsel as it deems necessary and beneficial for the operation of the System.

Section 37 allows the Chairman of the Board to appoint a Benefits Committee.

Sections 40, 46, 51 make clarifying amendments.

This act becomes effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

SESSION LAW 1999-100
SENATE BILL 583

AN ACT TO AMEND THE LAW ESTABLISHING THE CHARLOTTE
FIREMEN'S RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

Section 1. Section 1 of Chapter 830 of the 1991 Session Laws, as amended by Chapter 171 of the 1995 Session Laws and Chapter 640 of the 1993 Session Laws, which rewrote Chapter 926 of the 1947 Session Laws, as amended, reads as rewritten:

"Section 1. Chapter 926, 1947 Session Laws, as amended, is rewritten to read:

TITLE I. PREFACE.

Section 1. **Introduction.** The Charlotte Firemen's Retirement System heretofore established pursuant to the provisions of Chapter 926 of the 1947 Session Laws, as amended, is hereby continued and shall hereafter be known as the Charlotte Firefighters' Retirement System. The purpose of the Charlotte Firefighters' Retirement System shall be to provide retirement, disability and survivor benefits for the uniformed employees of the Charlotte Fire Department who are entitled thereto under the provisions of this act. This act shall be officially known and may be referred to as the Charlotte Firefighters' Retirement System Act.

Sec. 2. **Definitions.** The following words and phrases as used in this act shall have the indicated meanings unless a different meaning is clearly required by the context.

- (1) 'Accrued Benefit' means the amount of monthly retirement benefits earned by a Member computed, as of any date, on his Final Average Salary and Membership Service Credit as of such date. In no event shall the Accrued Benefit be less than the Accrued Benefit as of June 30, 1986.
- (1a) 'Act' means Chapter 926 of the 1947 Session Laws, as amended.
- (2) 'Actuarial Equivalent' means a benefit payable by the System that is determined by the Actuary to be equal to the basic benefit provided by the System based on the interest rate and the mortality and other tables and assumptions adopted for such purposes by the Board of Trustees. In no event shall any Actuarial Equivalent be less than the corresponding Actuarial Equivalent as of June 30, 1987, based on the Accrued Benefit and the assumptions in effect on that date.
- (3) 'Actuarial Valuation' or 'Valuation' means a determination of the normal costs, actuarial accrued liability, actuarial value of assets and related actuarial present values of the System performed by an Actuary which are based on the characteristics of the System.

Such characteristics include, but are not limited to, age, service, salaries, and rate of turnover by death, disability, termination or retirement.

- (3a) 'Adjustment Factor' means the cost of living adjustment factor prescribed by the Secretary of the Treasury under section 415(d) of the Code for years beginning after December 31, 1987, applied to those items and in the manner the Secretary prescribes.
- (4) 'Armed Forces' means the Armed Forces of the United States of America.
- (5) 'Audit' means an examination of the accounting records of the System performed by a certified public accountant or certified public accounting firm. Such examination is to determine if said records are properly maintained and to make recommendations and suggestions for better record-keeping and management.
- (6) 'Beneficiary', 'Designated Beneficiary', or 'Surviving Beneficiary' means any person, or persons, who is in receipt of, or who is designated in writing to receive, a retirement benefit or other benefit as provided in this act.
- (7) 'Board of Trustees', 'Board' or ~~'Trustee'~~ 'Trustees' means the Board of Trustees of the Charlotte Firefighters' Retirement System, as specified in Section 29, or any individual Member thereof.
- (8) 'City' means the City of Charlotte.
- (8a) 'Code' means the Internal Revenue Code of 1986, as amended.
- (9) 'Compensation' means the remuneration earned by a Member for services performed as an employee of the Charlotte Fire Department and for which contributions are made to the System. Compensation shall include compensation received during the applicable period by the Member from the City for services performed as an employee of the Charlotte Fire Department during the taxable year ending with or within the Plan Year that is required to be reported as wages on the Member's Form W-2. Compensation also includes compensation realized during the applicable period that is not currently includable in the Member's gross income by reason of the application of sections 125, 401(k), 402(a)(8), 402 (h)(1)(B), 403(b), or 457 of the Code. For the purpose of calculating a Member's Final Average Salary, any lump sum payments for which contributions were made to the System, such as longevity pay and bonus payments, and received by said Member within two consecutive years of Membership Service shall be apportioned over the previous Membership Service for which the payment(s) was earned.
- (9a) 'Death Benefit Recipient' means any person who is in receipt of benefits payable as specified in Section 21.
- (10) 'Effective Date' of this amended and restated act means July 1, ~~1989~~, 1999, unless otherwise specified herein.
- (11) 'Final Average Salary' means the monthly average Compensation received by a Member during any two consecutive years of Membership Service which produces the highest average and is contained within the Member's last five years of Membership Service. If a Member has less than two years of Membership Service, his Final Average Salary shall mean the monthly average Compensation for his total Membership Service. Effective July 1, 1989, if the Member's monthly benefit, as calculated pursuant to

Section 17(a) of this act, exceeds one hundred percent (100%) of his Final Average Salary, as defined by this subdivision, then 'Final Average Salary' means the monthly average Compensation received by a Member during any three consecutive years of Membership Service during which the Member was an active Member of the Retirement System and had the greatest aggregate Compensation from the City. If a Member has fewer than three years of Membership Service, his Final Average Salary shall mean the monthly average Compensation for his total Membership Service.

- (12) 'He', 'Him', 'His', and any other pronouns and terms shall be used when referring to both male and female Members and/or Beneficiaries of this System, and vice versa.
- (13) 'Investment Fiduciary' means any person, or persons, who exercises any discretionary authority or control in the investment of the System's assets and/or renders investment advice for a fee to the System.
- (14) 'Majority Vote' means that number of votes which is more than fifty percent (50%) of the System Members casting ballots.
- (15) 'Member' means an employee of the Charlotte Fire Department who is subject to the provisions of the Civil Service Act contained in Chapter 333 of the 1969 Session Laws as amended, and, in addition, shall include the chief of the fire department where the chief was subject to the provisions of the Civil Service Act immediately prior to being appointed fire chief, and any probationary employee or officer of the fire department under the Civil Service Act.
- (16) 'Membership Service Credit' or 'Membership Service' means the amount of service credited to a Member as provided in this act to determine what, if any, benefits are due him.
- (17) 'Participant' means any Member, Retiree, Beneficiary in receipt of benefits or a former Member with a deferred Accrued Benefit.
- (17a) 'Qualified Participant' means a Participant who is in a defined benefit plan that is maintained by a State or a political subdivision thereof; and
 - a. Who has at least 15 years of Membership Service Credit as a full-time employee of any police department or fire department that is organized and operated by the State or a political subdivision, that maintains such a defined benefit plan; or
 - b. Who is a member of the armed forces of the United States.
- (18) 'Retiree' means any person who retires with a retirement benefit payable by the System.
- (19) 'Retirement System' or 'System' means the Charlotte Firefighters' Retirement System.
- (20) 'Total Contributions' means the sum of the amounts paid by or on behalf of a Member and credited to his individual account by the System.
- (20a) 'Trustee' means any individual member of the Board of Trustees of the Charlotte Firefighters' Retirement System, as specified in Section 29 of this act.
- (21) 'Year,' 'Plan Year,' or 'Limitation Year' means the twelve months from July 1 through June 30.

TITLE II. MEMBERSHIP SERVICE CREDIT.

Sec. 3. **General.** A Member of this Retirement System shall receive Membership Service Credit for all periods of employment with the Charlotte Fire Department for which contributions have been paid to, and not subsequently refunded by, the Charlotte Firefighters' Retirement System. In no case shall more than one year of Membership Service Credit be credited a Member for any 12 calendar month period of time.

Sec. 4. **Periods of Workers' Compensation & Accident and Sickness, Family Medical Leave Act, and Long-Term Disability Benefits.** Membership Service Credit shall be credited to a Member for any periods of workers' compensation, accident and sickness, Family Medical Leave Act, or long-term disability benefits for which said Member contributes to the Charlotte Firefighters' Retirement System an amount equal to the Compensation the Member would have earned multiplied by the sum of the then current social security contribution rate ~~and~~ plus five percent (5%). Such contributions must be made within a 12 calendar month period from and after the date the Member returns to employment with the Charlotte Fire Department and prior to the Member's termination of membership or retirement.

Sec. 5. **Reinstatement of Membership Service Credit Previously Forfeited.** Membership Service Credit shall be credited for previous Membership Service for a Member who is reemployed by the Charlotte Fire Department within five years of the termination date of his previous employment, and provided the Member has not received reimbursement of his ~~Total Contributions~~ contributions pursuant to the provisions of this act. ~~Any Member who is reemployed by the Charlotte Fire Department before January 1, 1959, shall receive Membership Service Credit for all previous membership employment in said department. Any Member who was reemployed by the Charlotte Fire Department after December 31, 1958, and has previously received reimbursement of his Total Contributions pursuant to the provisions of this act, shall receive no Membership Service Credit for any previous membership employment with the Charlotte Fire Department.~~

Sec. 6. **Return from Active Military Duty.** Membership Service Credit shall be credited to any Member who entered the Armed Forces of the United States of America during World War I, World War II, the Korean War, any period of national emergency conditions, or entered the Armed Forces at any time through the operation of the compulsory military service law of the United States of America, upon the return to membership employment with the Charlotte Fire Department. Such Membership Service Credit shall include the period of active military service and any period after discharge or release from active duty from the Armed Forces for which his reemployment rights are guaranteed by law unless otherwise specified in this act.

Sec. 7. **Purchase of Membership Service Credit for Prior Active Military Duty.** ~~Membership Service Credit may be purchased for credit upon the completion of ten or more years of Membership Service Credit. Effective July 1, 1988, the purchase of such~~ Effective July 1, 1999, Membership Service Credit must occur before for prior active military duty may be purchased upon the completion of 13 five years of Membership Service Credit, or by October 7, 1990, whichever is later, prior to termination of membership or retirement. Credit by any Member who served on active duty in the Armed Forces of the United States of America prior to his employment with the Charlotte Fire Department. Such Membership Credit shall be purchased by the Member before termination of membership or retirement. The amount of Membership Service Credit to be credited to that may be purchased by a Member will be equal to the actual active military duty by the Member not to exceed five years and shall be credited upon the payment of the required contributions as

determined by the Administrator, provided that the Membership Service to be so credited shall not be credited in any other retirement system, except the national guard or any reserve component of the Armed Forces of the United States. The required contributions shall be an amount equal to the annualized Compensation rate the Member earned when he first entered membership in the Retirement System, multiplied by the sum of the Member and the City of Charlotte contribution rates in effect at the time when he first entered membership in the Retirement System, increased by five percent (5%) compounded per annum from the date of membership to the date of the payment of the required contributions and multiplied by the number of years and days of Membership Service to be credited.

Sec. 8. Accumulated Sick Leave and Vacation at Retirement. Membership Service Credit shall be credited to a Member for the balance of any unpaid sick leave and/or unpaid vacation at the time of his retirement, excluding any sick leave and/or vacation that was converted to a qualified deferred compensation program as defined by the City. Such Membership Service Credit shall be determined by the Administrator and shall be proportional based on the normal work schedule of the Member. Such Membership Service Credit cannot be used to meet the minimum qualifications for a disability retirement benefit, vested benefit or early retirement benefit, but may be used to meet the minimum qualifications for a service retirement benefit.

Sec. 9. Determination by Board of Trustees. In any case of doubt as to the period of Membership Service Credit to be so credited any Member, the Board of Trustees shall have final ~~power~~ authority to determine such period.

TITLE III. TERMINATION OF MEMBERSHIP.

Sec. 10. Members With Less Than Five Years of Membership Service Credit. (a) If a Member with less than five years of Membership Service Credit with this Retirement System shall cease employment with the Charlotte Fire Department, whether voluntary or involuntary, said former Member shall thereupon cease membership and shall be entitled to reimbursement of the ~~Total Contributions made by or on his behalf to the Retirement System, excluding contributions made by the Member. The former Member shall not be entitled to any contributions made on the former Member's behalf by the City of Charlotte under the provisions of Section 25 of this act without interest, or to any interest which has accrued on his contributions or any contributions made on the Member's behalf.~~ contributions made by the Member. The former Member shall not be entitled to any contributions made on the former Member's behalf by the City of Charlotte under the provisions of Section 25 of this act without interest, or to any interest which has accrued on his contributions or any contributions made on the Member's behalf. A former Member desiring reimbursement of said contributions must complete and file the form 'Application for Refund of Accumulated Contributions' with the Administrator within five years of the termination date of his employment. Should a former Member fail to complete and file said form with the Administrator within such five years, the former Member shall receive reimbursement of said ~~contributions.~~ contributions as provided in this act.

(b) If such a former Member dies within five years after terminating his employment prior to receiving reimbursement of contributions pursuant to subsection (a) of this section, his Designated Beneficiary(s) on file with the Retirement System or his personal representative in the absence of any Designated Beneficiary, may apply for reimbursement of contributions pursuant to subsection (a) of this section and must file such application with the Administrator within five years of the date of death of the former Member or the funds will be paid to the Designated Beneficiary, if living, or otherwise to the former Member's estate.

Sec. 11. Members With Five or More Years of Membership Service Credit. (a) ~~Effective July 1, 1986, if a Member with ten or more years of Membership Service Credit with this Retirement System shall cease employment with the Charlotte Fire~~

~~Department, whether voluntary or involuntary, said Member shall receive his Accrued Benefit and defer such benefit until the Participant reaches age 60 years. Effective July 1, 1989, if a Member with five or more years of Membership Service Credit with this Retirement System ceases employment with the Charlotte Fire Department, whether voluntarily or involuntarily, the Member shall receive his Accrued Benefit and defer this benefit until the Participant reaches 60 years of age. The Accrued Benefit shall be calculated pursuant to the provisions of Sections 15 and 17 of this act in effect on the last day of work by said Participant. If such Participant dies before applying for his deferred benefits and attaining age 60 years, reimbursement of the Participant's contributions may be accomplished in the same manner and in all respects as in Section 10 of this act.~~

(b) As an alternative to the provisions of subsection (a) of this section, if a Member with five or more years of Membership Service Credit with this Retirement System shall cease employment with the Charlotte Fire Department, whether voluntary or involuntary, said Member shall thereupon cease membership and may elect to receive reimbursement of his contributions in the same manner and in all respects as in Section 10 of this act.

Sec. 12. Failure to Return From Active Military Duty. Should any Member of this Retirement System who entered the Armed Forces of the United States of America pursuant to the provisions of Section 6 of this act fail to return to employment with the Charlotte Fire Department within the period for which his reemployment rights are guaranteed by law, said Member shall thereupon cease membership and shall be entitled to a deferred benefit or reimbursement of his contributions in the same manner and in all respects as provided for in Section 10 or 11 of this act, whichever is applicable.

Such former Member shall not receive Membership Service Credit for the period of active military duty or any period after discharge or release from active duty from the Armed Forces for which his reemployment rights had been guaranteed by law.

Sec. 13. Repealed by Section 7 of Chapter 248 of the 1989 Session Laws.

Sec. 13.1. Direct Rollover of Eligible Rollover Distributions. (a) This Section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

- (1) **Eligible rollover distribution.** An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Code; and the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).
- (2) **Eligible retirement plan.** An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b)

of the Code, an annuity plan described in section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

- (3) Distributee. A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.
- (4) Direct rollover. A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

Sec. 14. Retirement of Member. Upon his retirement pursuant to the provisions of this act, a Member shall thereupon cease membership in the Charlotte Firefighters' Retirement System.

TITLE IV. BENEFITS

Sec. 15. Service Retirement. A Member may upon written application through the Administrator to the Board of Trustees set forth an effective date of not less than 30 days nor more than 90 days subsequent to the execution and filing thereof that he desires to be retired, provided that he has attained the age and acquired the required Membership Service Credit and has been approved by the Board:

- (1) The age and Membership Service Credit requirements for service retirement are as follows:
 - a. Any age and 30 or more years of Membership Service Credit;
 - b. Age 50 years or older and 25 or more, but less than 30 years of Membership Service Credit; or
 - c. Effective July 1, 1986, age 60 years or older and 10 or more, but fewer than 25 years of Membership Service Credit. Effective July 1, 1989, age 60 years or older and 5 or more, but fewer than 25 years of Membership Service Credit.
- (2) Upon a Member's service retirement, he shall be paid a benefit as provided in Section 17 of this act.

Sec. 16. Repealed by Section 9 of Chapter 248 of the 1989 Session Laws.

Sec. 17. (a) ~~Effective July 1, 1986, 1998, upon retirement pursuant to the provisions of Sections 15 or 16, a Member shall receive a monthly benefit equal to two and four-tenths percent (2.4%) of his Final Average Salary multiplied by his Membership Service Credit, not to exceed one hundred percent (100%) of Final Average Salary, but not less than five hundred dollars (\$500.00) per month. Effective July 1, 1989, upon retirement pursuant to the provisions of Section 15, Section 15 of this act, a Member shall receive a monthly benefit equal to two and six-tenths percent (2.6%) of his Final Average Salary multiplied by his Membership Service Credit, not to exceed one hundred percent (100%) of the Final Average Salary, but not less than five hundred dollars (\$500.00). Effective July 1, 1995, upon retirement pursuant to the provisions of Section 15 of this act, a Member shall receive a monthly benefit equal to two and six-tenths percent (2.6%) of his Final Average Salary multiplied by his Membership Service Credit, not to exceed one hundred percent (100%) of his Final Average Salary, but not less than eight hundred thirty-three dollars and~~

~~thirty-three cents (\$833.33).~~ Salary limits imposed by section 415 of the Internal Revenue Code, as amended, but not less than nine hundred two dollars and seventy-five cents (\$902.75). The benefit payable pursuant to this subsection shall be referred to as the basic benefit.

(b) Prior to his retirement, but not thereafter, a Member may elect to receive an Actuarial Equivalent, computed as of the effective date of his retirement, of his basic benefit from subsection (a) of this section in a reduced monthly amount payable throughout his life, and nominate a Beneficiary in accordance with the provisions of option 1, 2, 3, 4, 5 or 6 as set forth below. Actuarial Equivalent for all Members retiring prior to July 1, 1987, shall be computed in accordance with the Group Annuity Table for 1951 with interest at four percent (4%). Actuarial Equivalent for all Members retiring after June 30, 1987, shall be computed in accordance with the Unisex Mortality Table for 1984 set forward one year in age with interest at six percent (6%). If a Member does not have an option election in force at the time of his retirement, his monthly benefit shall be paid as the basic benefit.

(c) Option 1. Benefit for 10 Years Certain and Life Thereafter. A Retiree shall receive a reduced basic benefit payable monthly throughout his life with the provision that if he dies before he has received 120 monthly payments, the payments will continue for the remainder of the 120-month period to such Beneficiary, if living, as the Retiree shall have nominated by written designation duly executed and filed with the Board of Trustees.

(d) Option 2. 100% Joint and Survivor Benefit. A Retiree shall receive a reduced basic benefit payable monthly throughout his life and upon his death his reduced monthly benefit shall continue throughout the life of such Beneficiary, if living, as the Retiree shall have nominated by written designation duly executed and filed with the Board of ~~Trustees~~. Trustees prior to retirement but not thereafter.

(e) Option 3. 75% Joint and Survivor Benefit. A Retiree shall receive a reduced basic benefit payable monthly throughout his life and upon his death seventy-five percent (75%) of his reduced monthly benefit shall continue throughout the life of such Beneficiary, if living, as the Retiree shall have nominated by written designation duly executed and filed with the Board of ~~Trustees~~. Trustees prior to retirement but not thereafter.

(f) Option 4. 66 2/3% Joint and Survivor Benefit. A Retiree shall receive a reduced basic benefit payable monthly throughout his life and upon his death sixty-six and two-thirds percent (66 2/3%) of his reduced monthly benefit shall continue throughout the life of such Beneficiary, if living, as the Retiree shall have nominated by written designation duly executed and filed with the Board of ~~Trustees~~. Trustees prior to retirement but not thereafter.

(g) Option 5. 50% Joint and Survivor Benefit. A Retiree shall receive a reduced basic benefit payable monthly throughout his life and upon his death fifty percent (50%) of his reduced monthly benefit shall continue throughout the life of such Beneficiary, if living, as the Retiree shall have nominated by written designation duly executed and filed with the Board of ~~Trustees~~. Trustees prior to retirement but not thereafter.

(h) Option 6. A Retiree may elect any of Options 2 through 5 with the added provision that in the event the Designated Beneficiary predeceases the Retiree, the monthly benefit payable to the Retiree after the Beneficiary's death shall be equal to the basic benefit. Such election will result in a benefit that is further reduced than the corresponding benefit payable under Options 2 through 5 if this Option 6 has not been elected. The intent of this additional reduction is to support the additional cost of this election.

(i) In the event that a Retiree who named his spouse as Beneficiary in accordance with the provisions of Options 1 through 6 and shall subsequently become divorced

from the named Beneficiary, the Retiree may then elect a life annuity which shall be the Actuarial Equivalent of the value of all future benefit payments under the option then in effect upon written request to the Board of Trustees provided such request is not inconsistent with the terms of the divorce decree. It is the Retiree's responsibility to provide all pertinent documentation.

Sec. 18. Early Retirement. A Member may upon written application through the Administrator to the Board of Trustees set forth an effective date of not less than 30 days nor more than 90 days subsequent to the execution and filing thereof that he desires to be retired, provided that he has acquired 25 or more, but less than 30 years of Membership Service Credit and is less than age 50 years. Upon a Member's early retirement, he shall receive a benefit as provided in Section 17, except such benefit shall be reduced by twenty-five one-hundredths of one percent (.25%) for each whole month the early retirement date precedes the Member's attainment of age 50 years.

Sec. 19. Disability Retirement in the Line of Duty.

(a) An 'Application for Disability Retirement in the Line of Duty' shall be filed by the Member or his department head with the Administrator, provided that the Member has applied for and been granted workers' compensation benefits on account of this disability.

(b) An 'Application for Disability Retirement in the Line of Duty' shall be administered pursuant to ~~rules and regulations~~ the Disability Regulations adopted by the Board of Trustees from time to time and approved by the City of Charlotte and administered in a uniform and nondiscriminatory manner. The Administrator shall request the Board of Trustees to conduct a hearing on the Application for Disability Retirement in the Line of Duty pursuant to the provisions of the Disability Regulations. The Member or any person filing on the Member's behalf or the Administrator may appeal from any order of the Board to the Superior Court of Mecklenburg County, within 10 days of the order. The appeal to the Superior Court shall be upon the record of the proceeding before the Board at the hearing.

(c) ~~Effective July 1, 1986, 1999, upon retirement pursuant to the provisions of this section, a Member shall receive a monthly benefit equal to seventy-two percent (72%) of his Final Average Salary, but not less than five hundred dollars (\$500.00) per month. Effective July 1, 1987, upon retirement pursuant to the provisions of this section, a Member shall receive a monthly benefit equal to the greater of seventy-two percent (72%) or two and four-tenths percent (2.4%) seventy-eight percent (78%) or two and six-tenths percent (2.6%) multiplied by his Membership Service, of his Service Credit, not to exceed the Final Average Salary, not to exceed one hundred percent (100%) of his Final Average Salary, Salary limits imposed by section 415 of the Internal Revenue Code, as amended, but not less than five hundred dollars (\$500.00) nine hundred two dollars and seventy-five cents (\$902.75) per month. Effective July 1, 1988, prior to his retirement pursuant to the provisions of this Section, but not thereafter, a Member may elect to receive an Actuarial Equivalent, computed as of the effective date of his retirement, of his monthly amount payable throughout his life, and nominate a Beneficiary in accordance with the provisions of the Option 5, Fifty Percent (50%) Joint and Survivor Benefit, as set forth in subsection (g) of Section 17. The Actuarial Equivalent for all Members retiring pursuant to this Section shall be computed in accordance with the Unisex Mortality Table for 1984 set forward one year in age, with interest at six percent (6%). Benefits payable under this Section shall be effective on the date of approval by the Board of Trustees or upon exhaustion of workers' compensation benefits, whichever is later. Also, disability retirement benefits payable under this Section may be adjusted by the disability retirement regulations adopted pursuant to the requirements contained in subsection (b) of this Section. A Retiree receiving disability retirement benefits shall revert to a service retirement as specified in Section 15 and shall~~

receive the greater of such disability retirement benefits or his Accrued Benefit as determined as of the last date of active employment with the Charlotte Fire Department at such time as the Retiree's attained age and Membership Service Credit meet the requirements for a service retirement.

Sec. 20. Disability Retirement not in the Line of Duty.

(a) An 'Application for Disability Retirement not in the Line of Duty' shall be filed by a Member or his department head with the Administrator, provided that the Member has 10 or more years of Membership Service Credit and has applied for and been granted accident and sickness benefits on account of the disability.

(b) An 'Application for Disability Retirement not in the Line of Duty' shall be administered pursuant to rules and regulations adopted by the Board of Trustees from time to time and approved by the City of Charlotte and administered in a uniform and nondiscriminatory manner. The Administrator shall request the Board of Trustees to conduct a hearing on the Application for Disability Retirement not in the Line of Duty pursuant to the provisions of the Disability Regulations. The Member or any person filing on the Member's behalf or the Administrator may appeal from any order of the Board to the Superior Court of Mecklenburg County by giving notice of appeal, in writing, to the Superior Court, within 10 days of the order. The appeal to the Superior Court shall be upon the record of the proceeding before the Board at the hearing.

(c) Effective July 1, ~~1986~~, 1999, upon retirement pursuant to the provisions of this section, a Member shall receive a monthly benefit equal to ~~thirty-six percent (36%)~~ thirty-nine percent (39%) of his Final Average Salary, plus ~~one and eight-tenths percent (1.8%)~~ one and ninety-five hundredths percent (1.95%) of his Final Average Salary multiplied by the Membership Service Credit in excess of 10 years, not to exceed ~~one hundred percent (100%)~~ of his Final Average Salary, but not less than ~~five hundred dollars (\$500.00)~~ the Final Average Salary limits imposed by section 415 of the Internal Revenue Code, as amended, but not less than nine hundred two dollars and seventy-five cents (\$902.75) per month. Effective July 1, 1988, prior to his retirement pursuant to the provisions of this section, but not thereafter, a Member may elect to receive an Actuarial Equivalent, computed as of the effective date of his retirement, of his monthly amount payable throughout his life, and nominate a Beneficiary in accordance with the provisions of the Option 5, Fifty Percent (50%) Joint and Survivor Benefit, as set forth in subsection (g) of Section 17. The Actuarial Equivalent for all Members retiring pursuant to this section shall be computed in accordance with the Unisex Mortality Table for 1984 set forward one year in age, with interest at six percent (6%). Benefits payable under this section shall be effective on the date of approval by the Board of Trustees. Also, disability retirement benefits payable under this Section may be adjusted by the disability retirement regulations adopted pursuant to the requirements contained in subsection (b) of this Section. A Retiree receiving disability retirement benefits shall revert to a service retirement as specified in Section 15 and shall receive the greater of such disability retirement benefits or his Accrued Benefit as determined as of the last date of active employment with the Charlotte Fire Department at such time as the Retiree's attained age and Membership Service Credit meet the requirements for a service retirement.

Sec. 21. (a) In the event of the death of any Member of the System prior to his effective date of retirement pursuant to the provisions of Sections 15, 16, 18, 19, or 20 of this act, his Designated Beneficiary(s) on file with the Retirement System, or his personal representative in the absence of any Designated Beneficiary, shall be entitled to reimbursement of the Total Contributions by him or on his behalf and contributions by City of Charlotte to the System; System on his behalf; plus, two and five-tenths percent (2.5%) interest compounded annually on the contribution balance

at the beginning of each Plan Year in which the Participant contributed or in which contributions were made on his behalf. However, the two and five-tenths percent (2.5%) interest shall not apply to death benefits occurring before July 1, 1986. Such Beneficiary(s) or personal representative must complete and file the form 'Application for Survivor Death Benefits' with the Administrator to receive reimbursement. As an option, a Beneficiary may elect to receive an annuity equal to and in lieu of a lump sum distribution by so designating on the above form. Effective July 1, 1989, as an option, a surviving spouse of a deceased Member who was eligible for a service or early retirement benefit on the date preceding death may elect to receive an Actuarial Equivalent computed as of the date preceding death in the same manner as if the deceased member had retired and elected a reduced monthly amount payable throughout his life, and nominated the surviving spouse as his beneficiary in accordance with the provisions of Option 4, Sixty-Six and Two-Thirds Percent (66 2/3%) Joint and Survivor benefit, as set forth in subsection (f) of Section 17. The Actuarial Equivalent for all benefits payable pursuant to this section shall be computed in accordance with the Unisex Mortality Table for 1984 set forward one year in age, with interest at six percent (6%).

(b) In the event of the death of a Retiree of this System before he has received monthly benefit payments equal to the present value on the effective date of retirement of the Total Contributions by him or on his behalf and contributions by the City of Charlotte to the System; System on his behalf; plus, two and five-tenths percent (2.5%) interest compounded annually on the contribution balance at the beginning of each Plan Year in which the Participant contributed or in which contributions were made on his behalf and provided a monthly benefit is not payable in accordance with Section 17, the Designated Beneficiary(s) or estate of the retiree shall be entitled to an amount equal to the difference between such contributions, plus interest, and the sum of the monthly benefit payments received by the retiree. However, the two and five-tenths percent (2.5%) interest shall not apply to death benefits occurring before July 1, 1986. Such Beneficiary(s) or personal representative must complete and file the form 'Application for Survivor Death Benefits' with the Administrator to receive reimbursement.

Sec. 22. Coordination of Benefits. The Board of Trustees shall reduce the amount of any benefits payable under the provisions of this section by any amount of benefits being concurrently paid to a Retiree by or on behalf of the City of Charlotte.

Sec. 23. Post-Retirement Adjustments.

(a) The retirement benefits payable to a Retiree pursuant to the provisions of this act may be adjusted at the discretion of the Board of Trustees based upon the prevailing economic and funding conditions. Such adjustment shall not be paid until such adjustment is ratified by the City of Charlotte.

(b) Effective July 1, 1989, the Board of Trustees shall make an annual bonus payment in the month of January following an annual actuarial valuation when the actuary determines that the actual payroll contributions exceed the required contributions adjusted for any actuarial gains and losses that may have occurred during the preceding year. The lesser of fifty percent (50%) of the excess amount determined by the actuary or the aggregate monthly benefit of the Retirees eligible for the bonus shall be distributed. A Retiree who has been retired for at least one year as of December 31, preceding distribution of the bonus, shall receive a bonus that is determined by the Administrator as proportional of the Retiree's monthly benefit to the aggregate monthly benefits of all Retirees eligible for the bonus.

(b1) Effective July 1, 1998, a Member who retired prior to July 1, 1989, shall receive an adjustment to the annual benefit equivalent to eight and thirty-three one hundredths percent (8.33%), which shall result in a monthly benefit of not less than nine hundred two dollars and seventy-five cents (\$902.75) per month. Effective July

1, 1998, a Member who retired pursuant to a disability retirement after July 1, 1989, shall receive an adjustment to the annual benefit equivalent to eight and thirty-three one hundredths percent (8.33%) through July 1, 1999, which shall result in a monthly benefit of not less than nine hundred two dollars and seventy-five cents (\$902.75) per month.

(c) Effective July 1, 1994, the provisions of this section shall apply to surviving beneficiaries and death benefit recipients receiving benefits from the Charlotte Firefighters' Retirement System.

TITLE V. METHOD OF FINANCING.

Sec. 24. **Member Contributions.** Each Member shall contribute to the Charlotte Firefighters' Retirement System and the City of Charlotte shall cause to be deducted from each and every payroll of such Member, an amount equal to the Member's Compensation multiplied by the sum of the then current social security contribution rate ~~and~~ plus five percent (5%).

Notwithstanding any provision of this act to the contrary, effective July 1, 1983, the City of Charlotte, as an employer, pursuant to the provisions of Section 414(h)(2) of the Internal Revenue Code of 1986, as amended from time to time, may elect to pick up and pay the contributions that would be payable by the Members of the Retirement System under this section with respect to the service of the Members after June 30, 1983.

The Members' contributions picked up by the City of Charlotte shall be designated for all purposes of the Retirement System as Member contributions, except for the determination of tax upon a distribution from the Retirement System. These contributions shall be credited to the fund created by this act accumulated within the fund in a Member's account that shall be separately established for the purpose of accounting for picked-up contributions. Member contributions picked up by the City of Charlotte shall be payable from the same source of funds used for the payment of Compensation to a Member. A deduction shall be made from a Member's Compensation equal to the amount of his contributions picked up by the City of Charlotte. This deduction, however, shall not reduce his Compensation for purposes of the Retirement System. Picked-up contributions shall be transmitted to the Retirement System.

Sec. 25. **City of Charlotte Contributions.** (a) The City of Charlotte shall contribute to the Charlotte Firefighters' Retirement System an amount equal to the Member's Compensation multiplied by the sum of the then current social security contribution rate ~~and~~ plus five percent (5%), for each and every payroll of such Member.

(b) Should any Member of this Retirement System enter the Armed Forces of the United States of America, the City of Charlotte shall contribute to the Charlotte Firefighters' Retirement System for each and every payroll an amount equal to the Compensation such Member would have earned based upon the last pay grade with the Fire Department multiplied by the contribution rate established pursuant to subsection (a) of this section for a period not to exceed the lesser of the Member's actual period of active military duty or five years.

(c) Should any Member of the Retirement System enter the Armed Forces of the United States of America, upon approval by the City Council, the City of Charlotte by and on behalf of such Member may contribute an amount equal to, but not to exceed, the Compensation such Member would have earned based upon the last pay grade with the Fire Department multiplied by the contribution rate established pursuant to Section 24 of this act. Any contributions by and on behalf of such

Member shall inure to the benefit of such Member as though made by such Member under the provisions of this act unless otherwise specified in this act.

(c1) Should any Member of the Retirement System contribute an amount pursuant to Section 4 for the purpose of receiving Membership Service Credit for any period of benefits under the federal Family Medical Leave Act, the City of Charlotte shall contribute to the Charlotte Firefighters' Retirement System an amount equal to the Compensation that Member would have earned multiplied by the then current social security contribution rate ~~and~~ plus five percent (5%).

(d) In addition thereto, the City Council may, within its discretion and upon the recommendation of the Board of Trustees, appropriate funds necessary to provide a cost of living increase to the Retirees of the System.

Sec. 26. Other. Any other contributions by or on the behalf of any Member or the City of Charlotte pursuant to the provisions of this act, shall be received by the Charlotte Firefighters' Retirement System.

TITLE VI. ADMINISTRATION BY BOARD OF TRUSTEES.

Sec. 27. General. The Board of Trustees heretofore established is hereby continued. The general administration, management and responsibility for the proper operation of the Retirement System and for construing and making effective the provisions of this act are vested in the Board of Trustees.

Sec. 28. Body Politic and Corporate. The Board of Trustees shall be a body politic and corporate under the name of the Board of Trustees of the Charlotte Firefighters' Retirement System and as a body politic and corporate shall have the right to sue and be sued, shall have perpetual succession and a common seal, and in said corporate name shall be able and capable in law to take, receive, demand and possess all kinds of property hereinafter specified, and to bargain, sell, grant, transfer or dispose of all such property as it may lawfully acquire. All such property owned or acquired by said body politic and corporate shall be exempt from all taxes imposed by the State or any political subdivision thereof, specifically, but not limited to, income, license, machinery, franchise and sales taxes. In addition, the Board of Trustees as a body politic and corporate may purchase and maintain such insurance policy or policies as may be necessary for the protection of the System, the System's assets, and trustees for acts performed by them as trustees, excluding malfeasance. All expenses for the purchase or maintenance of insurance shall be borne by the System.

Sec. 29. Board of Trustees. (a) The Board of Trustees shall consist of 11 Trustees, as follows: (i) City Manager, or some other City department head or employee as duly designated by the City Manager; (ii) City Finance Director, or a deputy finance director as duly designated by the City Finance Director; (iii) City Treasurer; (iv) a Chairman of the Board and three Trustees to represent the public and who are residents of Mecklenburg County and who are appointed by the Resident Judge of the Superior Court of Mecklenburg County and who shall hold office for a period of three years or until their successor shall have been appointed and been qualified; (v) three Members of the Retirement System to System, each of whom shall be elected by a vote of the Members of the Retirement System for a term of three years, pursuant to the Charlotte Firefighters' Retirement System Election Regulation; and (vi) one Retiree of the Retirement System to be elected by a majority vote of the retirees of the Retirement System for a term of three years, pursuant to the Charlotte Firefighters' Retirement System Election Regulation. The terms of office for elected Member Trustees and, effective July 1, 1989, for appointed Trustees, shall be graduated so that ~~only one Trustee's term~~ no more than three Trustees' terms shall expire each year. Any Member shall be eligible to succeed himself as a Trustee.

(b) **Conflict of Interest.** No trustee, chairman, or other officer or employee of the Charlotte Firefighters' Retirement System shall directly or indirectly become an independent contractor for work done by, or on behalf of, the System, or become directly or indirectly financially interested in, or receive profits from any purchase, contract, or association by or with the System.

Sec. 30. Election of Member Trustees. The elections of the Member Trustees as provided for in ~~Section 29(v)~~ Subsection 29(a) and the Retiree Trustee as provided for in ~~Section 29 (vi)~~ Subsection 29(a) shall be administered in accordance with rules and regulations adopted by the Board of Trustees from time to time.

Sec. 31. Oath of Office. An oath of office shall be administered to the Chairman of the Board and each Trustee prior to their assumption of duties with the Board of Trustees. The oath of office shall be administered by the Mayor only after the Trustee having first qualified and within 10 days after having been appointed or elected. The Chairman of the Board and each Trustee shall swear to diligently and honestly administer the affairs of said Board and that he will not knowingly violate or willfully permit to be violated any of the provisions of the law applicable to the Retirement System. Such oath of office shall be subscribed to by the Member making it, and certified by the officer by whom it is taken, and immediately filed in the office of the City Clerk.

Sec. 32. Vacancy on Board of Trustees. A vacancy on the Board of Trustees shall be deemed to have occurred for any or all of the following reasons:

(a) In the event that an elected Trustee of the Board shall make application for benefits under this act he shall first submit a written notice to the Chairman of the Board disqualifying himself from his trusteeship.

(b) A vacancy shall be deemed to have occurred if a Trustee or the Chairman fails to attend any three consecutive meetings of the Board without prior notification unless excused for cause by the Trustees attending said meetings.

(c) A vacancy shall be deemed to have occurred if a Trustee or the Chairman should die.

(c1) A vacancy shall be deemed to have occurred if a Trustee or the Chairman should fail to satisfy the classification requirements in Subsection 29(a) of this act.

(d) If a Trustee shall deem himself incapable of fulfilling his Board obligations for any reason or if any condition exists that renders the Trustee disqualified, the Trustee shall submit a written notice to the Chairman disqualifying himself from his trusteeship. If the Chairman shall deem himself to be disqualified for any of the foregoing reasons, he shall submit written notice to the Resident Judge of the Superior Court of Mecklenburg County.

(e) If a vacancy shall occur pursuant to the provisions of subsections (a) through (d) of this section, the vacancy shall be filled within 90 days after the date of the vacancy, for the unexpired portion of the term, for the same classification and in the same manner as the position was previously filled.

Sec. 33. Compensation of Trustees. The members of the Board of Trustees of the Charlotte Firefighters' Retirement System shall serve without compensation, but shall be reimbursed for all reasonable and necessary expenses incurred through service upon said Board.

Sec. 34. Officers of System. (a) The Chairman of the Board, named pursuant to the provisions of ~~Section 29(iv)~~ Subsection 29(a) of this act, shall preside at all meetings that he is in attendance.

(b) At its first regular meeting each year, the Board shall elect from its membership: (1) A Vice Chairman, who shall preside at any meeting that the Chairman is absent; and (2) A Secretary of the Board, who shall be responsible for the recording and certifying of the record of proceedings.

(c) The City Treasurer shall be the Treasurer of the Retirement System and shall be custodian of its assets.

Sec. 35. Meetings. (a) The Board of Trustees shall conduct its business at meetings that conform with the 'Open Meetings Law,' Article 33C of Chapter 143 of the General Statutes, G.S. 143-318.9 through ~~G.S. 143-318.18.~~ G.S. 143-318.18, as amended.

(a1) The Board of Trustees shall hold meetings regularly, at least one in each calendar quarter, and shall designate the time and place thereof. The first regular meeting in each Plan Year shall be held on the fourth Thursday of the month of July.

(b) The Chairman or, in the absence of the Chairman, the Vice Chairman may hold a special meeting and/or an emergency meeting at his discretion. Additionally, upon the written request of two members of the Board of Trustees, the Chairman shall call a special meeting of the Board.

When a special meeting is called, the Administrator shall insure that notice is given to each trustee either in person or by first class mail to the address of record on file with the Administrator. Such notice shall include the purpose of the meeting and designate the time, date and place thereof. The Chairman or Vice Chairman shall insure that the business of the special meeting be limited to the purpose as set forth in the notice.

When an emergency meeting is called, the Administrator shall attempt to notify each Trustee by telephone to the telephone number on file with the Administrator.

(c) Each Trustee shall be entitled to one vote on each motion presented to the Board of Trustees. The Chairman shall only vote in case of a tie or in such case as to create a ~~quorum of voting.~~ quorum. Six attending Trustees, including the Chairman, shall constitute a quorum at any meeting of the Board and at least six affirmative votes shall be necessary for a decision by the Trustees at any meeting of said Board. Prior to any discussion of a specific agenda item for which a Trustee or the Chairman deems himself to have a conflict of interest, or at such point during discussion that he determines himself to have a conflict of interest, the ~~member of the Board~~ Trustee or Chairman shall thereupon make such conflict known to the Board and the Board shall inquire into the nature of the conflict and make a determination whether a conflict of interest exists and if the ~~Board member should~~ Trustee or Chairman participate in the discussion and vote on the agenda item.

(d) The Board of Trustees through the Secretary shall cause to be kept a record of all of its proceedings which shall be open to public inspection.

Sec. 36. Employment of Professional Services. (a) The Board of Trustees shall have the authority to employ and/or utilize professional and secretarial services and to purchase and maintain such property, equipment and supplies as are deemed necessary for the proper operation of the System. All expenses, fees and/or retainers for the employment of services shall be borne by the System with the singular exception of the employment of the Actuary. All fees and expenses in connection with the employment of a qualified actuary to perform the annual evaluation of the Retirement System's financial condition shall be paid by the City of Charlotte.

(a1) **Actuary.** The Board of Trustees shall annually request the City to employ a qualified Actuary to perform such studies and evaluations of the Charlotte Firefighters' Retirement System as may be necessary and/or desirable by the Board or City in connection with the administration of the System. Within the meaning of this subsection, a qualified Actuary shall be an Actuary who has been enrolled by the Joint Board for the Enrollment of Actuaries and shall be an associate, member, or fellow of the conference of Actuaries in Public Practice or a member of the American Academy of Actuaries.

(b) **Medical Board.** The Board of Trustees shall appoint a Medical Board to be composed of ~~three~~ one or more physicians to serve at the pleasure of the Board. The

Medical Board shall arrange for and evaluate all medical examinations required under provisions of this act. The Medical Board shall also investigate and evaluate all medical evidence, statements, and certificates submitted by and on behalf of a Member in connection with an application for disability retirement. The Medical Board shall render its conclusions and recommendations in writing to the Board of Trustees in accordance with the provisions of this act.

(c) **Legal Counsel.** The City attorney and staff shall be the legal advisor to the Board of Trustees. The Board may employ separate legal counsel as it deems necessary and beneficial for the operation of the System.

(d) **Auditor.** The Board of Trustees shall appoint an Auditor who shall be a certified public accountant.

(e) **Administrator.** The Board of Trustees shall have the authority to appoint an Administrator who shall be responsible for the administration and coordination of all System operations and activities that are not otherwise specified in this act. Such administration shall be in accordance with rules and regulations of this act and the policy and direction of the Board. In the absence of an Administrator, the Secretary of the Board as specified in Section 34(b)(2) shall be responsible for the coordination of Board meetings and providing proper notice of such meetings.

(f) **Insurance.** The Board of Trustees may purchase and maintain that insurance coverage necessary for the proper operation of the System, including worker's compensation, fidelity insurance, and officers' and employees' liability coverage. All expenses incurred in purchasing or maintaining this coverage, including fees, and retainers, shall be borne by the System.

Sec. 37. **Committees.** The Chairman of the Board shall appoint an Investment Committee and a Benefits Committee and shall have the authority to appoint such other committees of the Board as deemed appropriate.

Sec. 38. **Authority of Board of Trustees to Recommend Changes to the Retirement System.** The Board of Trustees shall have the authority to recommend to the City changes to the Retirement System. All recommendations for changes must be actuarially sound and must take into account the interest of all Participants in the System.

Sec. 39. **Authority of City of Charlotte to Make Changes with Respect to the Retirement System.** Upon the recommendation of the Board of Trustees as provided in Section 38 of this act, the City may, within its discretion, increase or decrease the rate of contribution of the Members of the System and the City of Charlotte as may be necessary for the proper operation of the Retirement System. Provided, however, that no change shall reduce benefits being paid to Retirees of the System.

The City may deviate from the provisions of this act to the extent necessary to make any changes in the System required by the Internal Revenue Service prior to its issuing a favorable determination letter under Section 401(a) and Section 501(a) of the Internal Revenue Code of 1986, as amended from time to time, and as required by the Internal Revenue Service to maintain the qualified status of the Retirement System.

Sec. 40. **Authority of City of Charlotte to Recommend Changes to the Retirement System.** The Subject to the approval of the Board of Trustees, the City may recommend to the General Assembly of the State of North Carolina changes to the Retirement System. All recommendations for changes must be actuarially sound and must take into account the interest of all Participants in the System.

Sec. 41. **Rules and Regulations.** Consistent with the provisions of this act, the Board of Trustees shall have the authority to adopt the rules and regulations for the administration of the Retirement System and for the transaction of its business.

TITLE VII. RECORD-KEEPING AND REPORTING REQUIREMENTS.

Sec. 42. **Record-Keeping.** The Administrator, or the Secretary of the Board in the absence of an administrator, shall maintain all data, files and records as is necessary to comply with the reporting requirements of this act.

Sec. 43. **Annual Audit.** There shall be an annual Audit of the books of the System. The Audit shall be performed by the Auditor as specified in Section 36(d).

Sec. 44. **Annual Actuarial Valuation.** There shall be an annual Actuarial Valuation as of the 1st of July. The Valuation shall be performed by the actuary as specified in Section 36(a1). Such Valuation shall be completed and presented to the Board no later than the second regular quarterly meeting each year.

Sec. 45. **Annual Report to City Council.** An annual report of the financial and actuarial condition of the System, as of the preceding June 30, shall be prepared and forwarded to the City Council in the quarter after receipt of the System's audit report from the Auditor. Such report shall contain but shall not be limited to the Auditor's opinion, such statements contained in the Auditor's report, a summary of the annual actuarial valuation and the actuary's valuation certification.

Sec. 46. **Annual Report to ~~Members~~ Participants.** A copy of the report required by Section 45 shall be provided to each of the fire stations and Fire Department administrative offices of the City of Charlotte. In addition, a copy of the report or portions of the report shall be provided to the Participants of the System.

Sec. 47. **Other Reports.** The Administrator, or the Secretary of the Board in the absence of an administrator, shall be responsible for insuring that all reporting requirements with the Internal Revenue Service and the United States Government, including its various other agencies, departments, and offices, are complied with.

TITLE VIII. CUSTODY AND INVESTMENT OF SYSTEM ASSETS.

Sec. 48. **Trusteeship of Funds.** The Board of Trustees of the Charlotte Firefighters' Retirement System shall be the ~~Trustee~~ trustee of the funds and assets of the System and shall have the power to take by gift, grant, devise or bequest any money, real or personal property or other things of value, and hold, sell or invest the same.

Sec. 49. **Custody of System Assets.** The Treasurer of the Retirement System shall be the custodian and responsible for the safekeeping of all funds paid into the Charlotte Firefighters' Retirement System. The Treasurer shall deposit said funds in a bank or banks as designated by the Board of Trustees. The Treasurer may, with Board concurrence, use one or more nominees to facilitate transfer of the System's securities and may hold the securities in safekeeping with the Federal Reserve System, a clearing corporation, or a custodian bank which is a member of the Federal Reserve System. All payments from said funds shall be authorized by the treasurer only upon the signed, written request of the Administrator, or the Secretary of the Board in the absence of an administrator. The Treasurer shall furnish such bond as shall be required by the Board of Trustees and premium for said bond shall be paid out of the funds of the System.

Sec. 50. **Investment/Reinvestment of Funds and Assets.** The Board of Trustees shall be vested with the authority and responsibility and shall have full power to hold, purchase, sell, assign, transfer, lend and dispose of any of the securities and investments in which the System shall have been invested, as well as the proceeds of said investments and any monies belonging to the System. The Board of Trustees as fiduciaries shall:

- (1) Discharge its duties solely in the interest of the Participants and the Beneficiaries;
- (2) Act with the same care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a

- similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;
- (3) Act with due regard for the management, reputation and stability of the issuer and the character of the particular investments being considered;
 - (4) Make investments for the exclusive purpose of providing benefits to Participants and Participants' Beneficiaries;
 - (5) Give appropriate consideration to those facts and circumstances the Board of Trustees knows or should know are relevant to the particular investment or investment course of action involved, including the role the investment or investment course of action plays in that portion of the System's investments for which the Board of Trustees has responsibility, and shall act accordingly. Appropriate consideration shall include, but is not limited to, a determination by the Board of Trustees that a particular investment or investment course of action is reasonably designed as part of the investments of the System to further the purposes of the System taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course of action; and consideration of the following factors as they relate to the investment or the investment course of action:
 - a. The diversification of the investments of the System;
 - b. The liquidity and current return of the investments of the System relative to the anticipated cash flow requirements of the System; and
 - c. The projected return of the investments of the System relative to the funding objectives of the System;
 - (6) Give appropriate consideration to investments which would enhance the general welfare of the City and its citizens if those investments offer the safety and rate of return comparable to other investments held by the System and available to the Board of Trustees at the time the investment decision is made;
 - (7) May use a portion of income of the System to defray the cost of investing, managing and protecting the assets of the System; and
 - (8) May utilize the services of Investment Fiduciaries to manage the assets of the System. These Investment Fiduciaries shall be subject to the terms, conditions, and limitations provided in this section and any limitations as set forth by the Board of Trustees.

TITLE IX. RESTRICTIONS.

Sec. 51. **Restrictions.** Notwithstanding any provision of this act to the contrary:

- (1) No part of the funds contributed to the Retirement ~~System pursuant to this act, System,~~ or the income thereon, may be used for, or diverted to, purposes other than for the exclusive benefit of the Participants of the Retirement System. System as authorized by the provisions of this act.
- (2) Upon termination of the Retirement System or upon complete discontinuance of contributions to the Retirement System, the rights of all Participants of the Retirement System to benefits accrued to the date of the termination or discontinuance, to the extent then funded, are nonforfeitable.

- (3) Forfeitures under the Retirement System may not be applied to increase the benefits that any Participant would otherwise receive under the Retirement System.
- (4) Notwithstanding any provision of the Retirement System to the contrary, the maximum annual benefit payable in the form of a straight life annuity from the Retirement System on behalf of a Participant, when combined with any benefits from another qualified benefit plan maintained by the City, shall not exceed the amount as provided in this section. If the normal form of payment is other than a straight life annuity or a qualified joint and survivor annuity, the amount so determined hereunder shall be adjusted on an actuarially equivalent basis to reflect such other payment form. If a Participant has completed 10 or more years of service, the maximum annual benefit payable in accordance with this subdivision (4) shall be the lesser of a. ~~and~~ or b. below:
 - a. Ninety thousand dollars (\$90,000) (or, beginning January 1, 1988), such larger dollar amount as the Commissioner of Internal Revenue may prescribe. Such amount shall be the maximum annual benefit pursuant to this subdivision a. for that calendar year and shall apply to the limitation year ending with or within that calendar year.
 - b. The average annual ~~Compensation~~ compensation the Participant received from the City during the three consecutive calendar years which would produce the highest such average.

If a Participant has completed less than 10 years of service, the maximum annual benefit payable in accordance with this subdivision (4) shall be the lesser of subdivisions a. ~~and~~ or b. above, multiplied by the ratio that the Participant's actual number of years of service bears to 10.

If the payment of a benefit to a Participant begins after he attains age 65, the maximum benefit shall be actuarially adjusted to that amount that, if paid in the same form and beginning at the same time as the benefit, would be the actuarial equivalent of the maximum benefit that was payable in the normal form of retirement allowance beginning on the first day of the month coincident with or next following the Participant's attainment of age 65.

If the payment of a benefit to a Participant begins before he attains age 62, the maximum benefit shall be actuarially adjusted to that amount which, if paid in the same form and beginning at the same time as his benefit, would be the actuarial equivalent of the maximum benefit payable in the normal form of retirement allowance beginning on the first day of the month coincident with or next following his attaining the age of 62. The reductions required by this paragraph shall in no event reduce the limitation in this subdivision a. below seventy-five thousand dollars (\$75,000), if the benefit begins on or after the Participant's attainment of age 55 or the actuarial equivalent of the seventy-five thousand dollars (\$75,000) benefit limitation for age 55, if the benefit begins prior to such age.

For purposes of this subdivision (4), if benefits begin before age 62, the maximum annual benefit payable shall be adjusted by an

interest rate assumption not less than the greater of five percent (5%) or the rate specified in the Retirement System. For purposes of this subdivision (4), in addition to the above limitations, if a Participant is a Qualified Participant as defined in Title 1, Section 2 (17a) of this act, the actuarial reduction to the maximum benefit payable for benefits that begin prior to the attainment of age 55 shall not be reduced to an amount less than fifty thousand dollars (\$50,000). If payment of a Participant's benefit begins after age 65, the maximum annual benefit payable shall be adjusted by an interest rate assumption not greater than the lesser of five percent (5%) or the rate specified in the Retirement System.

In the event a Participant is covered by one or more defined benefit plans maintained by the City, all such plans shall be aggregated in determining whether the maximum benefit limitations hereunder have been met. Further, the maximum retirement allowance as noted above may be decreased as determined necessary by the City to ensure that all plans will remain qualified under the Internal Revenue Code of 1986, as amended from time to time.

In addition to the other limitations set forth in the Retirement System and notwithstanding any other provisions of the Retirement System, the Accrued Benefit, including the right to any optional benefit provided in the Retirement System (and all other defined benefit plans required to be aggregated with the Retirement System under the provisions of Section 415 of the Internal Revenue Code of 1986, as amended from time to time), shall not increase to an amount in excess of the amount permitted under Section 415 of the Internal Revenue Code of 1986, as amended from time to time.

- (5) Any benefit payable to a Participant pursuant to Section 4 of this act shall commence not later than the April 1 immediately following the calendar year in which the Participant attains age 70 1/2 or, if later, the April 1 immediately following the calendar year in which the Participant terminates service. Additionally, the distribution of any such benefit must satisfy the minimum distribution requirements set forth in this paragraph and must be consistent with Treasury Regulations, as of the required beginning date. The minimum distribution for a calendar year equals the Participant's nonforfeitable Accrued Benefit at the beginning of the year divided by the Participant's life expectancy or, if applicable, the joint and last survivor expectancy of the participant and his Designated Beneficiary. The minimum distribution shall be computed by using the life expectancy multiples under Treasury Regulation 1.72-9. The minimum distribution for a calendar year subsequent to the first calendar year for which a minimum distribution is required may be computed by redetermining the applicable life expectancy. However, there shall be no redetermination of the joint life and last survivor expectancy of the Participant and a nonspouse Designated Beneficiary in a manner which takes into account any adjustment to a life expectancy other than the Participant's life expectancy. A distribution to the Participant in the form of a life annuity, joint and survivor annuity, or an annuity over a fixed period will satisfy the minimum distribution requirements of this paragraph if the method of

distribution provides non-increasing payments or otherwise satisfies Treasury Regulations. If the Participant dies after the payment of his benefit has commenced, the death benefit provided by this act shall be paid over a period which does not exceed the payment period which had commenced. If a Participant dies prior to the time the payment of his benefit commences, the death benefit provided by this act shall be paid over a period not exceeding: (i) five years after the date of the Participant's death; or (ii) if the Beneficiary is a Designated Beneficiary, over the Designated Beneficiary's life or life expectancy. No payment of benefit over a period described in (ii) shall be permitted, unless the payment of such benefit to the Designated Beneficiary will commence no later than one year after the date of the Participant's death, or, if later, and the Designated Beneficiary is the Participant's surviving spouse, the date the Participant would have attained age 70 1/2. The life expectancy multiples under Treasury Regulation 1.72-9 shall be used for purposes of applying this paragraph. The life expectancy of a Participant's surviving spouse may be recalculated not more frequently than annually, but the life expectancy of a nonspouse Designated Beneficiary may not be recalculated after the commencement of payment of benefits to the Designated Beneficiary. Any amount paid to a Participant's child, which becomes payable to the Participant's surviving spouse upon the child's attaining the age of majority, shall be treated as paid to the Participant's surviving spouse for purposes of applying this paragraph.

TITLE X. MISCELLANEOUS.

Sec. 52. Liabilities of Trustees. No member of the Board of Trustees shall be personally liable by reason of his service as a Trustee for any acts performed by him as a Trustee, except for malfeasance in office. Except for costs or expenses incurred because of Trustee malfeasance, the System shall indemnify each Trustee for any and all costs or expenses incurred by that Trustee as a result of acts performed as a Trustee, including all insurance deductibles, copayments, and amounts exceeding insurance policy limits.

Sec. 53. Assignments Prohibited. The right of a Member to any benefits payable or reimbursement of any contributions, and any other right accrued or accruing to any person pursuant to the provisions of this act, and any monies belonging to the Retirement System shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever, and shall be unassignable except as is specifically authorized by statute. If a Member is covered under a group insurance or prepayment plan participated in by the City, and should he be permitted to, and elect to, continue such coverage as a Retiree, he may authorize the Board of Trustees to have deducted from his monthly retirement benefits the payments required of him to continue coverage under such group insurance or prepayment plan.

Sec. 54. Errors. Should any change in the records result in any person receiving from the Retirement System more or less than he would have been entitled to receive had the records been correct, the Board of Trustees shall correct such error, and as far as practicable shall adjust the payment in such manner that the Actuarial Equivalent of the benefit to which the said person was correctly entitled shall be paid.

Sec. 55. Protection Against Fraud. Whoever with intent to deceive shall make any statements and/or reports required under this act which are untrue, or shall falsify or permit to be falsified any records of the Retirement System, or who shall otherwise violate, with intent to deceive, any of the provisions of this act, shall be prosecuted to the fullest extent of the law.

The Charlotte Firefighters' Retirement System shall have the right of setoff for any claim arising from embezzlement or by fraud of a Participant.

Sec. 56. Repealed by Section 17 of Chapter 248 of the 1989 Session Laws.

Sec. 57. Laws Inconsistent Repealed. All laws and clauses of law pertaining to the Charlotte Firefighters' Retirement System that are in conflict with the provisions of this act are hereby revoked.

Sec. 58. Savings Provisions. If any section or part of this act is for any reason held to be invalid or unconstitutional, such holding shall not be construed as affecting the validity of the remaining sections of this act or the act in its entirety; it being the legislative intent that this act shall stand notwithstanding the invalidity of any section or part of a section.

Sec. 59. This act shall apply to the City of Charlotte only."

Section 2. None of the provisions of this act shall create an additional liability for the Charlotte Firefighters' Retirement System unless sufficient assets are available to pay for the liability.

Section 3. This act becomes effective July 1, 1999.

In the General Assembly read three times and ratified this the 27th day of May, 1999.

s/ Dennis A. Wicker
President of the Senate

s/ James B. Black
Speaker of the House of Representatives



**North Carolina General Assembly
Legislative Services Office**

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

Erlaine W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
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Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

MEMORANDUM

TO: Senator Robert Rucho

FROM: Stanley Moore 
Fiscal Research Division

DATE: April 13, 1999

SUBJECT: Actuarial Note on Senate Bill 583

Re: Proposed changes to the Charlotte Firemen's 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: Senator Phillips; Chairman, Senate Committee on Pensions & Retirement
Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Towers Perrin, April 9, 1999
- (3) Actuarial Note, Hartman & Associates, April 6, 1999

APR 14 1999

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 583

SHORT TITLE: Charlotte Firefighter's Retirement

SPONSOR(S): Senator Rucho

SYSTEM OR PROGRAM AFFECTED: Charlotte Firemen's Retirement System

FUNDS AFFECTED: City of Charlotte Funds

BILL SUMMARY:

- (1) Sec. 6 Changes the requirement to be eligible to purchase prior military service from thirteen years of membership service to five years of membership service;
- (2) Sec. 10 Clarifies that any member with less than five years of service who terminates employment shall receive only contributions made by the member. No contributions made by the City of Charlotte or any interest, which had accrued to his account, will be paid to the member.
- (3) Sec. 11 Removes the old language relating to members vesting with ten years of service. Vesting was changed to five years in 1989;
- (4) Sec. 17 The benefit limit of 100% of final average compensation is replaced with the Internal Revenue Code Section 415 limits but not less than \$902.75 per month;
- (5) Sec. 19 The benefit for disability in the line-of-duty is increased maximum of 72% of salary to 78%;
- (6) Sec. 20 The benefit for disability retirement not in the line-of-duty is increased from 36% plus 1.8% per year of service over ten years to 39% plus 1.9% per year of service over ten years;
- (7) Sec. 23 Retiree shall receive a post retirement increase of 8.33% retroactive to July 1, 1998.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON CITY OF CHARLOTTE: SYSTEM ACTUARY Towers Perrin says there are sufficient funds in the System without requiring additional contributions from the City of Charlotte.

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Local Funds	\$537,500	\$537,500	\$537,500	\$537,500	\$537,500

GENERAL ASSEMBLY ACTUARY: Hartman & Associates does not have sufficient data on participates to estimate the financial impact of the changes.

ASSUMPTIONS AND METHODOLOGY:

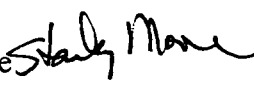
The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the July 1, 1998 actuarial valuation of the fund. The data included 778 active members and 358 retired members in receipt of annual pensions totaling \$8.9million. Significant actuarial assumptions used include (a) an investment return rate of 8.25%, (b) the UP 1984 Mortality

Table for deaths after retirement and (c) salary increases of 5% per year for active members, (d) rates of separation from active service based on experience. The actuarial cost method used was the entry age normal cost method. 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 – Towers Perrin
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: April 13, 1999

Towers Perrin

April 9, 1999

Ms. Barbara Avar
Administrator
Charlotte Firefighters' Retirement System
428 E 4th Street, Suite 205
Charlotte, NC 28202

Dear Barbara:

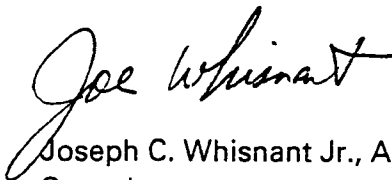
REVISIONS TO THE ACT

We have reviewed the proposed changes to the Act and estimated the impact of these changes to the Charlotte Firefighters' Retirement System. Based on the most recent valuation, the estimated additional accrued liability associated with the proposed changes is \$2,719,800. The estimated additional normal cost associated with the proposed changes is \$48,200. This would change the funded ratio on the GASB-25 basis from 104.5% to 102.9%. The recommended contribution based on the most recent valuation would increase from \$3,693,800 to \$4,231,300. Sufficient funds exist for the cost of these proposed changes without additional contributions from the City of Charlotte.

Based on the current funded position and current contribution level by the Members and the City, the proposed changes are actuarially sound.

Please let me know if you have any questions or need any additional information.

Sincerely,



Joseph C. Whisnant Jr., A.S.A.
Consultant

JCW:wo

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

April 6, 1999

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

Re: Senate Bill 583: An Act to Amend the Law Establishing the
Charlotte Firemen's Retirement System

Dear Mr. Moore:

This bill would rewrite Chapter 926 of the 1947 Session Laws, as amended, to modify various provisions of the Charlotte Firemen's Retirement System. This act would become effective July 1, 1999.

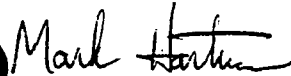
Many of the changes provided by this bill include definition modifications and technical clarification. The most substantive changes appear to be:

- the benefit limit of 100% of final average compensation is replaced with the Internal Revenue Code Section 415 salary limits
- the minimum benefit of \$500.00 per month is increased to \$902.75
- the benefit for disability in the line of duty is increased from 72% of salary to 78%
- the benefit for disability not in the line of duty is increased from 36% plus 1.8% times years of service in excess of ten to 39% plus 1.95% times years of service in excess of ten
- benefits for disability retirement and for members who retired prior to July 1, 1989 would increase 8.33% effective July 1, 1998, subject to the \$902.75 per month minimum benefit

At the present time, we do not have sufficient data on the plan participants to estimate the financial impact of these changes.

If you have any questions, let me know.

Sincerely,



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

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By Stanley Moore Date: 4-13-99

Legislative Fiscal Research

MVH/mot

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 962 A BILL TO BE ENTITLED AN ACT TO REPEAL THE LAW REQUIRING
THAT RETIRED JUDGES FOREGO RETIREMENT BENEFITS OR RECEIVE
REDUCED BENEFITS WHILE SERVING AS JUDICIAL OFFICERS IN FEDERAL
COURTS.

☐ 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.

☐ 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)

2/24/99



BILL ANALYSIS

HOUSE BILL 962: Repeal Retirement Exclusion.

Committee: Pensions and Retirement
Date: May 11, 1999
Version: 1st Edition

Introduced by: Rep. Fitch
Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

House Bill 962 repeals the law requiring that judges forego retirement benefits or receive reduced benefits while serving as a judicial officer in the federal courts.

CURRENT LAW:

Under present law, a member of the Consolidated Judicial Retirement System who is appointed to the federal court, is not eligible to receive benefits while serving on the federal court. Also, a retiree who is either appointed to the federal bench or is in receipt of federal retirement benefits will have his or her state benefits reduced so that the sum of the retirement allowance and the federal salary or retirement benefit does not exceed the retirees final state judicial salary.

BILL ANALYSIS:

This bill repeals this section entirely, so that members of the Judicial System who are appointed to federal judicial positions will be allowed to receive their state retirement allowance and any federal compensation.

This bill would become effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

H

1

HOUSE BILL 962

Short Title: Repeal Retirement Exclusion.

(Public)

Sponsors: Representative Fitch.

Referred to: Pensions and Retirement.

April 12, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO REPEAL THE LAW REQUIRING THAT RETIRED JUDGES
3 FOREGO RETIREMENT BENEFITS OR RECEIVE REDUCED BENEFITS
4 WHILE SERVING AS JUDICIAL OFFICERS IN FEDERAL COURTS.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 135-72 reads as rewritten:
7 "~~§ 135-72. Benefits of members appointed to serve in United States courts.~~
8 ~~(a) Members who are appointed to serve as a judicial officer in the United States~~
9 ~~courts shall not be eligible for benefits under this Article while actively serving as a~~
10 ~~judicial officer in the United States courts.~~
11 ~~(b) Should a retired former member be appointed to serve as a judicial officer in~~
12 ~~the United States courts or be in receipt of a retirement allowance from service as a~~
13 ~~judicial officer in the United States courts, his retirement allowance provided under~~
14 ~~the provisions of this Article shall be reduced so that the sum of his retirement~~
15 ~~allowance and the salary or retirement allowance from service as a judicial officer in~~
16 ~~the United States courts does not exceed the salary for the office last held by the~~
17 ~~retired member in the General Court of Justice of North Carolina. Provided,~~
18 ~~however, that under no circumstances will the retired member's retirement allowance~~
19 ~~be reduced below the amount of his annuity resulting from his accumulated~~
20 ~~contributions."~~
21 Section 2. This act is effective when it becomes law.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

April 22, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

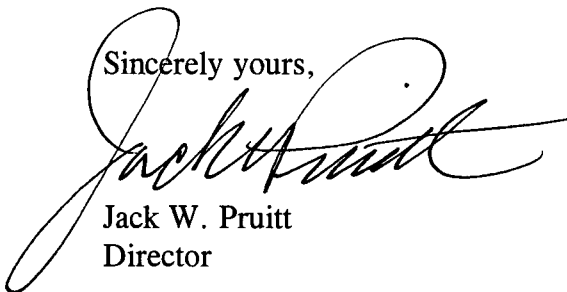
Re: Actuarial Note/House Bill 962

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 962 which affects 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,



Jack W. Pruitt
Director

JWP/dsp

Enclosure

BUCK CONSULTANTS

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

April 21, 1999

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 962

Dear Mr. Pruitt:

We have received your letter of April 12 regarding House Bill 962 which affects the Consolidated Judicial Retirement System.

This legislation appears to repeal the law providing that members may not receive a full retirement benefit while serving as an officer in the federal judiciary.

This legislation would increase the unfunded accrued liability of the Consolidated Judicial Retirement System by approximately \$354,000 or 0.14% of payroll.

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

Sincerely,

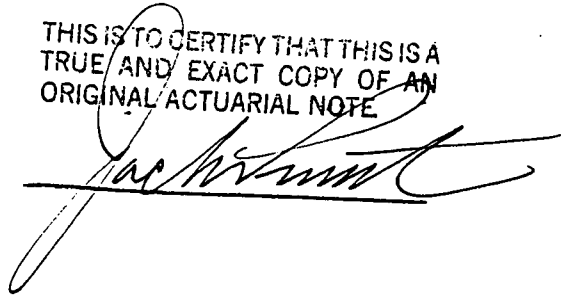
Edward A. Macdonald

Edward A. Macdonald
Principal and Consulting Actuary

EAM:jg

PANCA19990005ACORRUIB962.DOC
JC 2747 BC A33

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





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

MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 12, 1999

SUBJECT: Actuarial Note Request House Bill 962

Re: Repeal of law prohibiting a judge from receiving retirement benefits from the Consolidated Judicial Retirement System while servicing in federal court.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Fitch
Representative Michaux; Chairman of the House Committee on Pensions and Retirement

HOUSE DRH2184-LL128A(3.30)

Short Title: Repeal Retirement Exclusion.

(Public)

Sponsors: Representative Fitch.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO REPEAL THE LAW REQUIRING THAT RETIRED JUDGES
3 FOREGO RETIREMENT BENEFITS OR RECEIVE REDUCED BENEFITS
4 WHILE SERVING AS JUDICIAL OFFICERS IN FEDERAL COURTS.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 135-72 reads as rewritten:

7 ~~"§ 135-72. Benefits of members appointed to serve in United States courts.~~

8 ~~(a) Members who are appointed to serve as a judicial officer in the United States~~
9 ~~courts shall not be eligible for benefits under this Article while actively serving as a~~
10 ~~judicial officer in the United States courts.~~

11 ~~(b) Should a retired former member be appointed to serve as a judicial officer in~~
12 ~~the United States courts or be in receipt of a retirement allowance from service as a~~
13 ~~judicial officer in the United States courts, his retirement allowance provided under~~
14 ~~the provisions of this Article shall be reduced so that the sum of his retirement~~
15 ~~allowance and the salary or retirement allowance from service as a judicial officer in~~
16 ~~the United States courts does not exceed the salary for the office last held by the~~
17 ~~retired member in the General Court of Justice of North Carolina. Provided,~~
18 ~~however, that under no circumstances will the retired member's retirement allowance~~
19 ~~be reduced below the amount of his annuity resulting from his accumulated~~
20 ~~contributions."~~

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

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

May 19, 1999

The House Committee on Pensions and Retirement met in Room 1228, of the Legislative Building, on May 19, 1999 at 12:00 p.m. Representative H.M. Michaux, Jr. (Chair) presided at the meeting and the following members were present: Representatives, Oldham, Barbee, Berry, Gray, McCombs, McCrary, Morgan, Tucker, Warren, G. Wilson, and Yongue. Representative's Horn, Ramsey, and Rogers were not present.

Chairman Michaux welcomed members and guests. The visitor registration sheet, actuarial notes and handouts are attached to the minutes. The Legislative Page for the day was Becky Johnson of Durham County, sponsored by Speaker Black's office.

The following staff members were present: Anne M. Peele (Committee Assistant), Stanley Moore (Fiscal Analyst), Theresa Matula (Legislative Analyst) and Karen Cochrane-Brown (Attorney). Melvin Kimble and Shannon were the Sergeants-at-Arms for the meeting.

House Bill 816, A BILL ENTITLED AN ACT TO ALLOW LAW OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO RETIRE WITH UNREDUCED BENEFITS AFTER COMPLETING TWENTY-FIVE YEARS OF SERVICE was presented by Representative Hensley.

The Committee Substitute for this bill was adopted for debate and Representative Hensley explained it. This bill pertains to police. Every other state in the Union except North Carolina offers 25-year retirement to its law enforcement officers. In some states it is 20 years. This bill reduces from 30 years down to 25 years. It is necessary because of stressful situations and extenuating circumstances faced on a daily basis by these men and women. The argument against this bill is that we can't treat different kinds of employees differently. HB 816 will improve the morale of law enforcement officers across this state. It will cost the state and local governments money.

Stanley Moore explains the actuarial notes. The notes are broken down into Highway fund, General fund and Receipt fund. It is \$3.9 million per year going up. Local government will be \$7.5 million per year going up. This takes into account the increase in the contributions to the retirement system and increases the amount of separation allowance that would be paid out for someone retiring at 25 years as opposed to 30 years. Additionally, There comes a point where younger officers taking over from older officers who have retired from 25 years that these contributions reach a point of diminishing returns and actually turn down unless the total number of officers are increased. No net savings have been calculated in the departments if someone retires and hire a younger officer.

Ellis Hankins, Executive Director of the North Carolina League of Municipalities opposes this bill. In the League there is strong opposition because it will grant excessive benefit level at a very high annual cost to municipalities and counties (\$7.5 million in the first years and will rise to over \$13 million in the fifth year). These numbers will continue to go up. July 1st is the effective date of this bill and makes it difficult for local governments to adopt their budgets. There is disparity in getting the basic local retirement benefit to match the state retirement benefit. The money should be put here. He asks the committee not to support this bill.

Stanley Moore explains the committee substitute, which changes a drafting error and the separation allowance, which is included and reduces down to 25 years. There is no break down into cities and counties. Each individual local unit and what would be an impact to them totaling the \$7.5 million is shown for ABC Commissions, Jail Commissions, and Airport Authorities etc. The cost to the State is approximately \$3.9 million. Representative Berry moves for a favorable report to the Committee Substitute. The motion passes.

House Bill 508, A BILL ENTITLED AN ACT TO INCLUDE PUBLIC DEFENDERS AND THE APPELLATE DEFENDER AS MEMBERS OF THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM was sponsored by Representative Smith and explained by Stanley Moore. This bill would transfer 11 public defenders and 1 appellate defender to the Judicial Retirement System at an accrual rate 3.02%. There is some opposition to this bill. It does not cost the state, but the retirement system. Stanley Moore explains the bill in detail. Service and contributions are transferred. The higher contribution rate will cost \$142,000 additional in contributions totaling \$564,000.

Mr. Harrelson, the first and oldest Public Defender in North Carolina representing the Guilford County District discusses the history of the public defenders bill. The original bill provided for all compensation of the Public Defender to be equal to that of the District Attorney. However, Public Defenders are not fully compensated in the Retirement System. This bill is a matter of fairness. Public Defenders work just as hard as the Clerks of Court and the District Attorneys do. It was the intent of the original legislators, when they set up the public defenders program, that all public defenders and district attorneys should be on equal ground. The retirement portion was omitted.

Representative Yongue supports the bill and moves for a favorable report and is re-referred to Appropriations. The motion passes

House Bill 1147, A BILL ENTITLED AN ACT TO INCREASE THE MAXIMUM AMOUNT A RETIREE CAN EARN BEFORE SUSPENSION OF THE RETIREES' RETIREMENT ALLOWANCE is explained by Stanley Moore. This bill changes the amount that a retired employee can earn from 50% of their final salary or \$21,900 to 75% prior to retirement. The actuarial notes have no way of estimating what this will cost the state because there is no way of tracking how many people working will come back into service with the State. The only exception is the bill passed last year pertaining to retired teachers.

Jack Pruitt of the Retirement System expressed his concerns about this bill. They feel that the current statutory provisions regarding re-employment of former state employees and teachers are more than accommodating. A more generous policy would encourage or entice more persons to retire early than they ordinarily would. The problem is also the restriction it places upon the new and younger employees. The average annual retirement benefit of our re-employment of teachers and state employees is about \$20,400. The other state employment system that does not have restrictions is Virginia. This bill pertains to state employees only.

Representative Michaux tables this bill until a later date.

House Bill 1034, A BILL TO BE ENTITLED AN ACT TO DEFINE A PROFESSIONAL FIREFIGHTERS' BENEFIT ACCRUAL RATE FOR MEMBERS AND BENEFICIARIES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM was presented by Representative Moore. This bill is similar to Representative Hensley, but it deals with firefighters. There is a committee substitute with HB 1034. This bill is necessary because of the stress and level of work done in this profession. Based on information from the State Employees Association, in a twenty-five year career a firefighter will work on an average thirty-five years of what an average person works because they work 56 hours a week. There are other quantifiable reasons for this bill.

Stanley Moore explained the actuarial notes for House Bill 1034. This would define a professional firefighter increase the accrual rate from 1.77 to 2.5 for years of services and provide for unreduced benefits after 25 years regardless of age or after 5 years of service. The cost to local governments is approximately \$24.2 million per year. This is different from law enforcement because it will effect local governments more.

Ellis Hankins, Executive Director of the North Carolina League of Municipalities opposes this bill also. In the League there is strong opposition because other positions (EMT workers) will come next year requesting the same benefit. It is also opposed because the cost will fall almost entirely on local governments, which poses a problem.

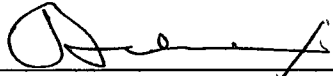
David Anders from the Professional Firefighters and Paramedics of North Carolina supports this bill. He explained the long hours, the dangerous and physical requirements involved. The gear that they have to wear alone weighs over 50 pounds. It is a young person's profession. A forty-five or fifty year old has a great deal of wear and tear on their bodies because of ventilation problems, and climbing ladders. There is a high injury rate. The Workman's compensation is on page 5-11 in the handout, which supports claims for this bill.

There are no State employees involved in this bill.

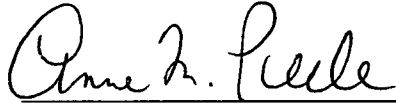
Representative Tucker moves for an unfavorable report.

Representative Gray motions to adjourn based on House rules. The motion passes.

The meeting adjourned at 12:55 p.m.



Representative H.M. Michaux, Jr., Chair



Anne M. Peele, Committee Assistant

VISITOR REGISTRATION SHEET

Pensions and Retirement 5/19
 Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
Jim Blackburn	COUNTY Commissioners
Frank Lewis	SO S
Conn Conner	BPMHL
Melissa Habel	BPMHL
Archie M. Beck, III	PFFPNC
BARRY C. SHOAF	PFFPNC
Julian Mann	GAH
Daniel Arnold	SEANC
Graham Wood	WCSD
Rose Beane	WCSD
ALAN BEANE	WAKE Co. SHERIFF & FOP
Rogea Hawley	WAKE Co Sheriff's office & FOP
Ralph Southland	WAKE Co. SHERIFF OFFICE / FOP
Paul Miller	NCSFA
Gordon Joyner	NCAKXENS
Charles H. Autry	CLERK OF COUNTY, Pamlico Cty
Tom Andrews	ADC
John - Wils	NCAK
Mad Davis	NCAE
Bill Wilson	NCAE
Bill Alexander	NC PBA
Jan Cratts	NCA SA
Mark Tucker	FOP Wake Co.
Jeff Gray	State Lodge Frat. Order of Police
Wallace HARRISON	Public Defender ASSN
Isabel S. Day	Public Defender ASSN.
Ronald D McSwain	Public Defender Assn
ELLIS HANKINS	WCLM
James E Williams Jr.	Public Defender Assn

VISITOR REGISTRATION SHEET

Personnel & Retirement
Name of Committee

5-19-99
Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

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**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 816 A BILL TO BE ENTITLED AN ACT TO ALLOW LAW OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM TO RETIRE WITH UNREDUCED BENEFITS AFTER COMPLETING TWENTY-FIVE YEARS OF 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 ~~APPROPRIATIONS~~.

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

☐ 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.

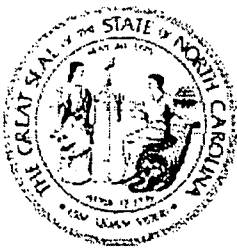
☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

2/24/99



HOUSE BILL 816: Law Officers' 25-Year Retirement

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: May 19, 1999
Version: H816-PCS7159

Introduced by: Representative Hensley
Summary by: Theresa Matula
Committee Staff

SUMMARY: *The Proposed Committee Substitute (H816-PCS7159) for House Bill 816 allows Law Enforcement Officers who are members of the Teachers' and State Employees' Retirement System (TSERS) or the Local Governmental Employees' Retirement System (LGERS) to receive unreduced retirement benefits with twenty-five years of service. The special separation allowance for law enforcement officers is also amended to reflect twenty-five years of service.*

BILL ANALYSIS:

Sections 1, 2 & 3 amends Chapter 135 of the General Statutes regarding the *Teachers' and State Employees' Retirement System (TSERS)*.

- **Section 1** amends G.S. 135-5(b17) to specify that the benefits outlined under (b17) apply to the Service Retirement Allowance of Members Retiring *on or After July 1, 1997, but Before July 1, 1999*.
- **Section 2** adds G.S. 135-5(b18) which outlines the Service Retirement Allowance of Members Retiring *on or After July 1, 1999*. These amendments allow:
 - members who are law enforcement officers, or eligible former law enforcement officers, to receive an unreduced retirement benefit on or after his 55th birthday and completion of five years creditable service as a law enforcement officer, or after the completion of *25 years of creditable service* (previously 30 years); and
 - members who are law enforcement officers, or eligible former law enforcement officers, whose 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* (previously 30 years) to receive a reduced retirement benefit.
- **Section 3** amends the citations in the *Survivor's Alternate Benefit* section to reflect the addition of G.S. 135-5(b18).

Sections 4, 5, & 6 amends Chapter 128 of the General Statutes regarding the *North Carolina Local Governmental Employee's Retirement System (LGERS)*. The amendments to G.S. 128-27(b17) and the addition of G.S. 128-27(b18) are consistent with those made in Sections 1 and 2 of the bill. Consistent with Section 3 above, Section 6 amends the citations in the *Survivor's Alternate Benefit* section to reflect the addition of G.S. 128-27(b18).

Section 7 amends G.S. 143-166.41 regarding the *special separation allowance* paid to every law enforcement officer defined under G.S. 135-1(11b) or G.S. 143-166.30(a)(4). The amendment is a conforming change from 30 years to 25 years of creditable service.

Section 8 states that this act becomes effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

H

D

HOUSE BILL 816
Proposed Committee Substitute H816-PCS7159

Short Title: Law Officers' 25-Year Retirement.

(Public)

Sponsors:

Referred to:

April 1, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW LAW OFFICERS WHO ARE MEMBERS OF THE
3 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE
4 LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO
5 RETIRE WITH UNREDUCED BENEFITS AFTER COMPLETING TWENTY-
6 FIVE YEARS OF SERVICE.

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, 1999.~~ -- Upon retirement from service in accordance
11 with subsection (a) or (a1) above, on or after July 1, 1997, but before July 1, 1999, 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.

- 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 ($\frac{1}{3}$ 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

- 1 the month the member would have attained his 60th
2 birthday, plus one-quarter of one percent (1/4 of 1%)
3 thereof for each month by which his 60th birthday
4 precedes the first day of the month coincident with or
5 next following his 65th birthday; or
6 2. The service retirement allowance as computed under
7 G.S. 135-5(b17)(2)a. reduced by five percent (5%)
8 times the difference between 30 years and his
9 creditable service at retirement; or
10 3. If the member's creditable service commenced prior
11 to July 1, 1994, the service retirement allowance
12 equal to the actuarial equivalent of the allowance
13 payable at the age of 60 years as computed in G.S.
14 135-5(b17)(2)b.
15 d. Notwithstanding the foregoing provisions, any member
16 whose creditable service commenced prior to July 1, 1963,
17 shall not receive less than the benefit provided by G.S. 135-
18 5(b)."

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

20 "(b18) Service Retirement Allowance of Members Retiring on or After July 1,
21 1999. -- Upon retirement from service in accordance with subsection (a) or (a1)
22 above, on or after July 1, 1999, a member shall receive the following service
23 retirement allowance.

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

- 27 a. If the member's service retirement date occurs on or after
28 his 55th birthday, and completion of five years of creditable
29 service as a law enforcement officer, or after the completion
30 of 25 years of creditable service, the allowance shall be
31 equal to one and eighty hundredths percent (1.80%) of his
32 average final compensation, multiplied by the number of
33 years of his creditable service.
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 25 years of creditable service,
38 his retirement allowance shall be equal to the greater of:
39 1. The service retirement allowance payable under G.S.
40 135-5(b18)(1)a. reduced by one-third of one percent
41 (1/3 of 1%) thereof for each month by which his
42 retirement date precedes the first day of the month
43 coincident with or next following the month the
44 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 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(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

1 equal to the actuarial equivalent of the allowance
2 payable at the age of 60 years as computed in G.S.
3 135-5(b17)(2)b.

4 d. Notwithstanding the foregoing provisions, any member
5 whose creditable service commenced prior to July 1, 1963,
6 shall not receive less than the benefit provided by G.S. 135-
7 5(b)."

8 Section 3. G.S. 135-5(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 2 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 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. 135-5(b17)(1)b.~~ G.S. 135-5(b18)(1)b.
21 or ~~G.S. 135-5(b17)(2)c.~~ G.S. 135-5(b18)(2)c.
22 notwithstanding 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 was 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 to 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 (l) 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. The term "in service" as used in this subsection includes a
36 member in receipt of a benefit under the Disability Income Plan as provided in
37 Article 6 of this Chapter."

38 Section 4. G.S. 128-27(b17) reads as rewritten:

39 "(b17) Service Retirement Allowance of Member Retiring on or After July 1,
40 ~~1998: 1999, but before July 1, 1999.~~ -- Upon retirement from service in accordance
41 with subsection (a) or (a1) above, on or after July 1, 1998, but before July 1, 1999, a
42 member shall receive the following service retirement allowance:

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

4 a. If the member's service retirement date occurs on or after
5 his 55th birthday and completion of five years of creditable
6 service as a law enforcement officer, or after the completion
7 of 30 years of creditable service, the allowance shall be
8 equal to one and seventy-seven hundredths percent (1.77%)
9 of his average final compensation, multiplied by the number
10 of years of his creditable service.

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

16 1. The service retirement allowance payable under G.S.
17 128-27(b17)(1)a. reduced by one-third of one percent
18 (1/3 of 1%) thereof for each month by which his
19 retirement date precedes the first day of the month
20 coincident with or next following the month the
21 member would have attained his 55th birthday; or

22 2. The service retirement allowance as computed under
23 G.S. 128-27(b17)(1)a. reduced by five percent (5%)
24 times the difference between 30 years and his
25 creditable service at retirement.

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

29 a. If the member's service retirement date occurs on or after
30 his 65th birthday upon the completion of five years of
31 creditable service or after the completion of 30 years of
32 creditable service or on or after his 60th birthday upon the
33 completion of 25 years of creditable service, the allowance
34 shall be equal to one and seventy-seven hundredths percent
35 (1.77%) of average final compensation, multiplied by the
36 number of years of creditable service.

37 b. If the member's service retirement date occurs after his 60th
38 birthday and before his 65th birthday and prior to his
39 completion of 25 years or more of creditable service, his
40 retirement allowance shall be computed as in G.S. 128-
41 27(b17)(2)a. but shall be reduced by one-quarter of one
42 percent (1/4 of 1%) thereof for each month by which his
43 retirement date precedes the first day of the month
44 coincident with or next following his 65th birthday.

- 1 c. If the member's early service retirement date occurs on or
2 after his 50th birthday and before his 60th birthday and after
3 completion of 20 years of creditable service but prior to the
4 completion of 30 years of creditable service, his early service
5 retirement allowance shall be equal to the greater of:
- 6 1. The service retirement allowance as computed under
7 G.S. 128-27(b17)(2)a. but reduced by the sum of five-
8 twelfths of one percent (5/12 of 1%) thereof for each
9 month by which his retirement date precedes the first
10 day of the month coincident with or next following
11 the month the member would have attained his 60th
12 birthday, plus one-quarter of one percent (1/4 of 1%)
13 thereof for each month by which his 60th birthday
14 precedes the first day of the month coincident with or
15 next following his 65th birthday; or
 - 16 2. The service retirement allowance as computed under
17 G.S. 128-27(b17)(2)a. reduced by five percent (5%)
18 times the difference between 30 years and his
19 creditable service at retirement; or
 - 20 3. If the member's creditable service commenced prior
21 to July 1, 1995, the service retirement allowance
22 equal to the actuarial equivalent of the allowance
23 payable at the age of 60 years as computed in G.S.
24 128-27(b17)(2)b.
- 25 d. Notwithstanding the foregoing provisions, any member
26 whose creditable service commenced prior to July 1, 1965,
27 shall not receive less than the benefit provided by G.S. 128-
28 27(b)."

29 Section 5. G.S. 128-27 is amended by adding a new subsection to read:

30 "(b18) Service Retirement Allowance of Member Retiring on or After July 1,
31 1999. -- Upon retirement from service in accordance with subsection (a) or (a1)
32 above, on or after July 1, 1999, a member shall receive the following service
33 retirement allowance:

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

37 a. If the member's service retirement date occurs on or after
38 his 55th birthday and completion of five years of creditable
39 service as a law enforcement officer, or after the completion
40 of 25 years of creditable service, the allowance shall be
41 equal to one and seventy-seven hundredths percent (1.77%)
42 of his average final compensation, multiplied by the number
43 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(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. 128-27(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 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(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. 128-27(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

- 1 the month the member would have attained his 60th
2 birthday, plus one-quarter of one percent (1/4 of 1%)
3 thereof for each month by which his 60th birthday
4 precedes the first day of the month coincident with or
5 next following his 65th birthday; or
6 2. The service retirement allowance as computed under
7 G.S. 128-27(b18)(2)a. reduced by five percent (5%)
8 times the difference between 30 years and his
9 creditable service at retirement; or
10 3. If the member's creditable service commenced prior
11 to July 1, 1995, the service retirement allowance
12 equal to the actuarial equivalent of the allowance
13 payable at the age of 60 years as computed in G.S.
14 128-27(b18)(2)b.
15 d. Notwithstanding the foregoing provisions, any member
16 whose creditable service commenced prior to July 1, 1965,
17 shall not receive less than the benefit provided by G.S. 128-
18 27(b)."

19 Section 6. G.S. 128-27(m) reads as rewritten:

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

- 26 (1) a. The member had attained such age and/or creditable service
27 to be eligible to commence retirement with an early or
28 service retirement allowance, or
29 b. The member had obtained 20 years of creditable service in
30 which case the retirement allowance shall be computed in
31 accordance with ~~G.S. 128-27(b17)(1)b.~~ G.S. 128-27(b18)(1)b.
32 or ~~G.S. 128-27(b17)(2)c.~~ G.S. 128-27(b18)(2)c.
33 notwithstanding the requirement of obtaining age 50.
34 (2) The member had designated as the principal beneficiary to receive
35 a return of his accumulated contributions one and only one person
36 who is living at the time of his death.
37 (3) The member had not instructed the Board of Trustees in writing
38 that he did not wish the provisions of this subsection apply.

39 For the purpose of this benefit, a member is considered to be in service at the date
40 of his death if his death occurs within 180 days from the last day of his actual service.
41 The last day of actual service shall be determined as provided in subsection (l) of this
42 section. Upon the death of a member in service, the surviving spouse may make all
43 purchases for creditable service as provided for under this Chapter for which the
44 member had made application in writing prior to the date of death, provided that the

1 date of death occurred prior to or within 60 days after notification of the cost to
2 make the purchase."

3 Section 7. G.S. 143-166.41 reads as rewritten:

4 **"§ 143-166.41. Special separation allowance.**

5 (a) Notwithstanding any other provision of law, every sworn law-enforcement
6 officer as defined by G.S. 135-1(11b) or G.S. 143- 166.30(a)(4) employed by a State
7 department, agency, or institution who qualifies under this section shall receive,
8 beginning on the last day of the month in which he retires on a basic service
9 retirement under the provisions of G.S. 135-5(a) or G.S. 143-166(y), an annual
10 separation allowance equal to eighty-five hundredths percent (0.85%) of the annual
11 equivalent of the base rate of compensation most recently applicable to him for each
12 year of creditable service. The allowance shall be paid in 12 equal installments on the
13 last day of each month. To qualify for the allowance the officer shall:

- 14 (1) Have (i) completed ~~30~~ 25 or more years of creditable service or,
15 (ii) have attained 55 years of age and completed five or more years
16 of creditable service; and
17 (2) Not have attained 62 years of age; and
18 (3) Have completed at least five years of continuous service as a law
19 enforcement officer as herein defined immediately preceding a
20 service retirement. Any break in the continuous service required
21 by this subsection because of disability retirement or disability
22 salary continuation benefits shall not adversely affect an officer's
23 qualification to receive the allowance, provided the officer returns
24 to service within 45 days after the disability benefits cease and is
25 otherwise qualified to receive the allowance.

26 (b) As used in this section, "creditable service" means the service for which credit
27 is allowed under the retirement system of which the officer is a member, provided
28 that at least fifty percent (50%) of the service is as a law enforcement officer as
29 herein defined.

30 (c) Payment to a retired officer under the provisions of this section shall cease at
31 the death of the individual or on the last day of the month in which he attains 62
32 years of age or upon the first day of reemployment by any State department, agency,
33 or institution.

34 (d) This section does not affect the benefits to which an individual may be entitled
35 from State, federal, or private retirement systems. The benefits payable under this
36 section shall not be subject to any increases in salary or retirement allowances that
37 may be authorized by the General Assembly for employees of the State or retired
38 employees of the State.

39 (e) The head of each State department, agency, or institution shall determine the
40 eligibility of employees for the benefits provided herein.

41 (f) The Director of the Budget may authorize from time to time the transfer of
42 funds within the budgets of each State department, agency, or institution necessary to
43 carry out the purposes of this Article. These funds shall be taken from those

1 appropriated to the department, agency, or institution for salaries and related fringe
2 benefits.

3 (g) The head of each State department, agency, or institution shall make the
4 payments set forth in subsection (a) to those persons certified under subsection (e)
5 from funds available under subsection (f)."

6 Section 8. This act becomes effective July 1, 1999.



North Carolina General Assembly
Legislative Services Office

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

Elaine W. Robinson, Director
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Room 5, Legislative Building
16 W. Jones Street
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(919) 733-2578

MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 1, 1999

SUBJECT: Actuarial Note Request House Bill 816

Re: Reduces the years of service required for an unreduced benefit from 30 years to 25 years for law enforcement officers in the Teachers' and State Employees' Retirement System and 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, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Hensley
Representative Michaux, Chairman of the House Committee on Pensions and Retirement



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

April 12, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

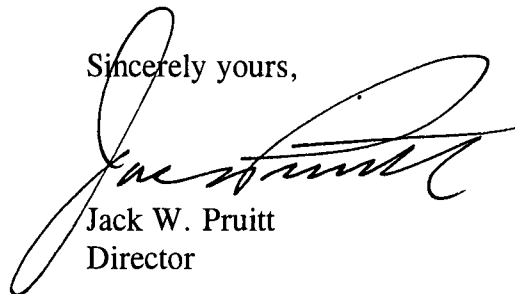
Re: Actuarial Note/House Bill 816

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 816 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

April 9, 1999

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 816

Dear Mr. Pruitt:

We have received your letter of April 5 regarding House Bill 816 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 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	.0080%	\$ 677,000
Accrued Liability	.0342	<u>2,893,000</u>
Total	.0422%	\$ 3,570,000

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 5.86% of covered payroll. The increase from the current employer normal rate of 5.27% would be 0.59% in perpetuity, which would require additional annual normal contributions of approximately \$2,810,000 in the first year. The additional unfunded accrued liability created on account of this legislation is \$47,024,000, which would require additional accrued liability contributions of approximately \$4,058,000 based on 15 year amortization of the additional unfunded accrued liability. The combined annual additional normal and accrued liability

Mr. Jack Pruitt

April 9, 1999

Page 2

contributions required by the employer is approximately \$6,868,000. 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.

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

Sincerely,

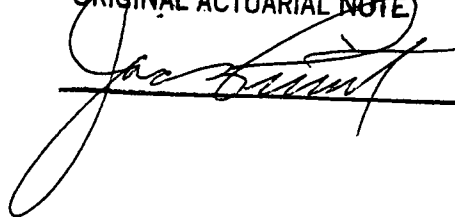
Edward A. Macdonald by et
Edward A. Macdonald
Principal and Consulting Actuary

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JC 387751 BC A33

Enclosure

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

A handwritten signature, likely of Jack Pruitt, is written over a horizontal line. The signature is in cursive and appears to be "Jack Pruitt".

BUCK CONSULTANTS

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

April 9, 1999

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 816

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Mr. Jack Pruitt
April 9, 1999
Page 2

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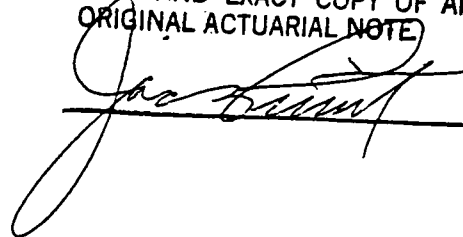
Sincerely,

Edward A. Macdonald by ET
Edward A. Macdonald
Principal and Consulting Actuary

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JC 387751 BC A33

Enclosure

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 House Bill 816

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70005	Aberdeen, Town Of.....	18	479,165	1,268,219	0.27%	2,827	3,424	6,251
70007	Ahoskie, Town Of.....	18	362,813	1,220,314	0.36%	2,141	4,393	6,534
70020	Alamance County.....	76	2,073,189	15,161,316	0.08%	12,232	12,129	24,361
70030	Albemarle, City Of.....	44	1,277,712	6,428,922	0.25%	7,539	16,072	23,611
70032	Alexander County.....	20	460,842	2,017,555	0.12%	2,719	2,421	5,140
70033	Alexander Mills, Town Of.....	1	4,149	122,466	0.02%	24	24	48
70035	Alleghany County.....	11	196,402	1,531,081	0.04%	1,159	612	1,771
70036	Andrews, Town Of.....	3	34,406	222,448	0.00%	203	0	203
70038	Angier, Town Of.....	14	189,061	428,142	0.02%	1,115	86	1,201
70040	Anson County.....	23	486,298	4,162,702	0.04%	2,869	1,665	4,534
70050	Apex, Town Of.....	27	818,500	3,261,136	0.31%	4,829	10,110	14,939
70063	Archdale, City Of.....	20	575,688	1,095,897	0.58%	3,397	6,356	9,753
70064	Asheboro, City Of.....	51	1,394,258	6,163,184	0.25%	8,226	15,408	23,634
70065	Ashe County.....	16	339,180	2,668,812	0.04%	2,001	1,068	3,069
70070	Asheville, City Of.....	172	5,515,706	26,616,679	0.20%	32,543	53,233	85,776
70072	Asheville A.B.C. Board.....	2	71,651	1,114,345	0.04%	423	446	869
70074	Asheville Regional Airport Authority	15	477,332	808,102	0.90%	2,816	7,273	10,089
70080	Atlantic Beach, Town Of.....	9	232,855	285,990	0.00%	1,374	0	1,374
70082	Aulander, Town Of.....	3	31,871	133,268	0.10%	188	133	321
70085	Aurora, Town Of.....	2	44,772	130,709	0.03%	264	39	303
70090	Avery County.....	34	387,859	2,996,257	0.00%	2,288	0	2,288
70100	Ayden, Town Of.....	17	364,143	1,455,901	0.18%	2,148	2,621	4,769
70103	Badin, Town Of.....	7	89,631	137,060	0.00%	529	0	529
70104	Bailey, Town Of.....	4	54,229	113,300	0.03%	320	34	354
70105	Bakersville, Town Of.....	1	22,573	57,271	0.00%	133	0	133
70107	Village Of Bald Head Island.....	13	191,118	563,321	0.01%	1,128	56	1,184
70110	Banner Elk, Town Of.....	6	109,309	259,123	0.20%	645	518	1,163
70130	Beaufort County.....	44	948,381	6,692,948	0.09%	5,595	6,024	11,619
70145	Beaufort, Town Of.....	13	231,724	1,117,338	0.02%	1,367	223	1,590
70146	Beech Mountain, Town Of.....	8	178,908	959,489	0.01%	1,056	96	1,152
70147	Belhaven, Town Of.....	14	201,639	718,166	0.01%	1,190	72	1,262
70150	Belmont, City Of.....	24	585,131	1,693,318	0.27%	3,452	4,572	8,024

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 816

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70155	Bessemer City, City Of.....	12	271,295	1,053,665	0.19%	1,601	2,002	3,603
70157	Bethel, Town Of.....	5	87,667	313,795	0.00%	517	0	517
70160	Beulaville, Town Of.....	3	59,088	215,832	0.42%	349	906	1,255
70170	Benson, Town Of.....	18	345,087	1,139,719	0.06%	2,036	684	2,720
70180	Bertie County.....	14	337,261	3,297,204	0.10%	1,990	3,297	5,287
70190	Biltmore Forest, Town Of.....	9	255,681	611,188	0.00%	1,509	0	1,509
70192	Biscoe, Town Of.....	7	157,782	291,009	0.99%	931	2,881	3,812
70195	Black Creek, Town Of.....	2	48,300	188,252	0.00%	285	0	285
70200	Black Mountain, Town Of.....	15	373,421	1,287,230	0.19%	2,203	2,446	4,649
70210	Bladen County.....	42	1,110,860	13,187,370	0.06%	6,554	7,912	14,466
70215	Bladenboro, Town Of.....	9	120,082	299,683	0.10%	708	300	1,008
70220	Blowing Rock, Town Of.....	9	237,807	955,637	0.16%	1,403	1,529	2,932
70225	Boiling Spring Lakes, City Of.....	4	77,466	275,230	0.05%	457	138	595
70230	Boiling Springs, Town Of.....	6	106,131	304,680	0.04%	626	122	748
70235	Bolton, Town Of.....	2	40,331	40,331	0.00%	238	0	238
70240	Boone, Town Of.....	32	941,964	3,251,423	0.35%	5,558	11,380	16,938
70250	Boonville, Town Of.....	2	47,393	203,519	0.18%	280	366	646
70260	Brevard, City Of.....	21	656,782	2,026,514	0.32%	3,875	6,485	10,360
70265	Broadway, Town Of.....	4	61,198	156,059	0.00%	361	0	361
70270	Brookford, Town Of.....	1	29,649	83,445	0.00%	175	0	175
70280	Brunswick County.....	67	1,995,666	9,604,973	0.08%	11,774	7,684	19,458
70285	Bryson City, Town Of.....	6	85,233	336,332	0.10%	503	336	839
70290	Buncombe County.....	214	5,636,265	35,565,896	0.03%	33,254	10,670	43,924
70295	Bunn, Town Of.....	6	65,770	126,417	0.00%	388	0	388
70300	Burgaw, Town Of.....	6	157,955	593,253	0.17%	932	1,009	1,941
70310	Burke County.....	80	1,753,036	5,605,000	0.22%	10,343	12,331	22,674
70320	Burlington, City Of.....	108	3,596,905	14,121,031	0.36%	21,222	50,836	72,058
70330	Burnsville, Town Of.....	9	166,496	453,303	0.09%	982	408	1,390
70340	Cabarrus County.....	137	4,080,029	19,277,524	0.14%	24,072	26,989	51,061
70350	Caldwell County.....	52	1,374,958	11,865,122	0.09%	8,112	10,679	18,791
70355	Calypso, Town Of.....	2	19,134	32,707	0.00%	113	0	113
70357	Camden County.....	7	173,903	716,147	0.00%	1,026	0	1,026

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 816

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70360	Candor, Town Of.....	5	67,582	111,392	0.00%	399	0	399
70362	Canton, Town Of.....	14	401,758	1,784,549	0.04%	2,370	714	3,084
70365	Cape Carteret, Town Of.....	5	124,224	163,188	0.59%	733	963	1,696
70372	Carrboro, Town Of.....	33	1,004,734	3,568,971	0.18%	5,928	6,424	12,352
70375	Carolina Beach, Town Of.....	25	571,281	1,686,022	0.05%	3,371	843	4,214
70380	Carteret County.....	33	819,166	7,141,331	0.02%	4,833	1,428	6,261
70385	Carteret County A.B.C. Board.....	1	27,313	496,811	0.00%	161	0	161
70390	Carthage, Town Of.....	11	156,326	355,262	0.22%	922	782	1,704
70400	Cary, Town Of.....	103	3,271,983	18,862,425	0.15%	19,305	28,294	47,599
70405	Caswell Beach, Town Of.....	4	93,941	146,556	0.28%	554	410	964
70415	Caswell County.....	30	637,253	3,459,058	0.08%	3,760	2,767	6,527
70430	Catawba County.....	103	2,980,401	27,348,944	0.04%	17,584	10,940	28,524
70440	Catawba County A.B.C. Board.....	1	33,849	685,643	0.00%	200	0	200
70450	Chadbourn, Town Of.....	9	167,823	290,261	0.21%	990	610	1,600
70470	Chapel Hill, Town Of.....	85	3,253,307	14,769,670	0.22%	19,195	32,493	51,688
70480	Charlotte, City Of.....	1,336	52,731,566	129,300,070	0.46%	311,116	594,780	905,896
70490	Chatham County.....	50	1,272,184	8,084,432	0.09%	7,506	7,276	14,782
70500	Cherokee County.....	18	277,331	3,483,506	0.00%	1,636	0	1,636
70505	Eastern Band Of Cherokee Indians....	28	808,687	808,687	0.27%	4,771	2,183	6,954
70520	Cherryville, City Of.....	17	347,739	1,677,700	0.05%	2,052	839	2,891
70522	China Grove, Town Of.....	9	205,185	393,532	0.38%	1,211	1,495	2,706
70525	Chocowinity, Town Of.....	2	27,905	129,098	0.22%	165	284	449
70530	Chowan County.....	13	385,910	2,299,367	0.14%	2,277	3,219	5,496
70535	Claremont, Town Of.....	11	173,886	384,159	0.21%	1,026	807	1,833
70538	Clay County.....	11	227,594	1,513,611	0.03%	1,343	454	1,797
70540	Clayton, Town Of.....	23	525,361	2,278,486	0.16%	3,100	3,646	6,746
70550	Cleveland County.....	74	1,997,739	18,255,916	0.08%	11,787	14,605	26,392
70552	Cleveland, Town Of.....	3	63,024	134,114	0.00%	372	0	372
70555	Clinton, City Of.....	29	800,680	2,741,063	0.13%	4,724	3,563	8,287
70570	Coats, Town Of.....	8	142,770	287,374	0.09%	842	259	1,101
70580	Columbus County.....	56	1,221,834	9,148,768	0.08%	7,209	7,319	14,528
70581	Columbus, Town Of.....	6	123,543	319,100	0.21%	729	670	1,399

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70590	Concord, City Of.....	104	3,021,152	17,201,493	0.15%	17,825	25,802	43,627
70610	Conover, Town Of.....	21	606,181	1,756,234	0.33%	3,576	5,796	9,372
70620	Conway, Town Of.....	1	26,686	122,923	0.27%	157	332	489
70625	Cornelius, Town Of.....	24	766,302	1,281,875	0.12%	4,521	1,538	6,059
70640	Cramerton, Town Of.....	9	206,969	491,122	0.81%	1,221	3,978	5,199
70650	Craven County.....	54	1,494,657	13,293,212	0.05%	8,818	6,647	15,465
70660	Creedmoor, City Of.....	8	140,568	324,277	0.60%	829	1,946	2,775
70680	Cumberland County.....	305	8,805,001	56,221,886	0.04%	51,950	22,489	74,439
70685	Cumberland County A.B.C. Board.....	4	95,189	924,284	0.16%	562	1,479	2,041
70700	Currituck County.....	38	853,539	3,914,492	0.04%	5,036	1,566	6,602
70705	Dallas, Town Of.....	9	194,143	906,981	0.04%	1,145	363	1,508
70720	Dare County.....	53	1,467,996	14,339,763	0.09%	8,661	12,906	21,567
70721	Dare County A.B.C. Board.....	1	33,871	347,109	0.00%	200	0	200
70723	Davidson County.....	112	3,033,167	20,118,757	0.07%	17,896	14,083	31,979
70724	Davidson, Town Of.....	15	416,857	734,026	0.06%	2,459	440	2,899
70725	Davie County.....	29	694,081	5,901,722	0.02%	4,095	1,180	5,275
70730	Denton, Town Of.....	7	172,611	451,996	0.21%	1,018	949	1,967
70735	Dobson, Town Of.....	5	127,057	244,523	0.01%	750	24	774
70745	Drexel, Town Of.....	5	140,267	494,126	0.02%	828	99	927
70760	Dunn, Town Of.....	32	834,306	2,593,865	0.18%	4,922	4,669	9,591
70770	Duplin County.....	40	1,034,530	7,833,875	0.07%	6,104	5,484	11,588
70780	Durham, City Of.....	333	12,942,291	55,352,483	0.30%	76,360	166,057	242,417
70790	Durham County.....	123	3,743,486	39,763,913	0.05%	22,087	19,882	41,969
70800	Durham County A.B.C. Board.....	3	77,677	1,522,043	0.08%	458	1,218	1,676
70805	East Bend, Town Of.....	2	38,788	70,014	0.00%	229	0	229
70812	East Spencer, Town Of.....	12	133,335	325,645	0.00%	787	0	787
70815	Eden, City Of.....	52	1,567,904	4,906,208	0.37%	9,251	18,153	27,404
70817	Edenton, Town Of.....	20	487,731	1,771,975	0.31%	2,878	5,493	8,371
70820	Edgecombe County.....	42	1,169,183	10,868,802	0.11%	6,898	11,956	18,854
70840	Elizabeth City.....	42	1,105,818	5,009,786	0.16%	6,524	8,016	14,540
70850	Elizabethtown, Town Of.....	14	374,792	904,071	0.20%	2,211	1,808	4,019
70855	Elkin, Town Of.....	18	443,587	1,284,589	0.06%	2,617	771	3,388

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70860	Elk Park, Town Of.....	1	20,289	66,847	0.40%	120	267	387
70865	Ellerbe, Town Of.....	3	49,066	155,510	0.00%	289	0	289
70870	Elm City, Town Of.....	4	84,464	215,073	0.00%	498	0	498
70880	Elon College, Town Of.....	11	315,568	886,501	0.34%	1,862	3,014	4,876
70890	Emerald Isle, Town Of.....	15	438,359	1,240,755	0.35%	2,586	4,343	6,929
70895	Enfield, Town Of.....	14	156,746	737,127	0.00%	925	0	925
70900	Erwin, Town Of.....	11	251,492	805,458	0.16%	1,484	1,289	2,773
70905	Eureka, Town Of.....	1	18,296	27,175	0.00%	108	0	108
70908	Fair Bluff, Town Of.....	4	79,172	144,293	0.00%	467	0	467
70910	Fairmont, Town Of.....	16	302,840	720,137	0.21%	1,787	1,512	3,299
70920	Faison, Town Of.....	2	49,245	146,557	0.47%	291	689	980
70930	Farmville, City Of.....	19	482,248	1,762,889	0.00%	2,845	0	2,845
70940	Fayetteville, City Of.....	291	9,014,986	28,158,174	0.23%	53,188	64,764	117,952
70943	Fletcher, Town Of.....	10	294,097	571,568	0.00%	1,735	0	1,735
70950	Forest City.....	30	848,636	2,840,437	0.22%	5,007	6,249	11,256
70951	Forsyth County.....	221	7,796,071	50,719,642	0.16%	45,997	81,151	127,148
70953	Foxfire Village.....	2	67,099	93,302	0.88%	396	821	1,217
70954	Four Oaks, Town Of.....	6	105,602	231,500	0.00%	623	0	623
70955	Franklin, Town Of.....	18	436,248	1,114,643	0.36%	2,574	4,013	6,587
70960	Franklin County.....	32	922,087	7,821,379	0.03%	5,440	2,346	7,786
70970	Franklinton, Town Of.....	9	198,695	498,876	0.18%	1,172	898	2,070
70980	Fremont, Town Of.....	3	103,861	497,160	0.03%	613	149	762
70990	Fuquay-Varina, Town Of.....	22	547,450	1,752,764	0.12%	3,230	2,103	5,333
71000	Garland, Town Of.....	2	37,152	107,028	0.00%	219	0	219
71010	Garner, Town Of.....	42	1,547,259	4,224,245	0.47%	9,129	19,854	28,983
71020	Garysburg, Town Of.....	3	61,076	91,255	0.04%	360	37	397
71030	Gaston County.....	215	7,456,222	31,682,311	0.17%	43,992	53,860	97,852
71032	Gaston, Town Of.....	2	39,930	142,634	0.00%	236	0	236
71040	Gastonia, City Of.....	170	6,028,811	28,176,247	0.30%	35,570	84,529	120,099
71050	Gates County.....	4	39,117	883,731	0.00%	231	0	231
71060	Gibsonville, Town Of.....	12	309,381	864,615	0.00%	1,825	0	1,825
71065	Glen Alpine, Town Of.....	2	47,285	74,919	0.26%	279	195	474

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						Normal	A.L.	Total
71070	Goldsboro, City Of.....	97	2,821,558	10,817,815	0.16%	16,647	17,309	33,956
71080	Graham, City Of.....	27	659,451	2,886,810	0.12%	3,891	3,464	7,355
71085	Graham County.....	3	25,776	63,187	0.00%	152	0	152
71090	Granite Falls, Town Of.....	13	288,741	1,148,911	0.15%	1,704	1,723	3,427
71105	Granite Quarry, Town Of.....	5	81,118	118,236	0.20%	479	236	715
71110	Granville County.....	37	760,321	11,026,058	0.05%	4,486	5,513	9,999
71130	Greene County.....	26	479,018	2,885,827	0.01%	2,826	289	3,115
71140	Greensboro, City Of.....	466	19,250,543	81,927,981	0.36%	113,578	294,941	408,519
71150	Greensboro A.B.C. Board.....	2	70,394	1,508,365	0.00%	415	0	415
71160	Greenville, City Of.....	147	4,735,327	16,891,777	0.27%	27,938	45,608	73,546
71170	Grifton, Town Of.....	6	139,941	333,474	0.14%	826	467	1,293
71178	Grover, Town Of.....	1	40,810	78,721	0.00%	241	0	241
71180	Guilford, County Of.....	207	7,503,407	77,260,462	0.08%	44,270	61,808	106,078
71200	Halifax County.....	45	1,091,437	13,589,824	0.08%	6,439	10,872	17,311
71220	Hamlet, City Of.....	20	490,287	1,760,594	0.12%	2,893	2,113	5,006
71230	Harnett County.....	64	1,567,979	11,802,531	0.07%	9,251	8,262	17,513
71240	Havelock, City Of.....	24	660,070	2,091,843	0.32%	3,894	6,694	10,588
71245	Haw River, Town Of.....	7	187,639	516,451	0.53%	1,107	2,737	3,844
71250	Haywood County.....	52	992,179	8,548,553	0.04%	5,854	3,419	9,273
71270	Henderson, City Of.....	52	1,270,348	5,079,439	0.21%	7,495	10,667	18,162
71275	Henderson County.....	94	3,169,510	14,557,723	0.19%	18,700	27,660	46,360
71280	Hendersonville, City Of.....	33	1,009,830	2,668,970	0.27%	5,958	7,206	13,164
71300	Hertford, Town Of.....	8	149,799	495,076	0.25%	884	1,238	2,122
71310	Hertford County.....	14	282,762	3,142,444	0.01%	1,668	314	1,982
71330	Hickory, City Of.....	102	2,920,797	15,508,922	0.18%	17,233	27,916	45,149
71335	Highlands, Town Of.....	11	218,433	1,037,610	0.10%	1,289	1,038	2,327
71340	High Point, City Of.....	190	6,811,278	38,258,660	0.22%	40,187	84,169	124,356
71360	Hillsborough, Town Of.....	18	545,955	1,795,880	0.15%	3,221	2,694	5,915
71370	Hoke County.....	34	765,010	4,150,229	0.00%	4,514	0	4,514
71380	Holly Ridge, Town Of.....	5	94,205	239,024	0.00%	556	0	556
71385	Holly Springs, Town Of.....	13	352,736	1,748,024	0.03%	2,081	524	2,605
71390	Hope Mills, Town Of.....	24	527,331	1,641,392	0.06%	3,111	985	4,096

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						Normal	A.L.	Total
71392	Hot Springs, Town Of.....	2	36,360	36,360	0.00%	215	0	215
71395	Hudson, Town Of.....	11	265,727	604,589	0.56%	1,568	3,386	4,954
71397	Huntersville, Town Of.....	34	909,629	1,305,220	0.24%	5,367	3,133	8,500
71400	Hyde County.....	10	194,943	1,936,159	0.01%	1,150	194	1,344
71405	Indian Beach, Town Of.....	4	125,355	153,904	0.77%	740	1,185	1,925
71420	Iredell County.....	80	2,247,595	15,136,062	0.11%	13,261	16,650	29,911
71430	Jackson County.....	34	746,962	5,314,280	0.06%	4,407	3,189	7,596
71435	Jackson, Town Of.....	1	31,000	64,959	0.00%	183	0	183
71440	Jacksonville, City Of.....	101	2,815,962	10,561,937	0.19%	16,614	20,068	36,682
71447	Jefferson, Town Of.....	3	66,138	254,020	0.35%	390	889	1,279
71460	Johnston County.....	73	1,859,433	30,734,279	0.03%	10,971	9,220	20,191
71465	Jones County.....	8	182,652	1,986,667	0.00%	1,078	0	1,078
71467	Jonesville, Town Of.....	11	179,238	359,894	0.23%	1,058	828	1,886
71468	Kannapolis, Town Of.....	75	2,614,556	4,553,795	0.58%	15,426	26,412	41,838
71469	Kenansville, Town Of.....	4	64,299	163,195	0.00%	379	0	379
71470	Kernersville, Town Of.....	45	1,158,989	4,006,554	0.25%	6,838	10,016	16,854
71472	Kenly, Town Of.....	12	159,267	298,407	0.00%	940	0	940
71480	Kill Devil Hills, Town Of.....	23	714,037	3,048,843	0.16%	4,213	4,878	9,091
71487	King, Town Of.....	16	379,610	1,176,172	0.11%	2,240	1,294	3,534
71490	Kings Mountain, City Of.....	27	561,172	2,837,111	0.04%	3,311	1,135	4,446
71492	Kingtown, Town Of.....	2	33,670	36,324	0.00%	199	0	199
71500	Kinston, City Of.....	73	2,107,326	10,532,580	0.17%	12,433	17,905	30,338
71507	Kitty Hawk, Town Of.....	14	430,670	728,731	0.67%	2,541	4,882	7,423
71510	Knightdale, Town Of.....	13	394,337	807,186	0.28%	2,327	2,260	4,587
71515	Kure Beach, Town Of.....	7	188,873	477,123	0.00%	1,114	0	1,114
71517	Lagrange, Town Of.....	8	146,376	578,909	0.24%	864	1,389	2,253
71518	Lake Lure, Town Of.....	7	133,877	681,846	0.13%	790	886	1,676
71519	Lake Waccamaw, Town Of.....	2	48,495	160,700	0.00%	286	0	286
71522	Landis, Town Of.....	7	162,865	594,905	0.31%	961	1,844	2,805
71525	Laurel Park, Town Of.....	5	99,367	395,008	0.05%	586	198	784
71530	Laurinburg, City Of.....	32	822,415	3,990,182	0.14%	4,852	5,586	10,438
71532	Lawndale, Town Of.....	1	21,384	32,212	0.00%	126	0	126

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						Normal	A.L.	Total
71535	Lee County.....	32	897,724	7,689,096	0.05%	5,297	3,845	9,142
71540	Leland, Town Of.....	8	144,781	204,115	0.37%	854	755	1,609
71550	Lenoir County.....	49	1,275,986	11,229,250	0.14%	7,528	15,721	23,249
71552	City Of Lenior.....	48	1,372,809	5,489,733	0.26%	8,100	14,273	22,373
71570	Lexington, City Of.....	64	1,828,307	9,657,604	0.20%	10,787	19,315	30,102
71582	Liberty, Town Of.....	13	238,451	592,430	0.26%	1,407	1,540	2,947
71584	Lilesville, Town Of.....	1	31,487	54,533	0.00%	186	0	186
71585	Lillington, Town Of.....	8	180,898	621,050	0.17%	1,067	1,056	2,123
71590	Lincoln County.....	66	1,785,721	9,051,079	0.12%	10,536	10,861	21,397
71600	Lincolnton, City Of.....	31	901,642	3,862,731	0.18%	5,320	6,953	12,273
71615	Littleton, Town Of.....	1	32,810	133,507	0.41%	194	547	741
71620	Locust, City Of.....	5	121,300	165,626	0.47%	716	778	1,494
71630	Long Beach, Town Of.....	19	525,215	1,417,476	0.03%	3,099	425	3,524
71640	Long View, Town Of.....	20	406,387	926,870	0.24%	2,398	2,224	4,622
71650	Louisburg, Town Of.....	12	318,172	1,445,911	0.06%	1,877	868	2,745
71655	Lowell, Town Of.....	7	152,816	382,627	0.16%	902	612	1,514
71660	Lucama, Town Of.....	3	57,137	230,169	0.01%	337	23	360
71670	Lumberton, City Of.....	62	1,458,995	7,184,905	0.22%	8,608	15,807	24,415
71680	Macon County.....	34	765,816	5,420,270	0.01%	4,518	542	5,060
71683	Madison, Town Of.....	13	316,502	1,007,245	0.24%	1,867	2,417	4,284
71684	Madison County.....	13	209,344	2,972,038	0.00%	1,235	0	1,235
71685	Maggie Valley, Town Of.....	6	129,119	218,139	0.74%	762	1,614	2,376
71700	Maiden, Town Of.....	16	387,520	1,111,461	0.04%	2,286	445	2,731
71705	Manteo, Town Of.....	7	163,990	618,609	0.12%	968	742	1,710
71710	Marion, Town Of.....	19	430,171	1,591,177	0.06%	2,538	955	3,493
71711	Marshall, Town Of.....	4	56,313	135,523	0.17%	332	230	562
71718	Mars Hill, Town Of.....	4	71,362	333,464	0.02%	421	67	488
71720	Marshville, Town Of.....	8	196,540	444,770	0.46%	1,160	2,046	3,206
71730	Martin County.....	27	601,904	3,562,528	0.11%	3,551	3,919	7,470
71740	Matthews, Town Of.....	38	1,249,920	2,496,609	0.19%	7,375	4,744	12,119
71745	Maysville, Town Of.....	2	38,812	109,653	0.00%	229	0	229
71750	Maxton, Town Of.....	13	248,619	248,619	0.92%	1,467	2,287	3,754

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						Normal	A.L.	Total
71755	Mayodan, Town Of.....	11	304,781	839,412	0.34%	1,798	2,854	4,652
71760	Mcadenville, Town Of.....	4	106,203	136,325	0.13%	627	177	804
71762	Mc Dowell County.....	32	753,275	5,080,312	0.03%	4,444	1,524	5,968
71765	Mebane, Town Of.....	2	55,852	69,034	0.00%	330	0	330
71770	Mecklenburg County.....	347	12,181,927	108,608,880	0.06%	71,873	65,165	137,038
71780	Mecklenburg County A.B.C. Board.....	10	501,555	3,486,408	0.11%	2,959	3,835	6,794
71785	Middlesex, Town Of.....	6	105,983	179,041	0.28%	625	501	1,126
71788	Mitchell County.....	13	232,429	1,985,605	0.09%	1,371	1,787	3,158
71790	Mocksville, Town Of.....	14	311,874	1,095,687	0.15%	1,840	1,644	3,484
71800	Monroe, City Of.....	67	2,279,318	7,961,823	0.27%	13,448	21,497	34,945
71815	Montgomery County.....	26	582,609	3,231,345	0.09%	3,437	2,908	6,345
71820	Montreat, Town Of.....	5	144,721	332,477	0.41%	854	1,363	2,217
71830	Moore County.....	59	1,640,770	10,792,657	0.12%	9,681	12,951	22,632
71840	Moore County A.B.C. Board.....	3	65,737	304,266	0.12%	388	365	753
71850	Mooresville, City Of.....	36	975,398	3,851,614	0.16%	5,755	6,163	11,918
71860	Morehead City, Town Of.....	35	945,272	2,874,158	0.18%	5,577	5,173	10,750
71870	Morganton, City Of.....	87	2,423,886	7,787,020	0.37%	14,301	28,812	43,113
71885	Morven, Town Of.....	3	36,720	79,340	0.00%	217	0	217
71910	Mount Airy, Town Of.....	38	1,136,474	4,198,891	0.22%	6,705	9,238	15,943
71920	Mount Gilead, Town Of.....	8	163,417	293,125	0.26%	964	762	1,726
71930	Mt. Holly, City Of.....	19	478,523	1,853,068	0.15%	2,823	2,780	5,603
71940	Mount Olive, Town Of.....	16	315,830	937,338	0.28%	1,863	2,625	4,488
71970	Murfreesboro, Town Of.....	11	202,521	550,415	0.11%	1,195	605	1,800
71975	Murphy, Town Of.....	8	172,400	637,045	0.32%	1,017	2,039	3,056
71980	Nags Head, Town Of.....	18	609,721	2,675,301	0.21%	3,597	5,618	9,215
71990	Nash County.....	55	1,371,681	12,067,346	0.07%	8,093	8,447	16,540
71995	Nashville, Town Of.....	10	221,741	852,900	0.06%	1,308	512	1,820
72000	Nash County A.B.C. Board.....	1	34,536	395,088	0.20%	204	790	994
72020	New Bern, City Of.....	78	2,817,172	9,120,704	0.09%	16,621	8,209	24,830
72024	New Hanover Airport Authority.....	9	284,801	723,831	0.18%	1,680	1,303	2,983
72030	New Hanover County.....	188	6,163,764	32,708,001	0.06%	36,366	19,625	55,991
72032	Newland, Town Of.....	4	42,444	158,464	0.00%	250	0	250

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 816

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
72035	Newport, Town Of.....	5	131,987	443,713	0.20%	779	887	1,666
72040	Newton, Town Of.....	32	948,131	4,097,489	0.17%	5,594	6,966	12,560
72050	Newton Grove, Town Of.....	3	40,394	102,883	0.11%	238	113	351
72055	Norlina, Town Of.....	6	88,594	143,765	0.04%	523	58	581
72060	Northampton County.....	18	427,308	5,042,897	0.05%	2,521	2,521	5,042
72076	City Of Northwest.....	2	37,263	88,593	0.00%	220	0	220
72105	North Wilkesboro, Town Of.....	25	495,852	1,435,718	0.08%	2,926	1,149	4,075
72110	Norwood, Town Of.....	5	120,619	430,113	0.26%	712	1,118	1,830
72120	Oakboro, Town Of.....	4	99,177	218,006	0.00%	585	0	585
72135	Ocean Isle Beach, Town Of.....	6	202,588	516,187	0.00%	1,195	0	1,195
72140	Old Fort, Town Of.....	7	152,415	415,837	0.02%	899	83	982
72150	Onslow County.....	99	2,651,851	22,044,008	0.05%	15,646	11,022	26,668
72170	Orange County.....	100	3,113,676	18,585,388	0.12%	18,371	22,302	40,673
72195	Oriental, Town Of.....	2	56,138	131,816	0.00%	331	0	331
72200	Oxford, City Of.....	30	732,029	2,155,677	0.25%	4,319	5,389	9,708
72210	Pamlico County.....	14	299,326	2,229,847	0.00%	1,766	0	1,766
72220	Pasquotank County.....	25	649,983	22,069,514	0.01%	3,835	2,207	6,042
72228	Pembroke, Town Of.....	13	263,840	728,097	0.28%	1,557	2,039	3,596
72235	Pender County.....	38	808,052	5,165,408	0.06%	4,768	3,099	7,867
72245	Perquimans County.....	4	54,737	1,249,616	0.01%	323	125	448
72250	Person County.....	33	814,743	7,166,554	0.05%	4,807	3,583	8,390
72265	Piedmont Triad Airport Authority....	4	72,709	72,709	0.00%	429	0	429
72270	Pikeville, Town Of.....	4	54,285	54,285	0.00%	320	0	320
72280	Pilot Mountain, Town Of.....	8	196,401	442,251	0.54%	1,159	2,388	3,547
72285	Pinebluff, Town Of.....	4	62,041	178,464	0.00%	366	0	366
72287	Pinehurst, Village Of.....	24	541,496	2,430,358	0.13%	3,195	3,159	6,354
72290	Pine Knoll Shores, Town Of.....	6	126,888	328,927	0.00%	749	0	749
72295	Pine Level, Town Of.....	3	42,148	191,629	0.14%	249	268	517
72296	Pinetops, Town Of.....	6	146,052	447,030	0.00%	862	0	862
72300	Pineville, Town Of.....	28	678,711	1,516,308	0.13%	4,004	1,971	5,975
72310	Pitt County.....	89	2,808,777	25,329,098	0.10%	16,572	25,329	41,901
72320	Pitt County A.B.C. Board.....	1	28,686	503,649	0.01%	169	50	219

North Carolina Local Governmental Employees Retirement System
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						Normal	A.L.	Total
72330	Pittsboro, Town Of.....	7	199,780	646,781	0.20%	1,179	1,294	2,473
72335	Plymouth, Town Of.....	15	273,987	410,310	0.36%	1,617	1,477	3,094
72340	Polk County.....	15	323,732	1,917,422	0.07%	1,910	1,342	3,252
72345	Polkton, Town Of.....	1	28,733	42,738	0.00%	170	0	170
72349	Princeton, Town Of.....	4	57,229	146,538	0.00%	338	0	338
72351	Princeville, Town Of.....	4	62,097	62,097	0.00%	366	0	366
72355	Raeford, Town Of.....	12	305,401	1,189,030	0.00%	1,802	0	1,802
72360	Raleigh, City Of.....	538	21,815,342	83,515,724	0.38%	128,711	317,360	446,071
72370	Raleigh-Durham Airport Authority....	22	774,759	5,492,329	0.06%	4,571	3,295	7,866
72375	Ramseur, Town Of.....	7	124,844	344,177	0.00%	737	0	737
72377	Randleman, City Of.....	14	237,400	1,029,494	0.02%	1,401	206	1,607
72380	Randolph County.....	100	2,424,972	11,672,485	0.08%	14,307	9,338	23,645
72390	Ranlo, Town Of.....	4	144,118	285,650	0.00%	850	0	850
72400	Reidsville, Town Of.....	41	1,227,913	4,019,098	0.35%	7,245	14,067	21,312
72420	Richlands, Town Of.....	5	101,282	264,469	0.01%	598	26	624
72430	Richmond County.....	38	999,721	6,251,024	0.11%	5,898	6,876	12,774
72432	Rich Square, Town Of.....	1	27,676	61,007	0.00%	163	0	163
72435	River Bend, Town Of.....	4	105,076	255,583	0.33%	620	843	1,463
72440	Roanoke Rapids, City Of.....	38	1,094,615	4,008,428	0.36%	6,458	14,430	20,888
72443	Robbins, Town Of.....	7	170,973	557,896	0.18%	1,009	1,004	2,013
72445	Robersonville, Town Of.....	7	151,564	663,694	0.00%	894	0	894
72450	Robeson County.....	89	2,178,832	19,989,165	0.08%	12,855	15,991	28,846
72460	Rockingham, City Of.....	28	615,481	3,086,396	0.13%	3,631	4,012	7,643
72470	Rockingham County.....	94	2,295,289	18,442,688	0.06%	13,542	11,066	24,608
72480	Rocky Mount, City Of.....	129	4,183,814	20,800,172	0.17%	24,685	35,360	60,045
72485	Rolesville, Town Of.....	5	111,562	165,662	0.82%	658	1,358	2,016
72486	Roseboro, Town Of.....	6	91,920	189,539	0.00%	542	0	542
72487	Rose Hill, Town Of.....	4	82,311	288,279	0.00%	486	0	486
72490	Rowan County.....	90	2,416,946	16,190,938	0.10%	14,260	16,191	30,451
72510	Rowland, Town Of.....	8	150,640	333,348	0.24%	889	800	1,689
72520	Roxboro, City Of.....	30	766,344	2,711,657	0.22%	4,521	5,966	10,487
72530	Rutherford County.....	56	1,649,239	7,276,551	0.11%	9,731	8,004	17,735

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
72535	Rutherfordton, Town Of.....	12	303,782	751,651	0.31%	1,792	2,330	4,122
72540	St. Pauls, Town Of.....	12	299,816	669,246	0.08%	1,769	535	2,304
72547	Salemberg, Town Of.....	1	18,100	55,541	0.00%	107	0	107
72550	Salisbury, City Of.....	75	2,404,793	11,387,539	0.27%	14,188	30,746	44,934
72560	Saluda, Town Of.....	4	108,280	185,102	0.00%	639	0	639
72563	Sampson County.....	48	1,150,863	7,926,167	0.05%	6,790	3,963	10,753
72565	Sanford, City Of.....	69	2,195,894	7,732,518	0.28%	12,956	21,651	34,607
72580	Scotland County.....	34	959,353	8,624,689	0.10%	5,660	8,625	14,285
72590	Scotland Neck, Town Of.....	7	158,528	894,854	0.00%	935	0	935
72593	Seagrove, Town Of.....	1	25,704	25,704	2.18%	152	560	712
72594	Selma, Town Of.....	22	534,056	1,675,040	0.25%	3,151	4,188	7,339
72595	Severn, Town Of.....	1	30,407	35,504	0.00%	179	0	179
72597	Shallotte, Town Of.....	6	135,122	496,453	0.17%	797	844	1,641
72600	Sharpsburg, Town Of.....	7	148,291	148,291	0.13%	875	193	1,068
72610	Shelby, City Of.....	64	1,520,821	7,676,337	0.15%	8,973	11,515	20,488
72625	Siler City, Town Of.....	16	436,236	1,617,373	0.17%	2,574	2,750	5,324
72630	Smithfield, Town Of.....	21	659,750	3,260,497	0.21%	3,893	6,847	10,740
72640	Southern Pines, Town Of.....	30	830,258	2,921,429	0.27%	4,899	7,888	12,787
72645	Southern Shores, Town Of.....	6	218,751	482,368	0.15%	1,291	724	2,015
72650	Southport, City Of.....	9	244,931	1,151,539	0.00%	1,445	0	1,445
72657	Sparta, Town Of.....	3	76,793	76,793	0.20%	453	154	607
72665	Spencer, Town Of.....	10	193,238	624,379	0.21%	1,140	1,311	2,451
72670	Spindale, Town Of.....	9	278,374	870,476	0.56%	1,642	4,875	6,517
72675	Spring Hope, Town Of.....	6	123,832	372,683	0.31%	731	1,155	1,886
72678	Spruce Pine, Town Of.....	6	146,448	564,459	0.21%	864	1,185	2,049
72680	Stanfield, Town Of.....	5	59,400	62,148	0.38%	350	236	586
72682	Stanley, Town Of.....	10	285,612	626,324	0.40%	1,685	2,505	4,190
72683	Stanly County.....	38	845,950	7,951,273	0.10%	4,991	7,951	12,942
72684	Stantonsburg, Town Of.....	3	85,340	306,614	0.13%	504	399	903
72685	Star, Town Of.....	5	107,774	262,348	0.07%	636	184	820
72700	Statesville, City Of.....	60	1,707,334	9,204,190	0.25%	10,073	23,010	33,083
72710	Statesville A.B.C. Board.....	1	27,390	241,132	0.00%	162	0	162

North Carolina Local Governmental Employees Retirement System
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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
72715	Stedman, Town Of.....	1	30,388	76,796	0.81%	179	622	801
72720	Stokes County.....	34	688,634	5,969,213	0.07%	4,063	4,178	8,241
72721	Stoneville, Town Of.....	3	56,066	170,925	0.11%	331	188	519
72722	Stovall, Town Of.....	1	17,368	19,868	0.00%	102	0	102
72723	Sunset Beach, Town Of.....	11	262,696	518,612	0.17%	1,550	882	2,432
72725	Surf City.....	10	198,946	487,593	0.00%	1,174	0	1,174
72730	Surry County.....	42	1,044,896	11,314,855	0.09%	6,165	10,183	16,348
72740	Swain County.....	9	217,267	1,706,074	0.00%	1,282	0	1,282
72745	Swansboro, Town Of.....	6	115,179	383,417	0.30%	680	1,150	1,830
72750	Sylva, Town Of.....	12	218,766	540,215	0.38%	1,291	2,053	3,344
72760	Tabor City, Town Of.....	7	92,745	432,987	0.00%	547	0	547
72770	Tarboro, Town Of.....	27	830,142	4,630,452	0.19%	4,898	8,798	13,696
72775	Taylorsville, Town Of.....	11	260,262	532,093	0.20%	1,536	1,064	2,600
72776	Taylortown, Town Of.....	1	24,391	57,230	0.00%	144	0	144
72780	Thomasville, City Of.....	60	1,441,473	5,747,257	0.22%	8,505	12,644	21,149
72789	North Topsail Beach, Town Of.....	9	194,089	449,448	0.08%	1,145	360	1,505
72790	Topsail Beach, Town Of.....	9	178,785	360,351	0.50%	1,055	1,802	2,857
72800	Transylvania County.....	38	1,064,781	6,213,802	0.13%	6,282	8,078	14,360
72810	Trent Woods, Town Of.....	4	143,849	223,402	0.23%	849	514	1,363
72815	Troutman, Town Of.....	2	42,180	42,180	0.88%	249	371	620
72822	Troy, Town Of.....	9	219,660	691,048	0.06%	1,296	415	1,711
72823	Tryon, Town Of.....	9	248,701	773,280	0.14%	1,467	1,083	2,550
72825	Tyrrell County.....	8	172,333	798,996	0.07%	1,017	559	1,576
72830	Union County.....	114	3,272,451	17,852,307	0.18%	19,307	32,134	51,441
72883	Valdese, Town Of.....	11	285,814	1,809,487	0.13%	1,686	2,352	4,038
72890	Vance County.....	38	767,730	6,029,861	0.04%	4,530	2,412	6,942
72910	Vanceboro, Town Of.....	1	24,907	128,645	0.16%	147	206	353
72920	Vass, Town Of.....	5	104,476	168,047	0.58%	616	975	1,591
72930	Wadesboro, Town Of.....	19	523,647	1,495,010	0.23%	3,090	3,439	6,529
72935	Wagram, Town Of.....	4	54,474	112,437	0.00%	321	0	321
72940	Wake County.....	250	8,662,459	80,182,513	0.13%	51,109	104,237	155,346
72950	Wake County A.B.C. Board.....	5	199,471	1,999,563	0.24%	1,177	4,799	5,976

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						Normal	A.L.	Total
72960	Wake Forest, Town Of.....	25	789,537	2,662,409	0.17%	4,658	4,526	9,184
72970	Wallace, Town Of.....	14	259,001	828,804	0.19%	1,528	1,575	3,103
72975	Walnut Cove, Town Of.....	6	119,181	240,213	0.88%	703	2,114	2,817
72980	Warren County.....	21	391,013	4,194,271	0.00%	2,307	0	2,307
72981	Warsaw, Town Of.....	12	278,563	693,774	0.00%	1,644	0	1,644
72983	Watauga County.....	27	724,565	4,720,643	0.11%	4,275	5,193	9,468
72985	Washinton County.....	15	263,927	2,248,659	0.04%	1,557	899	2,456
72990	Washington, City Of.....	30	877,323	5,697,374	0.12%	5,176	6,837	12,013
72995	Waxhaw, Town Of.....	5	128,425	138,480	0.03%	758	42	800
72997	Wayne County.....	55	1,295,651	13,549,768	0.05%	7,644	6,775	14,419
73010	Waynesville, Town Of.....	29	836,877	3,151,157	0.13%	4,938	4,097	9,035
73016	Weaverville, Town Of.....	10	202,490	1,005,050	0.07%	1,195	704	1,899
73017	Weldon, Town Of.....	7	158,040	531,112	0.35%	932	1,859	2,791
73020	Wendell, Town Of.....	9	255,482	746,739	0.34%	1,507	2,539	4,046
73025	West Jefferson, Town Of.....	6	126,610	313,411	0.03%	747	94	841
73040	Whispering Pines, Village Of.....	7	192,825	340,836	0.44%	1,138	1,500	2,638
73045	Whitakers, Town Of.....	4	54,405	212,660	0.00%	321	0	321
73050	White Lake, Town Of.....	6	83,919	264,168	0.16%	495	423	918
73060	Whiteville, City Of.....	25	524,738	1,595,155	0.15%	3,096	2,393	5,489
73072	Wilkesboro, Town Of.....	17	356,325	1,071,931	0.36%	2,102	3,859	5,961
73075	Wilkes County.....	56	1,371,113	8,771,061	0.12%	8,090	10,525	18,615
73080	Williamston, City Of.....	18	390,771	1,549,267	0.07%	2,306	1,084	3,390
73090	Wilmington, City Of.....	185	6,101,244	19,894,578	0.23%	35,997	45,758	81,755
73100	Wilson, City Of.....	101	3,210,281	17,324,364	0.18%	18,941	31,184	50,125
73110	Wilson County.....	56	1,589,456	14,421,836	0.09%	9,378	12,980	22,358
73122	Windsor, Town Of.....	7	198,236	630,407	0.08%	1,170	504	1,674
73125	Wingate, Town Of.....	5	106,653	257,426	0.04%	629	103	732
73130	Winston-Salem, City Of.....	453	15,980,631	67,677,007	0.23%	94,286	155,657	249,943
73140	Winston-Salem A.B.C. Board.....	6	257,016	1,528,995	0.11%	1,516	1,682	3,198
73150	Winterville, Town Of.....	9	219,757	689,695	0.00%	1,297	0	1,297
73155	Winton, Town Of.....	2	53,423	188,574	0.54%	315	1,018	1,333
73160	Woodfin, Town Of.....	10	114,400	350,191	0.13%	675	455	1,130

North Carolina Local Governmental Employees Retirement System
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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
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73162	Woodland, Town Of.....	1	30,161	100,285	0.00%	178	0	178
73165	Wrightsville Beach, Town Of.....	17	524,890	1,986,976	0.28%	3,097	5,564	8,661
73170	Yadkin County.....	30	673,683	5,133,544	0.03%	3,975	1,540	5,515
73180	Yadkinville, Town Of.....	6	137,203	761,974	0.24%	809	1,829	2,638
73190	Yancey County.....	9	198,042	1,657,340	0.08%	1,168	1,326	2,494
73192	Yanceyville, Town Of.....	4	67,953	215,397	0.08%	401	172	573
73195	Yaupon Beach, Town Of.....	5	129,354	255,055	0.43%	763	1,097	1,860
73200	Youngsville, Town Of.....	6	88,733	125,644	0.00%	524	0	524
73210	Zebulon, Town Of.....	17	506,246	1,422,783	0.27%	2,987	3,842	6,829
		15,774	476,358,894	2,423,744,662		2,810,530	4,057,651	6,868,181



**North Carolina General Assembly
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MEMORANDUM

TO: Representative Bob Hensley

FROM: Stanley Moore *sm*
Fiscal Research Division

DATE: April 26, 1999

SUBJECT: Actuarial Note on Committee Substitute for House Bill 816

Re: Reduces the service requirement for unreduced retirement benefits from 30 years of service to 25 years of service as a law enforcement officer regardless of age and reduces the requirement of 30 years to 25 years for the special separation allowance of .85% of salary for each year of 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: Representative Michaux; Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, April 21, 1999
- (3) Actuarial Note, Hartman & Associates, April 21, 1999

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Proposed Committee Substitute House Bill 816

SHORT TITLE: Law Officers' 25-Year Retirement

SPONSOR(S): Representative Hensley

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

FUNDS AFFECTED: General Fund, Highway Fund, Receipts and Local Government Funds

BILL SUMMARY: Reduces the service requirement for unreduced retirement benefits from 30 years of service to 25 years of service as a law enforcement officer regardless of age. The bill also reduces the requirement of 30 years to 25 years for the special separation allowance of .85% of salary for each year of service.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the normal cost will increase by .0080% of the payroll of all members of the Teachers' and State Employee's Retirement System. Buck Consultants estimates the cost to fund the accrued liability cost will be .0342% of the payroll of all members.

<u>General Fund</u>	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$501,200	\$527,764	\$555,735	\$585,189	\$616,204
Accrued Liability	<u>\$2,142,630</u>	<u>\$2,256,189</u>	<u>\$2,375,767</u>	<u>\$2,501,683</u>	<u>\$2,634,272</u>
Total General Fund	\$2,643,830	\$2,783,953	\$2,931,502	\$3,086,872	\$3,250,476

<u>Highway Fund</u>	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$40,320	\$42,457	\$44,274	\$46,169	\$48,145
Accrued Liability	<u>\$172,368</u>	<u>\$181,504</u>	<u>\$189,272</u>	<u>\$197,373</u>	<u>\$205,820</u>
Total Highway Fund	\$212,688	\$223,960	\$233,546	\$243,542	\$253,965

<u>Receipt Funds</u>	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$135,280	\$142,450	\$150,000	\$157,950	\$166,321
Accrued Liability	<u>\$578,322</u>	<u>\$608,973</u>	<u>\$641,249</u>	<u>\$675,235</u>	<u>\$711,022</u>
Total Receipt Funds	\$713,602	\$751,423	\$791,248	\$833,184	\$877,343

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$2,643,830	\$2,783,953	\$2,931,502	\$3,086,872	\$3,250,476
Highway Fund	\$212,688	\$223,960	\$233,546	\$243,542	\$253,965
Receipt Funds	<u>\$713,602</u>	<u>\$751,423</u>	<u>\$791,248</u>	<u>\$833,184</u>	<u>\$877,343</u>
Total Retirement Cost	\$3,570,120	\$3,759,336	\$3,956,297	\$4,163,598	\$4,381,785
Separation Allowance	<u>\$290,000</u>	<u>\$839,000</u>	<u>\$1,292,000</u>	<u>\$1,642,000</u>	<u>\$1,887,000</u>
TOTAL COST	\$3,860,120	\$4,598,336	\$5,248,297	\$5,805,598	\$6,268,785

General Assembly Actuary: Hartman & Associates estimates the normal cost will increase by .011% of the payroll of all members of the Teachers' and State Employee's Retirement System. Hartman & Associates estimates the cost to fund the accrued liability cost will be .032% of the payroll of all members.

General Fund	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$689,150	\$725,675	\$764,136	\$804,635	\$847,281
Accrued Liability	<u>\$2,004,800</u>	<u>\$2,111,054</u>	<u>\$2,222,940</u>	<u>\$2,340,756</u>	<u>\$2,464,816</u>
Total General Fund	\$2,693,950	\$2,836,729	\$2,987,076	\$3,145,391	\$3,312,097

Highway Fund	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$55,440	\$58,378	\$61,472	\$64,730	\$68,161
Accrued Liability	<u>\$161,280</u>	<u>\$169,828</u>	<u>\$178,828</u>	<u>\$188,607</u>	<u>\$198,287</u>
Total Highway Fund	\$216,720	\$228,206	\$240,301	\$253,037	\$266,448

Receipt Funds	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$186,010	\$195,869	\$206,250	\$217,181	\$228,691
Accrued Liability	<u>\$541,120</u>	<u>\$569,799</u>	<u>\$599,999</u>	<u>\$631,799</u>	<u>\$665,284</u>
Total Receipt Funds	\$727,130	\$765,668	\$806,248	\$848,979	\$893,975

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Fund	\$2,693,950	\$2,836,729	\$2,987,076	\$3,145,391	\$3,312,097
Highway Fund	\$216,720	\$228,206	\$240,301	\$253,037	\$266,448
Receipt Funds	<u>\$727,130</u>	<u>\$765,668</u>	<u>\$806,248</u>	<u>\$848,979</u>	<u>\$893,975</u>
Total Retirement Cost	\$3,637,800	\$3,830,603	\$4,033,625	\$4,247,408	\$4,472,520
Separation Allowance	<u>\$ 319,047</u>	<u>\$ 840,589</u>	<u>\$1,261,209</u>	<u>\$1,555,290</u>	<u>\$1,717,394</u>
TOTAL COST	\$3,956,847	\$4,671,192	\$5,294,834	\$5,802,698	\$6,189,914

The above cost estimates are based on 3,276 State law enforcement officers employed during the calendar year of 1998 projected at the average annual increase of 5.3% in the compensation base for the State System over the next five years.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the normal cost will increase from 5.27% of payroll to 5.86% for a net increase of .59% of the payroll of law enforcement officers. Buck Consultants estimates that the first year annual cost to pay the unfunded accrued liability will be \$4,058,000 based on a 5 year amortization period.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$2,810,517	\$2,984,770	\$3,169,825	\$3,366,354	\$3,575,068
Accrued Liability	<u>\$4,058,000</u>	<u>\$4,309,596</u>	<u>\$4,576,791</u>	<u>\$4,860,552</u>	<u>\$5,161,906</u>
Total Retirement Cost	\$6,868,517	\$7,294,366	\$7,746,616	\$8,226,906	\$8,736,975
Separation Allowance	<u>\$ 668,000</u>	<u>\$1,932,000</u>	<u>\$2,967,000</u>	<u>\$3,790,000</u>	<u>\$4,511,000</u>
Total Local Funds	\$7,536,517	\$9,226,366	\$10,713,616	\$12,016,906	\$13,247,975

General Assembly Actuary: Hartman & Associates estimates the normal cost will increase from 5.27% of payroll to 5.98% for a net increase of .71% of the payroll of law enforcement officers. They also estimates that the first year annual cost to pay the unfunded accrued liability will be \$37,541,844 which is expressed as 7.881% of the payroll of law enforcement officers.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$3,382,148	\$3,591,841	\$3,814,535	\$4,051,037	\$4,302,201
Accrued Liability	<u>\$4,277,703</u>	<u>\$4,542,920</u>	<u>\$4,824,582</u>	<u>\$5,123,706</u>	<u>\$5,441,375</u>
Total Retirement Cost	\$7,659,851	\$8,134,762	\$8,639,117	\$9,174,742	\$9,743,576
Separation Allowance	<u>\$ 423,322</u>	<u>\$1,231,977</u>	<u>\$2,030,254</u>	<u>\$2,740,990</u>	<u>\$3,463,463</u>
Total Local Funds	\$8,083,173	\$9,366,739	\$10,669,371	\$11,915,732	\$13,207,039

The above cost estimates are based on 15,960 local law enforcement officers employed during the calendar year of 1998 with an annual compensation base of \$476,358,894 projected at the average annual increase in compensation base of 6.2% for the Local System over the next five years.

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, 1997 actuarial valuation of the fund. The data included 271,128 active members with an annual payroll of \$7.374 billion and 92,236 retired members in receipt of annual pensions totaling \$1.231 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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, 1997 actuarial valuation of the fund. The data included 106,802 active members with an annual payroll of \$2.743 billion and 25,456 retired members in receipt of annual pensions totaling \$261.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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: Monday, April 26, 1999

BUCK CONSULTANTS

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

April 21, 1999

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 816

Dear Mr. Pruitt:

We have received your letter of April 16 regarding the Proposed Committee Substitute for House Bill 816 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.

This legislation also amends the Special Separation Allowance of G.S. 143-166.41 to reduce the eligibility requirement from 30 years of creditable service to 25.

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	.0080%	\$ 677,000
Accrued Liability	.0342	<u>2,893,000</u>
Total	.0422%	\$ 3,570,000

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 5.86% of covered payroll. The increase from the current employer normal rate of 5.27% would be 0.59% in perpetuity, which would require additional annual normal contributions of approximately \$2,810,000 in the first year. The additional unfunded accrued liability created on account of this

Mr. Jack Pruitt
April 21, 1999
Page 2

legislation is \$47,024,000, which would require additional accrued liability contributions of approximately \$4,058,000 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 \$6,868,000. 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.

Although there would be no cost to the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System associated with the earlier eligibility for the Special Separation Allowance, there would be an additional cost to the State and the Local Governmental Units. Attached is a projection of the estimated additional annual special separation allowances expected to be paid as a result of this legislation.

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.

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

Sincerely,

Edward A. Macdonald *by*

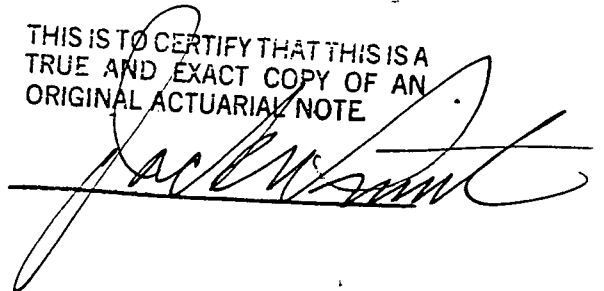
Edward A. Macdonald
Principal and Consulting Actuary

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JC 387751 BC A33

Enclosure

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



BUCK
CONSULTANTS

**PROJECTION OF ADDITIONAL SPECIAL SEPARATION ALLOWANCES
PAYABLE UNDER PROPOSED COMMITTEE SUBSTITUTE
FOR HOUSE BILL 816**

<u>Year</u>	<u>State</u>	<u>Local</u>
2000	\$ 290,000	\$ 668,000
2001	839,000	1,932,000
2002	1,292,000	2,967,000
2003	1,642,000	3,790,000
2004	1,887,000	4,511,000
2005	2,010,000	5,100,000
2006	1,995,000	5,670,000
2007	1,947,000	6,349,000
2008	1,991,000	6,925,000
2009	2,041,000	7,349,000

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

April 21, 1999

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

Re: House Bill 816: An Act to Allow Law Officers Who are Members of the TSERS or the LGERS to Retire with Unreduced Benefits After Completing Twenty-Five Years of Service

Dear Mr. Moore:

This bill amends G.S. 135-5 to modify the benefit provisions applicable to law enforcement officers in the Teachers' and State Employees' Retirement System and also amends G.S. 128-27 to modify the benefit provisions applicable to law enforcement officers in the Local Governmental Employees' Retirement System.

Currently, a law enforcement officer in either system may receive an unreduced retirement allowance upon attainment of age 55 and completion of 5 years of service or at any age upon completion of 30 years of service. This act provides that a law enforcement officer may retire with an unreduced allowance upon attainment of age 55 with 5 years of service or at any age with 25 years of service.

This act would become effective July 1, 1999 and applies to members retiring on or after that date. The provisions of this act will increase both the employer's normal contribution rate and the accrued liability contribution.

The estimated cost in the TSERS, expressed as a percentage of payroll, is an increase in the normal rate of 0.011% of pay and an increase in the accrued liability rate of 0.032%. This corresponds to a total annual increase in employer contributions for the fiscal year beginning July 1, 1999 of approximately \$3.6 million. This provides amortization of the additional unfunded accrued liability over a 9 year period.

The estimated cost in the LGERS, expressed as a percentage of the payroll of law enforcement officers, is an increase in the normal rate of 0.71% and an increase in the accrued liability rate of 0.898%. This corresponds to a total annual increase of

Mr. Stanley Moore
April 21, 1999

Page 2

approximately \$8.3 million for the fiscal year beginning July 1, 1999. This provides amortization of the additional unfunded accrued liability over a 15 year period.

These estimates are based on the most recent actuarial valuations prepared as of December 31, 1997, and data provided by you on state and local law enforcement officers as of December 31, 1998. This data included 3,276 state law enforcement officers and 15,960 local law enforcement officers.

If you have any questions, let me know.

Sincerely,



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

MVH/jj

04/26/99 FAXED HARTMAN & ASSOCIATES (336) 731-2583 P. 001

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

April 26, 1999

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

Re: Committee Substitute to House Bill 816: An Act to Allow Law Officers Who are Members of the TSERS or the LGERS to Retire with Unreduced Benefits After Completing Twenty-Five Years of Service

Dear Mr. Moore:

This bill amends G.S. 135-5 to modify the benefit provisions applicable to law enforcement officers in the Teachers' and State Employees' Retirement System and also amends G.S. 128-27 to modify the benefit provisions applicable to law enforcement officers in the Local Governmental Employees' Retirement System.

Currently, a law enforcement officer in either system may receive an unreduced retirement allowance upon attainment of age 55 and completion of 5 years of service or at any age upon completion of 30 years of service. This act provides that a law enforcement officer may retire with an unreduced allowance upon attainment of age 55 with 5 years of service or at any age with 25 years of service.

The committee substitute extends the separation allowance for law enforcement officers provided in G.S. 143-166.41 and G.S. 143-166.42. Currently, a law enforcement officer in either the TSERS or LGERS receives a separation allowance, in addition to his retirement benefit, upon certain conditions. The separation allowance is payable from his retirement until attainment of age 62, provided the officer retired after completion of 30 years of service or after attainment of age 55 and completion of 5 years of service. The allowance equals 0.85% of his most recent rate of compensation multiplied by his years of creditable service. The committee substitute would make the separation allowance payable upon service retirement after completion of 25 years of service or after attainment of age 55 and completion of 5 years of service.

This act is effective July 1, 1999 and applies to members

Mr. Stanley Moore
April 26, 1999

Page 2

retiring on and after that date. The estimated costs to the retirement plans are addressed in a separate actuarial note. The costs of extending the separation allowance to lower retirement ages is equal to the additional allowances expected to be paid under the provisions of this act. The estimated additional allowances for the next ten years are:

<u>Year</u>	<u>State LEO's</u>	<u>Local LEO's</u>
1999-00	319,047	423,322
2000-01	840,589	1,231,977
2001-02	1,261,209	2,030,254
2002-03	1,555,290	2,740,990
2003-04	1,717,394	3,463,463
2004-05	1,846,011	4,185,188
2005-06	2,024,898	4,771,150
2006-07	2,121,407	5,280,657
2007-08	2,168,157	5,811,555
2008-09	2,231,722	6,146,536

These estimates are based on the most recent actuarial valuations prepared as of December 31, 1997, and data provided by you on state and local law enforcement officers as of December 31, 1998. This data included 3,276 state law enforcement officers and 15,960 local law enforcement officers.

If you have any questions, let me know.

Sincerely,



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

MVH/mot

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By Stanley Moore Date 4-26-99
Legislative Fiscal Research

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 508 A BILL TO BE ENTITLED AN ACT TO INCLUDE PUBLIC DEFENDERS
AND THE APPELLATE DEFENDER AS MEMBERS OF THE CONSOLIDATED
JUDICIAL 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.

☐ 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)

2/24/99

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 508*

Short Title: Pu. Def./App. Def. Retirement.

(Public)

Sponsors: Representative Smith.

Referred to: Pensions and Retirement.

March 22, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO INCLUDE PUBLIC DEFENDERS AND THE APPELLATE
3 DEFENDER AS MEMBERS OF THE CONSOLIDATED JUDICIAL
4 RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 135-50(b) reads as rewritten:

7 "(b) The purpose of this Article is to improve the administration of justice by
8 attracting and retaining the most highly qualified talent available within the State to
9 the positions of justice and judge, district attorney and solicitor, public defender, and
10 clerk of superior court, within the General Court of Justice."

11 Section 2. G.S. 135-51 reads as rewritten:

12 "**§ 135-51. Scope.**

13 (a) This Article provides consolidated retirement benefits for all justices and
14 judges, district attorneys, and solicitors who are serving on January 1, 1974, and who
15 become such thereafter; and for all clerks of superior court who are so serving on
16 January 1, 1975, and who become such ~~thereafter~~ after that date; and for all public
17 defenders who are serving on July 1, 1999, and who become public defenders after
18 that date.

19 (b) For justices and judges of the appellate and superior court divisions of the
20 General Court of Justice who so served prior to January 1, 1974, the provisions of
21 this Article supplement and, under certain circumstances, replace the provisions of
22 Articles 6 and 8, as the case may be, of Chapter 7A of the General Statutes.

23 x For district attorneys and judges of the district court of the General Court of
24 Justice who so served prior to January 1, 1974, the provisions of this Article

1 supplement and, under certain circumstances, replace the provisions of Article 1 of
2 this Chapter.

3 For public defenders of the General Court of Justice who so served prior to July 1,
4 1999, the provisions of this Article supplement and, under certain circumstances,
5 replace the provisions of Article 1 of this Chapter.

6 For clerks of superior court of the General Court of Justice who so served prior to
7 January 1, 1975, the provisions of this Article supplement and, under certain
8 circumstances, replace the provisions of Article 1 of this Chapter.

9 (c) The retirement benefits of any person who becomes a justice or judge, district
10 attorney, or solicitor on and after January 1, 1974, or clerk of superior court on and
11 after January 1, 1975, or public defender on or after July 1, 1999, shall be determined
12 solely in accordance with the provisions of this Article."

13 Section 3. G.S. 135-53 reads as rewritten:

14 "**§ 135-53. Definitions.**

15 The following words and phrases as used in this Article, unless a different meaning
16 is plainly required by the context, shall have the following meanings:

- 17 (1) 'Accumulated contributions' with respect to any member shall
18 mean the sum of all the amounts deducted from the compensation
19 of the member pursuant to G.S. 135-68 since he last became a
20 member and credited to his account in the annuity savings fund,
21 plus any amount standing to his credit pursuant to G.S. 135-67(c)
22 as a result of a prior period of membership, plus any amounts
23 credited to his account pursuant to G.S. 135-28.1(b) or 135-56(b),
24 together with regular interest on all such amounts computed as
25 provided in G.S. 135-7(b).
- 26 (2) 'Actuarial equivalent' shall mean a benefit of equal value when
27 computed upon the bases of such mortality tables as shall be
28 adopted by the Board of Trustees, and regular interest.
- 29 (3) 'Beneficiary' shall mean any person in receipt of a retirement
30 allowance or other benefit as provided in this Article.
- 31 (4) 'Board of Trustees' shall mean the Board of Trustees established
32 by G.S. 135-6.
- 33 (4a) 'Clerk of superior court' shall mean the clerk of superior court
34 provided for in G.S. 7A-100(a).
- 35 (5) 'Compensation' shall mean all salaries and wages derived from
36 public funds which are earned by a member of the Retirement
37 System for his service as a justice or judge, ~~or~~ district attorney, ~~or~~
38 clerk of superior ~~court.~~ court, or public defender.
- 39 (6) 'Creditable service' shall mean for any member the total of his
40 prior service plus his membership service.
- 41 (6a) 'District attorney' shall mean the district attorney or solicitor
42 provided for in G.S. 7A-60.

- (7) 'Filing' when used in reference to an application for retirement shall mean the receipt of an acceptable application on a form provided by the Retirement System.
- (8) 'Final compensation' shall mean for any member the annual equivalent of the rate of compensation most recently applicable to him.
- (9) 'Judge' shall mean any justice or judge of the General Court of Justice and the administrative officer of the courts.
- (10) 'Medical board' shall mean the board of physicians provided for in G.S. 135-6.
- (11) 'Member' shall mean any person included in the membership of the Retirement System as provided in this Article.
- (12) 'Membership service' shall mean service as a judge, district attorney, ~~or~~ clerk of superior ~~court~~ court, or public defender rendered while a member of the Retirement System.
- (13) 'Previous system' shall mean, with respect to any member, the retirement benefit provisions of Article 6 and Article 8 of Chapter 7A of the General Statutes, to the extent that such Article or Articles were formerly applicable to the member, and in the case of judges of the district court division, ~~and~~ district attorney, public defender, and clerk of superior court of the General Court of Justice, the Teachers' and State Employees' Retirement System.
- (14) 'Prior service' shall mean service rendered by a member, prior to his membership in the Retirement System, for which credit is allowable under G.S. 135-56.
- (14a) 'Public defender' means the public defender provided for in G.S. 7A-465 and the appellate defender provided for in G.S. 7A-486.
- (15) 'Regular interest' shall mean interest compounded annually at such a rate as shall be determined by the Board of Trustees in accordance with G.S. 135-7(b).
- (16) 'Retirement' shall mean the withdrawal from active service with a retirement allowance granted under the provisions of this Chapter. In order for a member's retirement to become effective in any month, the member must render no service at any time during that month.
- (17) 'Retirement allowance' shall mean the periodic payments to which a beneficiary becomes entitled under the provisions of this Article.
- (18) 'Retirement System' shall mean the 'Consolidated Judicial Retirement System' of North Carolina, as established in this Article.
- (19) 'Year' as used in this Article shall mean the regular fiscal year beginning July 1 and ending June 30 in the following calendar year, unless otherwise defined by regulation of the Board of Trustees."

Section 4. G.S. 135-54 reads as rewritten:

"§ 135-54. Name and date of establishment.

A Retirement System is hereby established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits under the provisions of this Article for justices and judges, district attorneys, public defenders, and clerks of superior court of the General Court of Justice of North Carolina, and their survivors. The Retirement System so created shall be established as of January 1, 1974.

The Retirement System shall have the power and privileges of a corporation and shall be known as the 'Consolidated Judicial Retirement System of North Carolina,' and by such name all of its business shall be transacted."

Section 5. G.S. 135-55 reads as rewritten:

"§ 135-55. Membership.

(a) The membership of the Retirement System shall consist of:

- (1) All judges and district attorneys in office on January 1, 1974;
- (2) All persons who become judges and district attorneys or reenter service as judges and district attorneys after January 1, 1974;
- (3) All clerks of superior court in office on January 1, 1975; ~~and~~
- (4) All persons who become clerks of superior court or reenter service as clerks of superior court after January 1, ~~1975~~ 1975;
- (5) All public defenders in office on July 1, 1999; and
- (6) All persons who become public defenders or reenter service as public defenders after July 1, 1999.

(b) The membership of any person in the Retirement System shall cease upon:

- (1) The withdrawal of his accumulated contributions after he is no longer a judge, district ~~attorney~~ attorney, public defender, or clerk of superior court, or
- (2) His retirement under the provisions of the Retirement System, or
- (3) His death."

Section 6. G.S. 135-56(a) reads as rewritten:

"(a) Subject to such rules and regulations as the Board of Trustees shall adopt with regard to the verification of a judge's prior service, the prior service of a judge shall consist of his service rendered prior to January 1, 1974, as a justice of the Supreme Court, judge of the Court of Appeals, judge of the superior court, judge of the district court division of the General Court of Justice, as administrative officer of the courts, ~~or~~ as a solicitor or district ~~attorney~~ attorney, or as a public defender."

Section 7. G.S. 135-56 is amended by adding a new subsection to read:

"(f) On and after July 1, 1999, the creditable service of a member who was a public defender and a member of the Teachers' and State Employees' Retirement System at the time of transfer of membership from the previous system to this System shall include service as a public defender that was creditable in the previous system immediately prior to July 1, 1999. The accumulated contributions of a member as a public defender shall be transferred from the previous system to this System in the

1 same manner as prescribed under G.S. 135-28.1 as it pertained to judges of the
2 district court division of the General Court of Justice."

3 Section 8. G.S. 135-58(a1) reads as rewritten:

4 "(a1) Any member who retires under the provisions of subsection (a) or
5 subsection (c) of G.S. 135-57 on or after July 1, 1990, but before July 1, 1999, after he
6 either has attained his 65th birthday or has completed 24 years or more of creditable
7 service shall receive an annual retirement allowance, payable monthly, which shall
8 commence on the effective date of his retirement and shall be continued on the first
9 day of each month thereafter during his lifetime, the amount of which shall be
10 computed as the sum of (1), (2), and (3) following, provided that in no event shall the
11 annual allowance payable to any member be greater than an amount which, when
12 added to the allowance, if any, to which he is entitled under the Teachers' and State
13 Employees' Retirement System, the Legislative Retirement System or the North
14 Carolina Local Governmental Employees' Retirement System (prior in any case to
15 any reduction for early retirement or for an optional mode of payment) would total
16 three-fourths of his final compensation:

17 (1) Four and two-hundredths percent (4.02%) of his final
18 compensation, multiplied by the number of years of his creditable
19 service rendered as a justice of the Supreme Court or judge of the
20 Court of Appeals;

21 (2) Three and fifty-two hundredths percent (3.52%) of his final
22 compensation, multiplied by the number of years of his creditable
23 service rendered as a judge of the superior court or as
24 administrative officer of the courts;

25 (3) Three and two-hundredths percent (3.02%) of his final
26 compensation, multiplied by the number of years of his creditable
27 service rendered as a judge of the district court, district attorney,
28 or clerk of superior court."

29 Section 9. G.S. 135-58 is amended by adding a new subsection to read:

30 "(a2) Any member who retires under the provisions of subsection (a) or
31 subsection (c) of G.S. 135-57 on or after July 1, 1999, after he either has attained his
32 65th birthday or has completed 24 years or more of creditable service shall receive an
33 annual retirement allowance, payable monthly, which shall commence on the
34 effective date of his retirement and shall be continued on the first day of each month
35 thereafter during his lifetime, the amount of which shall be computed as the sum of
36 (1), (2), and (3) following, provided that in no event shall the annual allowance
37 payable to any member be greater than an amount which, when added to the
38 allowance, if any, to which he is entitled under the Teachers' and State Employees'
39 Retirement System, the Legislative Retirement System, or the North Carolina Local
40 Governmental Employees' Retirement System (prior in any case to any reduction for
41 early retirement or for an optional mode of payment) would total three-fourths of his
42 final compensation:

43 (1) Four and two-hundredths percent (4.02%) of his final
44 compensation, multiplied by the number of years of his creditable

1 service rendered as a justice of the Supreme Court or judge of the
2 Court of Appeals;

3 (2) Three and fifty-two hundredths percent (3.52%) of his final
4 compensation, multiplied by the number of years of his creditable
5 service rendered as a judge of the superior court or as
6 Administrative Officer of the Courts;

7 (3) Three and two-hundredths percent (3.02%) of his final
8 compensation, multiplied by the number of years of his creditable
9 service rendered as a judge of the district court, district attorney,
10 clerk of superior court, or public defender."

11 Section 10. G.S. 135-56 is amended by adding a new subsection to read:

12 "(c1) On and after July 1, 1999, the creditable service of a public defender who
13 was a member of the Teachers' and State Employees' Retirement System on June 30,
14 1999, and whose accumulated contributions are transferred from that System to this
15 System, includes service that was creditable in the Teachers' and State Employees'
16 Retirement System, and membership service with that System is membership service
17 with this System."

18 Section 11. This act becomes effective July 1, 1999.



**North Carolina General Assembly
Legislative Services Office**

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

Deanne W. Robinson, Director
Administrative Division
Room 5, Legislative Building
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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

MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: March 23, 1999

SUBJECT: Actuarial Note Request House Bill 508

Re: Transfers the eleven public defenders and the one appellate defenders from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Smith
Representative Michaux, Chairman of the House Committee on Pensions and Retirement



HARLAN E. BOYLES
TREASURER

STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

DENNIS DUCKER
DEPUTY TREASURER

April 28, 1994

Mr. Robert B. Matthews
510 Kenway Street
Garner, North Carolina 27529

Re: SA- [REDACTED]
SS#- [REDACTED]

Dear Mr. Matthews:

Enclosed is a copy of our actuary's letter of April 28, which answers your question of March 30.

We are glad to provide you with this information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jack W. Pruitt".

Jack W. Pruitt
Deputy Director

JWP/dsp

Enclosure

BUCK CONSULTANTS

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

April 28, 1994

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

Dear Jack:

This is in response to your request for an explanation of the decrease in joint and survivorship option factors as the age of the pensioner increases. The question is a natural one and the basic explanation may not be easy to see.

The place to start would be the concept of "actuarial equivalence". As you know, the Retirement Law provides that a member may elect optional benefits which are the actuarial equivalent of his service retirement allowance. This means that he may elect to change his maximum benefit into two benefits (one to him and one to his surviving spouse) provided the actuarial value of the revised form of payment equals the actuarial value of his allowance before option. Keep in mind that the actuarial value of a fixed retirement allowance decreases with the age of a retiring member.

The election of an optional benefit may be compared with the purchase of life insurance. The pensioner provides his beneficiary with a death benefit, the premium for which is paid from the reserve held to provide his benefit. Since the reserve held is equal to the actuarial value of his retirement allowance, the older the pensioner the less the reserve available at the time of his retirement from which to provide insurance. In addition, the cost of life insurance increases with age because the pensioner has a shorter life expectancy over which to pay the required premium. These two facts, the smaller reserve and the larger annual premium, combine to produce a greater reduction of the pensioner's maximum benefit as his age increases. Thus, the option factors decrease with age.

Perhaps using a specific example will help to clarify the points made above. Assume a 71 year old member retires with a maximum monthly allowance of \$1,397.36. If he had been 61, the reserve or actuarial value for this benefit would have been \$161,488.58. Since he is in fact 71, the actual reserve held is \$125,000.93. In addition, the cost of insurance on his life has increased (in the case of 100% continuation) from \$29,992.32 at age 61 to \$56,911.21 at age 71. Thus, instead of a reduction factor of

$$\frac{161,488.58}{161,488.58 + 29,992.32} = .8434$$

Buck Consultants, Inc.
404/955-2488 Fax 404/933-8336

APR 28 '94 10:38 NO.018 P.02

ID:404-933-8336

BUCK ATLANTA 1

Mr. Jack Pruitt
April 28, 1994
Page 2

had he been 61, the reduction factor applicable to him is actually

$$\frac{125,000.93}{125,000.93 + 56,911.21} = .6872$$

I trust that the above answers your question, but if it does not, please let me know.

Sincerely,



Donald M. Overholser
Consulting Actuary

DMO:jq
91-94

BUCK
CONSULTANTS



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

March 24, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

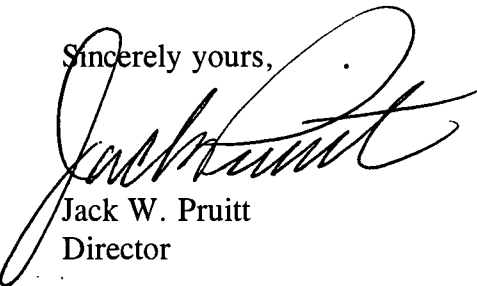
Re: Actuarial Note/House Bill 508

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 508 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,



Jack W. Pruitt
Director

JWP/dsp

Enclosure

BUCK CONSULTANTS

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

March 24, 1999

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 508

Dear Mr. Pruitt:

We have received your letter of March 22 regarding House Bill 508 which affects the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System.

This legislation appears, effective July 1, 1999, to cause current and future public and appellate defenders to be members of the Consolidated Judicial Retirement System with a 3.02% annual accrual rate benefit. For current public defenders, all service as a public defender and accumulated contributions representative of such service would be transferred from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System. No Pension Accumulation Fund assets would be transferred. Any service remaining in the Teachers' and State Employees' Retirement System after the transfer would be considered service for attaining retirement rights in the Consolidated Judicial Retirement System, and service in the Consolidated Judicial Retirement System would be considered service for attaining retirement rights with the Teachers' and State Employees' Retirement System.

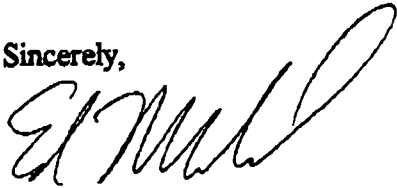
This legislation would increase the unfunded accrued liability of the Consolidated Judicial Retirement System by approximately \$2,468,000 or 0.97% of payroll.

Based on the current employer contribution rates, the net annual cost to the State would be equal to 11.82% of the total compensation of the 12 public defenders, or \$141,797, based on the reported compensation of \$1,199,638.

Mr. Jack Pruitt
March 24, 1999
Page 2

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

Sincerely,

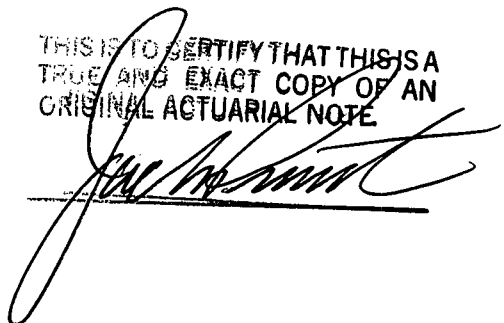


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

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JC 387, 2747 BC A33

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



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RETIREMENT SYSTEMS DIVISION

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APR 28 '94 10:38 AM P.02

ID:404-933-8336

BUCK ATLANTA 1

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April 28, 1994
Page 2

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DEPARTMENT OF STATE TREASURER
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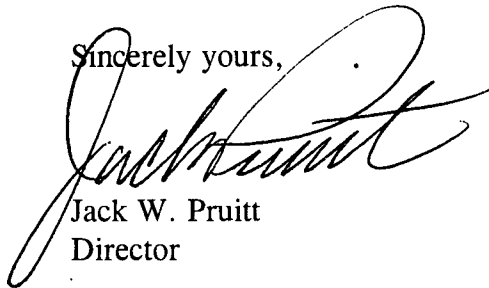
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Sincerely yours,



Jack W. Pruitt
Director

JWP/dsp

Enclosure

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March 24, 1999

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Department of State Treasurer
325 North Salisbury Street
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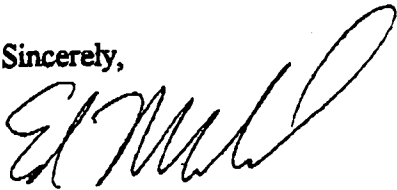
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Mr. Jack Pruitt
March 24, 1999
Page 2

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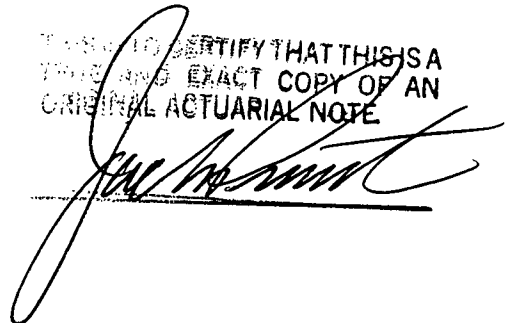
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq
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JC 387, 7747 BC AT3

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BILL ANALYSIS

HOUSE BILL 1034: Professional Firefighters' Retirement

Committee: House Pensions & Retirement
Date: May 19, 1999
Version: 1st Edition

Introduced by: Representative Moore
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 1034 defines a "Professional Firefighter" in the Local Governmental Employees' Retirement System (LGERS) and provides an accrual rate of 2.5% per year of service and an unreduced retirement after 25 years of service regardless of age or at age 55 with five years of service.*

BILL ANALYSIS:

Section 1 of House Bill 1034 amends G.S. 128-21 to define a "Professional Firefighter" as a full-time paid employee of an employer, maintaining a fire department certified by the North Carolina Department of Insurance, who is actively serving in a position with assigned primary duties and responsibilities for the prevention, detection, and suppression of fire.

Section 2 amends G.S. 128-24(5) to add the term "professional firefighters" to the retirement membership provisions of this section.

Section 3 amends G.S. 128-27 (a) regarding Service Retirement Benefits to specify that the "professional firefighter" shall retire when they have completed at least 25 years of creditable service provided that the last five years of creditable service is as a professional firefighter. Also amended is subsection (a) (5) to provide the same retirement terms to professional firefighters that apply to law enforcement officers.

Section 4 adds G.S. 128-27 (b18) to provide for professional firefighters retiring on or after July 1, 2000. For members retiring after age 55 and completion of 5 years of service or after completion of 25 years of service, the last 5 as a professional firefighter, an allowance of 1.77% of the member's average final compensation, multiplied by the number of years of service, plus 2.5% of the members average final compensation, multiplied by the number of years for service earned as a professional firefighter on or after July 1, 1987.

If a member retires after age 50 but before 55 with 15 years of service but less than 25 years of service, the allowance is the greater of the retirement allowance payable under G.S. 128-27(b16)(1) reduced by 1/3 of 1% for each month by which the retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday. Service retirement allowance as computer under G.S. 128-27(b16)(1) is reduced by 5% times the difference between 25 years and the member's creditable service at retirement.

Section 5 amends G.S. 128-30(d) to enact a requirement for an additional liability contribution from employers for professional firefighters.

Section 6 states that this act becomes effective January 1, 2000 and applies to persons retiring on or after that date.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

D

HOUSE BILL 1034*

Proposed Committee Substitute H1034-PCS6195-LL

Short Title: Professional Firefighters' Retirement.

(Public)

Sponsors:

Referred to:

April 14, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO DEFINE A PROFESSIONAL FIREFIGHTERS' BENEFIT
3 ACCRUAL RATE FOR MEMBERS AND BENEFICIARIES OF THE LOCAL
4 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 128-21 is amended by adding a new subdivision to read:

7 "(17a) 'Professional firefighter' means a full-time, paid employee of an
8 employer, maintaining a fire department certified by the North
9 Carolina Department of Insurance, who is actively serving in a
10 position with assigned primary duties and responsibilities for the
11 prevention, detection, and suppression of fire."

12 Section 2. G.S. 128-24(5) reads as rewritten:

13 "(5) The provisions of this subdivision (5) shall apply to any member
14 whose membership is terminated on or after July 1, 1965, and who
15 becomes entitled to benefits hereunder in accordance with the
16 provisions hereof.

17 a. Notwithstanding any other provision of this Chapter, any
18 member who separates from service prior to the attainment
19 of the age of 60 years for any reason other than death or
20 retirement for disability as provided in G.S. 128-27(c), after
21 completing 15 or more years of creditable service, and who
22 leaves his total accumulated contributions in said System
23 shall have the right to retire on a deferred retirement

allowance upon attaining the age of 60 years; provided that such member may retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired; and further provided that in the case of a member who so separates from service on or after July 1, 1967, the aforestated requirement of 15 or more years of creditable service shall be reduced to 12 or more years of creditable service; and further provided that in the case of a member who so separates from service on or after July 1, 1971, or whose account is active on July 1, 1971, the aforestated requirement of 12 or more years of creditable service shall be reduced to five or more years of creditable service. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or eligible former law enforcement officer.

- b. In lieu of the benefits provided in paragraph a of this subdivision, any member who separates from service prior to the attainment of the age of 60 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired. Such early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
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58	14
57	20
56	25
55	30
54	35
53	39

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- b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer or a professional firefighter at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System, may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement ~~officers~~; officers or professional firefighters.
- b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer or professional firefighter at the time of separation from service prior to the attainment of the age of 55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred service retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred service retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement ~~officers~~; officers or professional firefighters.
- b3. Deferred retirement allowance of members retiring on or after July 1, 1995. -- In lieu of the benefits provided in paragraphs a. and b. of this subdivision, any member who

separates from service prior to attainment of age 60 years, after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System, may elect to retire on a deferred retirement allowance upon attaining the age of 50 years or any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or an eligible former law enforcement officer.

c. Should a beneficiary who retired on an early or service retirement allowance be reemployed, or otherwise engaged to perform services, by an employer participating in the Retirement System on a part-time, temporary, interim, or on fee-for-service basis, whether contractual or otherwise, and if such beneficiary earns an amount in any calendar year which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars (\$20,000), whichever is greater, as hereinafter indexed, then the retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the amount above, for the balance of the calendar year. The retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the ratio of the Consumer Price Index to the Index one year earlier, calculated to the nearest tenth of a percent (1/10 of 1%).

d. Should a beneficiary who retired on an early or service retirement allowance be restored to service as an employee, then the retirement allowance shall cease as of the first day of the month following the month in which the beneficiary is restored to service and the beneficiary shall become a member of the Retirement System and shall contribute thereafter as allowed by law at the uniform contribution payable by all members.

Upon his subsequent retirement, he shall be paid a retirement allowance determined as follows:

1. For a member who earns at least three years' membership service after restoration to service, the retirement allowance shall be computed on the basis of his compensation and service before and after the period of prior retirement without restriction; provided, that if the prior allowance was based on a social security leveling payment option, the allowance shall be adjusted actuarially for the difference between the amount received under the optional payment and what would have been paid if the retirement allowance had been paid without optional modification.
2. For a member who does not earn three years' membership service after restoration to service, the retirement allowance shall be equal to the sum of the retirement allowance to which he would have been entitled had he not been restored to service, without modification of the election of an optional allowance previously made, and the retirement allowance that results from service earned since being restored to service; provided, that if the prior retirement allowance was based on a social security leveling payment option, the prior allowance shall be adjusted actuarially for the difference between the amount that would have been paid for each month had the payment not been suspended and what would have been paid if the retirement allowance had been paid without optional modification."

Section 3. G.S. 128-27(a) reads as rewritten:

"(a) Service Retirement Benefits. --

- (1) Any member may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 60 years and have at least five years of creditable service or shall have completed 30 years of creditable service, or if a ~~fireman, he~~ professional firefighter, the member shall have ~~attained the age of 55 years and have at least five years of creditable service.~~ completed at least 25 years of creditable service provided that the last five years of creditable service is as a professional firefighter.

- (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

(3) Repealed by Session Laws 1971, c. 325, s. 12.

(4) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired.

(5) Any member who is a law enforcement ~~officer~~, officer or professional firefighter, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, ~~he the member~~ desires to be retired; provided, also, any member who has met the conditions required by this ~~subdivision~~ section but does not retire, and later becomes an employee other than as a law enforcement ~~officer~~, officer or professional firefighter, continues to have the right to commence retirement."

Section 4. G.S. 128-27 is amended by adding a new subsection to read:

"(b18) Service Retirement Allowance of Professional Firefighters Retiring on or After July 1, 1999. -- Upon retirement from service, in accordance with subsection (a) of this section, on or after July 1, 1999, a member who is a professional firefighter or an eligible former professional firefighter shall receive the following service retirement allowance:

(1) If the member's service retirement date occurs on or after the member's 55th birthday, and completion of five years of creditable service as a professional firefighter, or after the completion of 25 years of creditable service, provided that the last five years of creditable service are as a professional firefighter, the allowance shall be equal to the sum of:

a. One and seventy-seven hundredths percent (1.77%) of the member's average final compensation, multiplied by the number of years of creditable service earned by the member in service other than as a professional firefighter, plus

b. Two and fifty hundredths percent (2.50%) of the member's average final compensation, multiplied by the number of years of creditable service earned as a professional firefighter.

(2) If the member's service retirement date occurs after the member's 50th birthday and before the member's 55th birthday with 15 or more years of creditable service as a professional firefighter and

1 prior to completion of 25 years of creditable service, the member's
2 retirement allowance shall be equal to the greater of:

3 a. The service retirement allowance payable under G.S. 128-
4 27(b16)(1) reduced by one-third of one percent (1/3 of 1%)
5 thereof for each month by which his retirement date
6 precedes the first day of the month coincident with or next
7 following the month the member would have attained his
8 55th birthday; or

9 b. The service retirement allowance as computed under G.S.
10 128-27(b16)(1) reduced by five percent (5%) times the
11 difference between 25 years and the member's creditable
12 service at retirement."

13 Section 5. G.S. 128-30(d) is amended by adding a new subdivision to
14 read:

15 "(10) Notwithstanding the foregoing provisions of this subsection,
16 beginning with the December 31, 1998, valuation, the actuary shall
17 determine an additional 'accrued liability contribution' on account
18 of each employer's professional firefighters. This contribution shall
19 be that percentage of the professional firefighters' compensation
20 necessary to liquidate the 'existing unfunded accrued liability' over
21 a period of years to be determined by the Board of Trustees. The
22 'existing unfunded accrued liability' for each employer shall be
23 equal to the accrued liability for additional benefits payable to
24 each employer's professional firefighters who are members of the
25 Retirement System on June 30, 1999. The 'accrued liability
26 contribution' determined on the basis of this subdivision shall be
27 added to that determined under subdivisions (3) and (9) of this
28 subsection and shall be included in the total amount payable under
29 subdivision (5) of this subsection."

30 Section 6. This act becomes effective July 1, 1999, and applies to persons
31 retiring on or after that date.

RETIREMENT STUDY EXPLAINED

North Carolina Fire Fighters on the Bottom Rung (page-1)

The percentage of *average final compensation* (AFC) is based on the benefit ratio of each state. North Carolina is the lowest of all the states surveyed. The foot note illustrates the 25% penalties imposed on fire fighters benefits in the Local Government Employees Retirement System should they retire in 25 years of service. Other states have removed their penalties for fire fighters.

NC Only State Without 25 Year Full Retirement (page-1)

The dark shaded states have a state-wide system with 25 year retirement. The light shaded states do not have state wide systems, however, their larger cities have recognized that fire fighting is hazardous and provided 25 year retirement with increased benefits. Examples are Knoxville, Chattanooga, Nashville and Memphis in Tennessee, Atlanta, Georgia and Dallas, Houston and Austin are examples in Texas. North Carolina is the only state without 25 year retirement. The exception in North Carolina is the Charlotte Fire Fighters Retirement System.

Low Benefits Ratio for NC Fire Fighters (page 2)

This chart demonstrates that North Carolina has the lowest benefit ratio of all the states and cities with their own retirement system for fire fighters. This benefit ratio of NC fire fighters directly relates to the low AFC percentage of North Carolina fire fighters in the *NC Fire Fighter on Bottom Rung* chart on page 1. Other states and cities have recognized that fire fighting is a dangerous job and know that some need the option to retire early. The North Carolina system needs a benefit ratio high enough to allow fire fighters some measure of retirement dignity.

Other States Grant Special Risk Provisions (page 2)

This chart lists the special provision retirement plans of hazardous duty employees in other states. For years, North Carolina legislators have provided special provisions for law enforcement in LGERS and Charlotte Fire Fighters but never for fire fighters in LGERS.

Fire Fighters Work Longer Hours (page 3)

Legislators have been told that providing 25 years full retirement for fire fighters is treating them more special than other employees. Just the opposite is true. In twenty-five years, fire fighters will work 10,000 more hours than other employees will work in thirty years, plus, they are working a much more dangerous profession in terms of on-the-job injuries.

Fire Fighting is Dangerous (page 3)

The worker's comp. rates quoted are based on the City of Greensboro but are comparable to any city in the state. Rates for fire fighting are five times higher than police work. This clearly

demonstrates that fire fighting in North Carolina is no different than any other state in the nation. Fire fighters often have repeated injuries in the same location of the body making the later years of their employment much more dangerous for them and more dangerous for their co-workers who depend on them.

Fire Fighters Asking for Fairness (page 3)

After 30 years on the job, law enforcement in North Carolina can retire in excess of 80% of AFC. The current benefit factor for fire fighter retirement in LGERS yields around 54% of AFC. An increase of the benefit factor to 2.50% would come to about 62% of AFC. It only makes sense that North Carolina legislators should improve the fire fighter pension. After all, both groups are hazardous duty employees, NC Worker's Comp. rates show that fire fighting is five times more dangerous than police work in terms of injury and fire fighters work 10,000 more hours in 25 years than law enforcement in 30 years,

A Comparison of Retirement Benefits of Professional Fire Fighters in NC (page 4)

Charlotte has their own retirement system for their fire fighters. North Carolina Legislators have approved 25 years retirement for Charlotte fire fighters at 2.6% of their average final compensation (their highest two years of salary) compared to fire fighters in LGERS with 1.77% AFC (last four years of salary). **Why is one group of fire fighters more deserving of better retirement than another?**

Hazardous Duty Employees in Local Government (page 4)

This chart demonstrates that North Carolina Legislators have already provided increased benefits for approximately eighty percent (80%) of the hazardous duty employees in local governments in the state. Fire fighters in LGERS make up the remaining 20 %. **Why are fire fighters in LGERS less important and less deserving to legislators than other hazardous duty employees?**

Physical Requirement for Fire Fighters (page 5)

The US Labor Department identified the physical requirements of a fire fighter. Working in extreme temperatures, at high elevations and repeated injuries all work against fire fighters as they increase in age. Their safety and the safety of their coworkers depend on their ability to perform at top efficiency. Having the option to retire earlier makes good sense for the professional fire fighter.

Working Conditions of the Fire Fighter (pages 6-7)

When *The Jobs Rated Almanac* listed three categories ranking the working conditions of 250 occupations, fire fighting was ranked the worse. This is an independent ranking source and helps

validate the argument that fire fighting is very dangerous and taxing on the body and more than any other hazardous duty profession, needs special consideration for earlier retirement.

Vulcan Life Insurance Company (page 8)

This was a study by Vulcan Life Insurance Company comparing deaths of professional fire fighters to the general public. High stress on the job is indicated by the increase in suicide rates (see page 7). This is another independent report supporting a need for improvements in fire fighter retirement in North Carolina.

Fire Fighter Injuries (page 9)

The frequency of injury of fire fighters is four times that of workers in private industry. Three of every eight fire fighters were injured in the line of duty every year. This establishes what has been known to fire fighters for years that most are injured several times in their career. Often these are repetitive injuries in the same location. The combination of age and repetitious injuries become a worrisome and familiar enemy of the senior fire fighter.

Lost Work Hours (page 10)

As fire fighters get older, their injuries heal slower increasing the chances of lost work hours. As has been clearly demonstrated, many of these injuries are the result of repeated injuries to the same location on their bodies. If they are not eligible for retirement at an adequate level of benefits which will allow them to retire, they are often forced to remain in the department increasing the chances of more serious injury.

Fire Fighter Heart Attack Deaths (Bottom of page 11)

The majority of the line-of-duty deaths are from heart attacks. This is another illustration of the fire fighter's needs for an option for earlier retirement. Pages 5 - 8 clearly demonstrates why fire fighting often claim the lives of older fire fighters. Often, fire fighters are staying on the job longer than they should due to retirement benefits being so low they cannot afford to retire or they do not have the option to retire until they are employed 30 years.

25 Year Retirement is Cost Effective (pages 12 - 14)

This formula illustrates the savings to cities with 25 Year retirement. A younger work force will offset much of the cost for the increased cost to the retirement system. The documents on pages 13 and 14 were produced by city officials and verify that projecting the savings of a younger work force with lower salaries is a principle which is regularly practiced by cities across the state.

The Value of Fire Fighters to Citizens (page 15)

The monetary value of professional fire fighters to North Carolina citizens is several hundreds times of what the pension request will cost. In addition to this, fire fighters perform emergency medical services and rescue, extrication, high-angle rescues, hazardous materials' incidents and other numerous services. In short, professional fire fighters are our state's first responders. They literally sacrifice their lives and limbs to deliver their services to North Carolina citizens. A monetary value cannot be placed on the lives they save. Other states have recognized their professional fire fighter's contributions and their need for better retirement. The professional fire fighter in LGERS continues to ask the same question. Why are North Carolina legislators so reluctant to give all of the hazardous duty employees in local government equal consideration? Why has this one group of hazard duty employees been singled out as less deserving?

A STUDY OF FIRE FIGHTER RETIREMENT IN THE SOUTH

**A Comparison of
Benefits
Working Environment
&
Value**

Study by:
Professional Fire Fighters of North Carolina

President's office:
18-D Regent Park Boulevard
Asheville, NC 28806

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North Carolina Fire Fighters on the Bottom Rung

	Average Final Compensation (AFC)	Retirement Benefits @ 25 Years	% of (AFC)	Retirement Benefits @ 30 Years	% of (AFC)
Louisiana	\$30,000.00	\$24,975	83.3%	\$29,970	99.90%
Florida	\$30,000.00	\$22,500	75.0%	\$27,050	90.0%
Oklahoma	\$30,000.00	\$18,750	62.5%	\$22,500	75.0%
Kentucky	\$30,000.00	\$18,750	62.5%	\$22,500	75.0%
Virginia	\$30,000.00	\$18,960	63.2%	\$21,336	71.1%
South Carolina	\$30,000.00	\$16,050	53.5%	\$19,260	64.2%
Alabama	\$30,000.00	\$15,093	50.3%	\$18,112	60.4%
Arkansas	\$30,000.00	\$15,000	50.0%	\$18,000	60.0%
Mississippi	\$30,000.00	\$14,062	46.9%	\$16,875	56.3%
North Carolina	\$30,000.00	\$9,960	33.0%*	\$15,930	53.0%

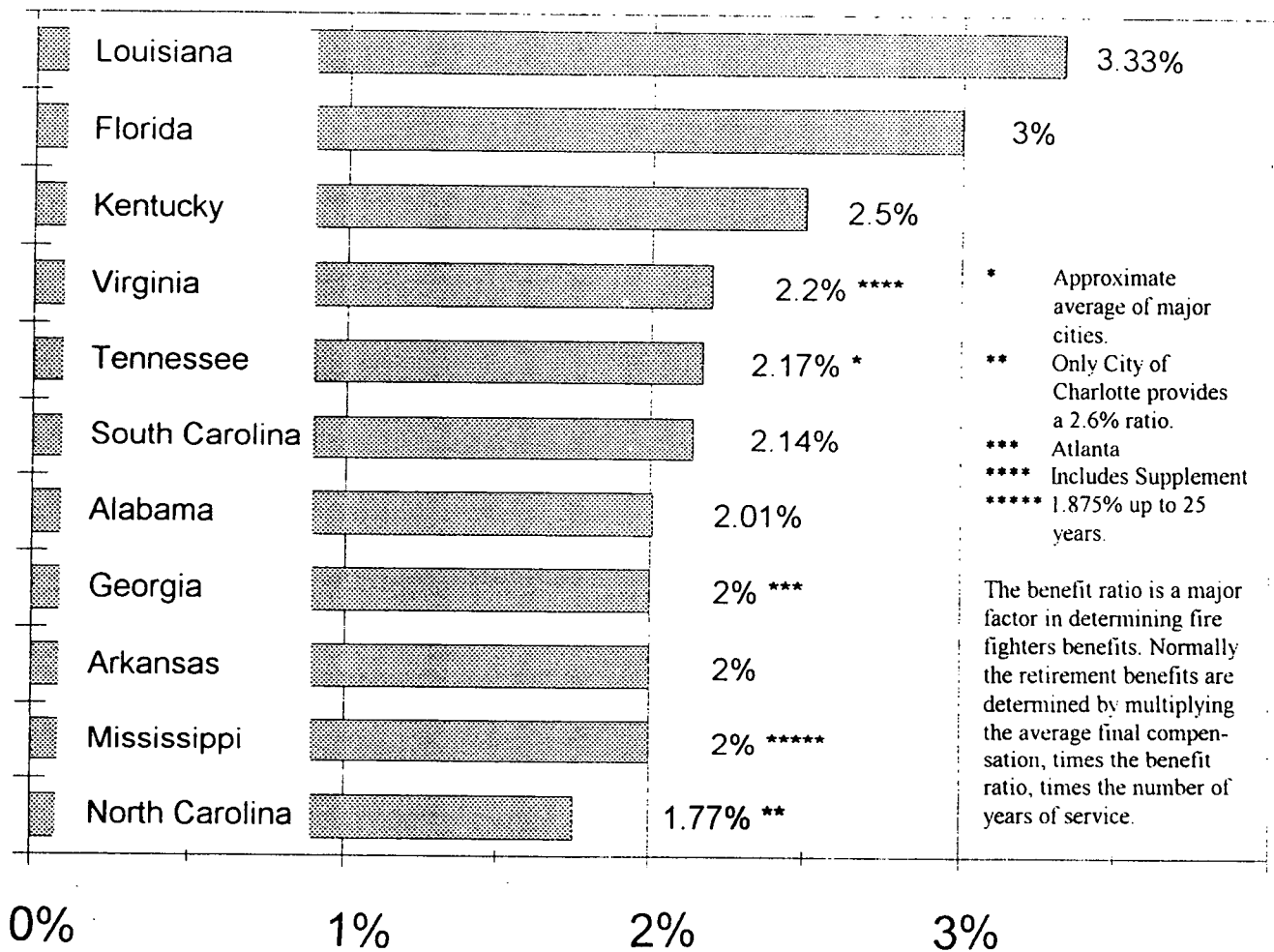
* There is a 25% penalty in North Carolina for retiring early at age 50-55.

North Carolina Only State Without 25-Year Full Retirement

-  States with 25-year full retirement
-  Major cities in Georgia, Texas and Tennessee have 25-year full retirement
-  No 25-year full retirement



Low Benefits Ratio for N.C. Fire Fighters



Other Southern States Grant Special Risk Provisions

Arkansas—	Local police and fire retirement systems
Florida—	Special risk provisions
Kentucky—	Hazardous duty employees provisions
Louisiana—	Fire fighters retirement system
Oklahoma—	Fire fighters pension and retirement system
South Carolina—	South Carolina police officer's retirement system (membership extended to fire fighters in 1962)
Virginia—	Law enforcement officers and fire fighters
North Carolina—	No special provisions for fire fighters in LGERS

Fire Fighters Work Longer Hours

General Employees Work (40 hour week) 2,080 hours per year

Fire Fighters Work (56 hour week) 2,912 hours per year

In a 30-year career, General Employees Work 62,400 hours

In a 30-year career, Fire Fighters Work 87,360 hours

In a 30-year career, fire fighters work the equivalent of 42 years when compared to the 40 hour work week of general employees.

A 25-year career for a fire fighter would equal 72,800 or **10,000 more hours** than a general employee works in 30 years.

NOTE: Hours per week times weeks per years times years of service equals total career hours.

Fire Fighting is Dangerous

North Carolina Insurance Rating Bureau
(1998 Worker's Compensation Assigned Risk Rates)

1. Clerical Worker=	\$ 0.32 per \$100 of payroll
2. Teacher =	\$ 0.71 per \$100 of payroll
3. Police =	\$ 3.13 per \$100 of payroll
4. Fire Fighter =	\$ 17.02 per \$100 of payroll

NOTE: Worker's Compensation Rates indicate frequency and extent of injuries. Rates for fire fighters are FIVE times higher than for police.

Fire Fighters Asking for Fairness for Hazardous Duty

North Carolina law requires cities to contribute 5% of law enforcement officer's salaries into a 401 (k) retirement fund, plus a separation allowance. No such retirement benefits are required for firefighters.

Fire fighters are asking that their retirement benefits ratio be raised from 1.77% to 2.5%, and that they be allowed to retire with full benefits after 25 years of service.

A Comparison of Retirement Benefits of Professional Fire Fighters in North Carolina

Charlotte Fire Fighters

25 years of service = regular retirement
2.6% x years of service = benefit formula
2 highest years of service = average final compensation

25 years = approximately 65% of average final compensation
30 years = approximately 77% of average final compensation

Fire Fighters in LGERS

30 years of service = regular retirement
1.77% x years of service = benefit formula
Last 4 years of service = average final compensation

25 years retirement = 25% penalty at age 50-55
30 years = approximately 53% of average final compensation

NOTE: Approximately 16% of the career fire fighters in the state are employed by the Charlotte Fire Department.

Hazardous Duty Employees in North Carolina (Local Government)

Approximately 20% of the hazardous employees in local governments have not been granted equal consideration for retirement benefits.

The North Carolina General Assembly determines the level of retirement benefits for all the following:

Law Enforcement Officers	=	16,000 (approx.)
Charlotte Dept Fire Fighters	=	800 (approx.)
Fire Fighters in LGERS	=	<u>4,200 (approx.)</u>
TOTAL	=	21,000 (approx.)

Fire Fighters in LGERS = approximately 20% of Hazardous Duty Employees

Physical Requirement for Fire Fighters

The Labor Department's "Selected Characteristics of Occupations Defined in the Dictionary of Occupational Titles" identifies physical abilities required of fire fighters, but does not attempt to quantify them.

1. **Lifting, Carrying, Pushing and/or Pulling (Strength):**

Lifting objects in excess of 100 lbs. with frequent lifting and/or carrying of objects weight 50 lbs or more.

2. **Climbing and/or Balancing**

- a. Climbing: Ascending or descending ladders, stairs, scaffolding, ramps, poles, ropes, and the like, using the feet and legs and/or hands and arms.
- b. Balancing: Maintaining body equilibrium to prevent falling when walking, standing, crouching, or running on narrow, slippery, or erratically moving surfaces; or maintain body equilibrium when performing gymnastic feats.

3. **Stooping, Kneeling, Crouching and/or Crawling**

- a. Stooping: Bending the body downward and forward by bending the spine at the waist.
- b. Kneeling: Bending the legs at the knees to come to rest on the knee or knees.
- c. Crouching: Bending the body downward and forward by bending the legs and spine.
- d. Crawling: Moving about on the hands and knees or hands and feet.

4. **Reaching, Handling, Fingering and/or Feeling**

- a. Reaching: Extending the hands and arms in any direction.
- b. Handling: Seizing, holding, grasping, turning, or otherwise working with the hand or hands (fingering not involved).
- c. Fingering: Picking, pinching, or otherwise working with the fingers primarily (rather than with the whole hand or arm as in handling).
- d. Feeling: Perceiving such attributes of objects and materials as size, shape, temperature, or texture by means of receptors in the skins, particularly those of the finger tips.

Source: *Fire Chief's Magazine*, article by Chief John Rukavina

Fire fighters often work for long periods of time at a pace of maximum ability. They wear protective clothing and breathing apparatus weighing in excess of 50 lbs and are often exposed to temperatures from sub-freezing to in excess of 300° F. Often seemingly healthy fire fighters suffer irreversible damage to their bodies in performance of their duty.

WORKING CONDITIONS OF THE FIRE FIGHTER

Why does firefighting take such a heavy toll (heart attacks, strokes, and injuries/illnesses) on the human body? Why is there a need to provide an option for fire fighters to retire at an earlier age? "*The Jobs Rated Almanac*" provides some answers to these questions.

The Jobs Rated Almanac rated 250 professions according to: first, physical demands required to do the job; second, the jobs with the best to the worse environments; and third, the jobs with the least to greatest stress.

For "PHYSICAL DEMANDS", each rank was arrived at using data compiled primarily by the U. S. Department of Labor. Points were awarded for each physical component of a job, including lifting, pulling, pushing, standing, walking, stooping, kneeling, crawling, climbing, crouching or reaching. They also awarded points for hazards faced, exposure to various kinds of weather, the need for stamina, and the work environment. Total points were multiplied by the average hours worked per week in that occupation. This total was divided by 40, which represents the "normal" work week. Most fire fighters in the South work 56 hours per week.

The "ENVIRONMENT", rankings were derived from a consideration of hazards, indoors vs. outdoors, toxic fumes, noise, physical demands, severe competition, working in public view, and life and death of another or life and death of the worker at stake.

The "STRESS" ranking system considered 22 different job demands which can reasonably be expected to evoke stress. Of the 250 professionals considered, the professional fire fighter was the second most stressful (second only to the President of the United States) scoring the maximum and near-maximum points in exertion, physical demands, speed, stamina, working conditions, hazards, outdoor work, risk of a worker's death, and death of another.

JOBS FOR PHYSICAL DEMANDS RANKED Professional Fire Fighters Top the List

Scores of the 250 professional range from 3.00 for the Astrologer to 56.17 for the fire fighter. The top 24 are listed below:

<u>PROFESSION</u>	<u>SCORE</u>	<u>RANK</u>	<u>PROFESSION</u>	<u>SCORE</u>	<u>RANK</u>
Fire Fighter	56.17	1	Bricklayer	33.20	13
Roustabout	43.29	2	Jockey	33.19	14(T)
Farmer	42.13	3	Indy Race Car Driver	33.19	14(T)
Lumberjack	42.11	4	Line Installer	32.86	16
Cowboy	40.39	5(T)	Sheet Metal Worker	32.75	17
Football Player (NFL)	40.39	5(T)	Fisherman	32.14	18
Ironworker	39.84	7	Welder	31.77	19
Garbage Collector	38.48	8	Const. Machinery Operator	30.68	20
Construction Worker (Laborer)	37.84	9	Millwright	30.51	21
Dairy Farmer	36.86	10	Cement Mason	29.88	22
Seaman	35.41	11	Insulation Worker	28.78	23(T)
Roofer	34.91	12	Mail Carrier	28.78	23(T)

TOP 24 JOBS RANKED BY ENVIRONMENT

The Professional Fire Fighter's Job is the Worst

Scores of the 24 professionals range from 1.12 for the Mathematician to 87.06 for the professional fire fighter. The worst 24 are listed below:

<u>PROFESSION</u>	<u>SCORE</u>	<u>RANK</u>	<u>PROFESSION</u>	<u>SCORE</u>	<u>RANK</u>
Fire Fighter	87.06	1	Fisherman	46.55	13
President (U. S.)	85.80	2	Dairy Farmer	46.08	14
Indy Race Car Driver	70.80	3	Cowboy	45.85	15
Football Player (NFL)	67.69	4	Taxi Driver	44.93	16
Astronaut	65.51	5	Farmer	44.76	17
Jockey	54.21	6	Dancer	44.25	18(T)
Lumberjack	50.98	7	Photojournalist	44.25	18(T)
Police Officer	50.56	8	Emergency Medical Technician	43.37	20
Surgeon	50.41	9	Ironworker	43.16	21
Roustabout	49.47	10	Roofer	42.32	22
Seaman	47.62	11	Mail Carrier	42.07	23
Highway Patrol Officer	46.95	12	Construction Worker	42.05	24

JOBS RANKED BY STRESS

Second only to the U. S. President, Fire Fighting is the Most Stressful Job

Scores of the 250 professions range from 4.69 for the musical instrument repairer to 189.75 for the U. S. President and 115.15 for the professional fire fighter. The 24 most stressful are listed below:

<u>PROFESSION</u>	<u>SCORE</u>	<u>RANK</u>	<u>PROFESSION</u>	<u>SCORE</u>	<u>RANK</u>
President (U. S.)	189.75	1	Public Relations Executive	81.99	13
Fire Fighter	115.15	2	Photojournalist	81.85	14
Indy Race Car Driver	110.61	3	Advertising Account Executive	81.76	15
Astronaut	103.71	4	Basketball Coach (NCAA)	80.78	16
Surgeon	103.55	5	Real Estate Agent	80.25	17
Football Player (NFL)	101.53	6	Fisherman	78.69	18(T)
Police Officer	99.91	7	Congressperson/Senator	78.69	18(T)
Osteopath	94.01	8	Airplane Pilot	77.59	20
Highway Patrol Officer	92.69	9	Stockbroker	77.43	21
Air Traffic Controller	88.68	10	Taxi Driver	74.48	22
Mayor	84.21	11	Reporter	74.11	23
Jockey	84.07	12	Architect	74.09	24

SOURCE: *The Job Rated Almanac* by Les Krantz. Copyright 1988/1992 by United Features Syndicate, Inc. Reprinted by permission, *World Almanac*, an imprint of Pharos Books, New York.

Vulcan Life Insurance Company

Actual Experience Statistics

The following comparative statistical data is based on the overall number of male deaths per 20,000 for a forty-two month period. The figures were supplied by tables from the Vulcan Life Insurance actuarial department in Birmingham, Alabama. They compare the percentages of deaths between the General Population and Career Fire Fighters. The data does not include those who recovered and are still being treated, etc.

HEART AND CIRCULATORY SYSTEM

<u>Age Group</u>	<u>General Population</u>	<u>Actual Fire Fighter Experience</u>
40 - 49	34%	41%
50 - 59	40%	50%
60 - 69	42%	56%

CANCER

<u>Age Group</u>	<u>General Population</u>	<u>Actual Fire Fighter Experience</u>
40 - 49	21%	33%
50 - 59	27%	39%
60 - 69	27%	38%

SUICIDE

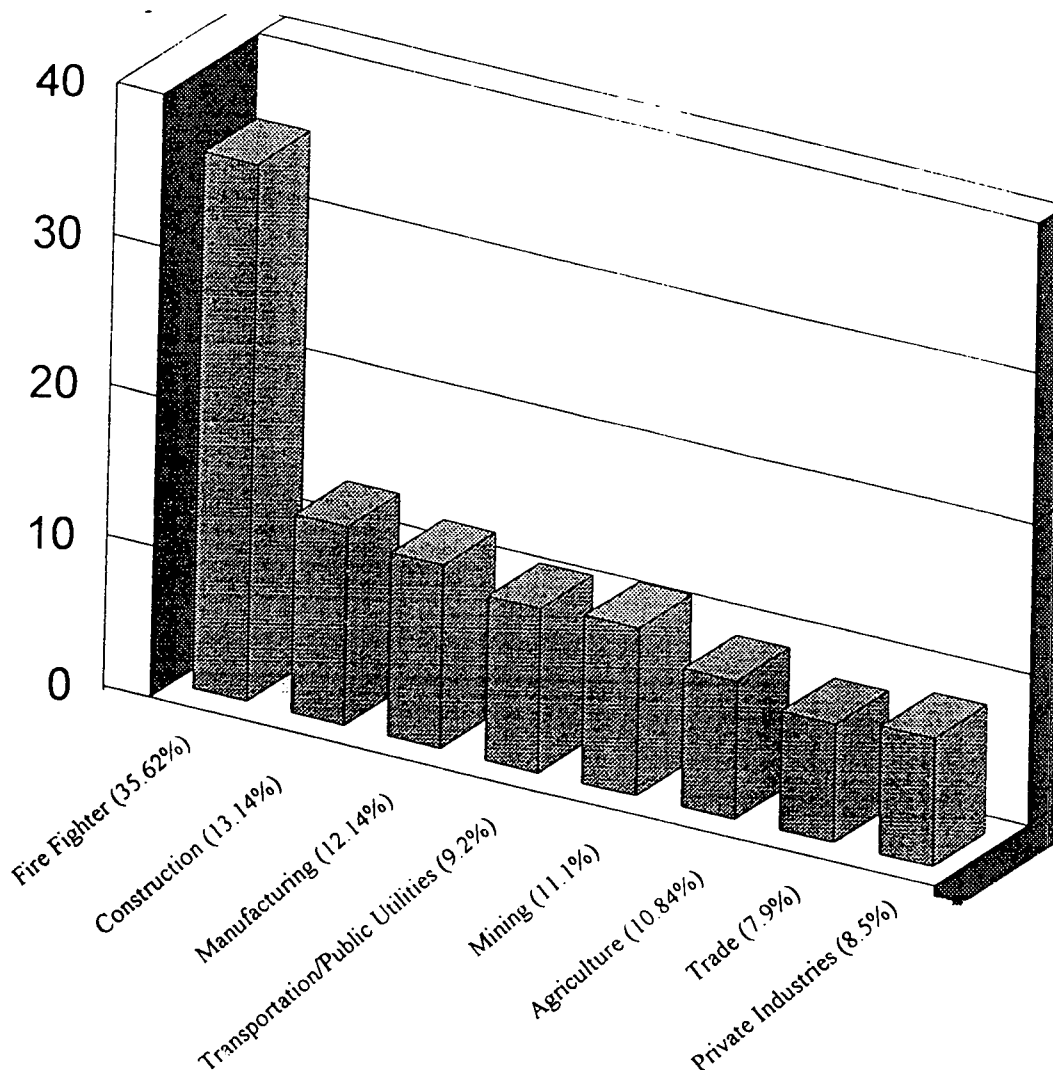
<u>Age Group</u>	<u>General Population</u>	<u>Actual Fire Fighter Experience</u>
40 - 49	5%	15%
50 - 59	2%	4%
60 - 69	1%	2%

FIRE FIGHTERS' INJURIES

Fire Departments responding to the 9 years of surveys reported a yearly average on 90,902 firefighters sustained 33,149 line-of-duty injuries either at the emergency scene or while performing other job related tasks. Consequently, more than three out of every eight firefighters were injured in the line of duty.

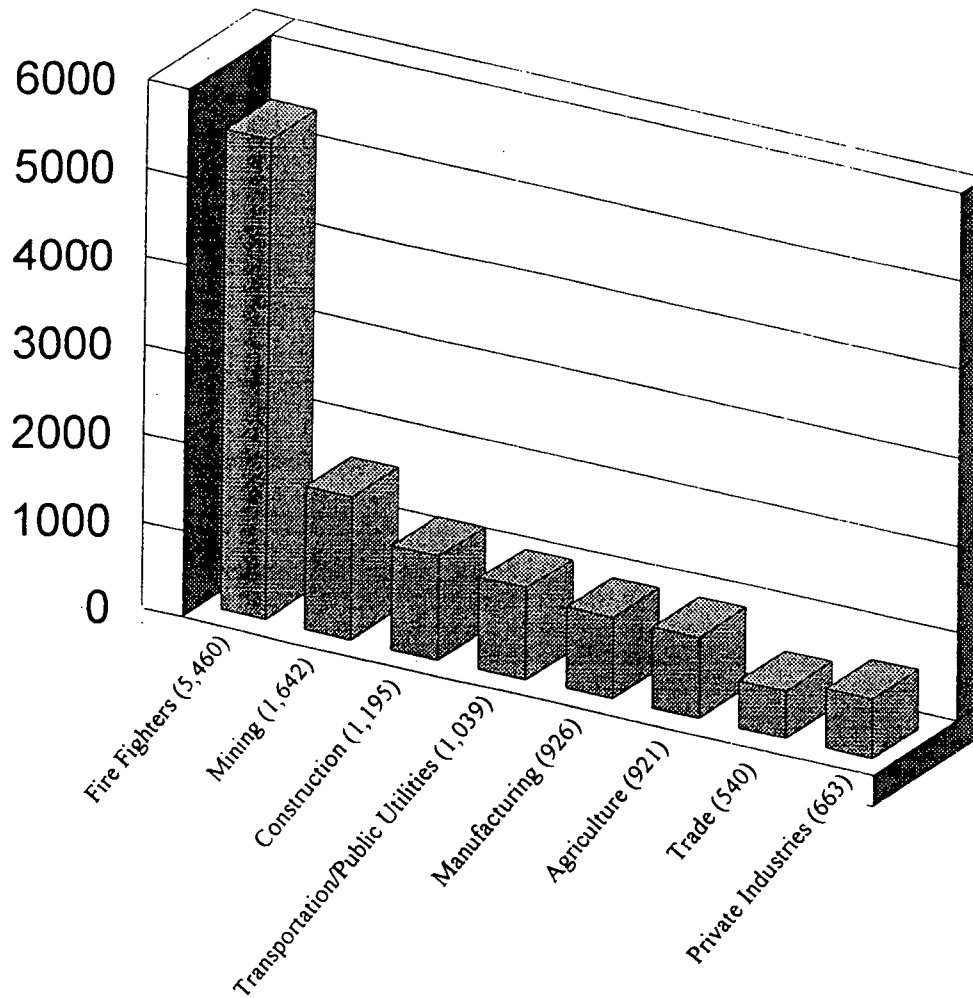
When compared to data compiled for private industry by the U.S. Bureau of Labor Statistics, the nine year firefighter Death and Injury Surveys indicate that "incidence" of frequency of firefighter job related injuries are more than four times that of workers in private industry. In other words, an average of 35.62 percent of firefighters was injured during the nine years to only 8.5 percent of private industry workers. In terms of severity, firefighter injuries caused an average of 5,460 lost work hours per 100 workers - a rate of 8.2 times the 663 hours lost per 100 workers in private industry.

**Number of Job Related Injuries/Illnesses per 100 Workers
1988 - 1996**



Source: Occupational injuries and illnesses in the United States, U. S. Labor of Statistics; and IAFF 1988 - 1996 Death and Injury Surveys.

**Lost Work Hours* from Job Related Injuries/Illnesses per 100 Workers
1988 - 1993**



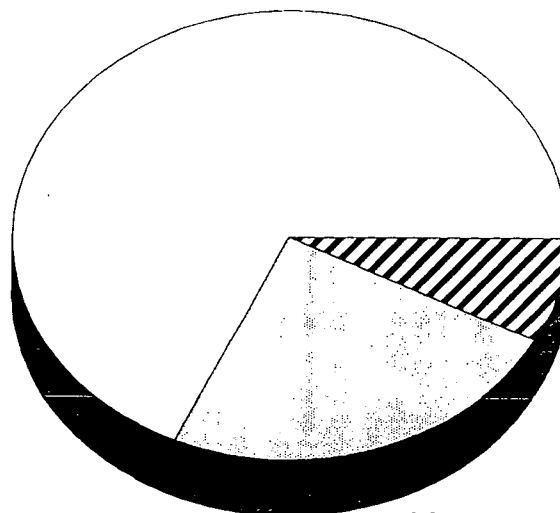
Source: Occupational injuries and illnesses in the United States by industry, U.S. Labor of Statistics; and IAFF 1988 - 1993 Death and Injury Surveys.

*For firefighters, data is based on the number of work shifts lost multiplied by the length of shift worked by each responding department. For all other industries, lost work hours are derived by multiplying the number of lost work days reported by BLS by 8 hours.

DISTRIBUTION OF FIRE FIGHTER RETIREMENT

1988 - 1996

Normal Service Retirements
68.25%



Occupational Disease
7.30%

Line of Duty Injury Retirements
24.45%

AVERAGE AGE OF FIRE FIGHTER FATALITIES FROM DUTY RELATED CAUSES

1988 - 1996

Line-of- Duty Injury	-	42 Years
Occupational Disease	-	54 Years

Fire Fighter Heart Attack Deaths by Age 1988 - 1991

Fire fighters are exposed to extreme physical demands. According to the NFPA, fire fighters are dying in the line-of-duty at early ages. The following are NFPA statistics for ages 21 through 60, showing the percentages of death by heart attack at various ages.

Ages 40-60	78%
Ages 45-60	64%
Ages 50-60	43%

(See Page 13)

Providing 25-Year Retirement is Cost-Effective for cities

- ▶ Cost offset in large part by reducing overall payroll.
- ▶ Older fire fighter replaced by lower salaried younger fire fighters
- ▶ Save cities on workers compensation costs
- ▶ Lower cost for benefits.

Sample of Payroll Savings

The following is an attempt to show why there is a savings in each fire department when a senior fire fighter retires. The percentage of saving would be different for each situation based on the rank and service of each retiree.

Retired Fire Fighter (Captain)	+ \$40,000
Plus longevity (5%)	+ \$2,000
	= \$42,000
Minus new employee salary \$0 longevity to 5 years	- \$22,500
Total payroll Savings	= \$19,500
Savings in S/S payments (7.65%)	+ \$1,491
Savings in LGERS payment (4.8%)	+ \$936
Gross Savings (Payroll and Benefits)	= \$21,928
Minus promotion for drive \$32,000 (5%)	- \$1,600
Minus promotion for F.F. to driver \$26,000(5%)	- \$1,300
NET SAVINGS TO CITY	= \$19,028

NOTE: The salary of the other Fire Fighters in the department would not be affected by retirement or promotion.

The following two pages are city documents from Hickory and Asheville that demonstrate the payroll savings of higher turnover rate of employees.

Financial Analysis For Period Ending December 30, 1992

December concluded 50% of the budget year. Total cash and investments for all funds is \$16,369,397.

Revenue and Expenditure Highlights: Revenues have been collected at 44%. Expenditures/encumbrances are at 46%. State revenues are collected at 105%. Licenses/Permits are collected at 88%. Sales/Services are at 59% collection; investment earnings are collected at 33%; and Franchise tax collection almost doubled to reach 48%.

Water & Sewer Fund: Revenues are collected at 54%. Expenditures/Encumbrances are at 44%.

Recycling Fund: Revenues are 49% collected. Expenditures/Encumbrances are at 70%. Maintenance & Repair for Equipment has exceeded budget figure by 39%, Capital Outlay exceeding by 61%.

Personnel Analysis

The turnover rate for almost all departments decreased in 1992, and consequently the City-wide turnover rate decreased from the rate of 1991. This turnover rate of 10.2% is the lowest ever for the City since records have been kept. A low turnover rate is to be desired because of (1) orientation and training costs, (2) administrative costs, and (3) quality of service from experienced personnel. There are some undesirable aspects to a very low turnover rate--(1) the inability to infuse new employees with new ideas into the organization, (2) the higher costs of salaries in the upper brackets of the pay grades, (3) the higher costs of retirement and social security, and (4) the higher costs of longevity pay.

ANALYSIS OF WORKERS COMPENSATION COSTS CITY-WIDE Personnel Department, City of Hickory January 29, 1993

	1992	1991	Average 2-Yr
number of accidents (seen by doctor)	98	121	110
number of lost-day accidents	5	11	8
number of Full-Time Equivalents (based on hrs. includes FT, PT, and OT)	584	565	575
number of accidents per week city-wide	1.88	2.33	2.1
number of accidents per employee per yr (+ by total FTE employees based on hrs)	.168	.214	.191
total number of days lost per year	42	102	72
total number of days lost plus number of days restricted per yr	234	630	432
days lost or restricted per employee per year (uses total FTE employees)	.48	1.30	.89
total salary cost per year paid by GAB	\$2207	\$6166	\$4187
total medical cost per year	\$43,001	\$37,126	\$40,064
average salary cost per accident	\$22.51	\$50.96	\$36.74
average medical cost per accident	\$439	\$307	\$373
average total cost per accident	\$462	\$358	\$410
total costs + total FTE (average cost per employee per yr)	\$77.41	\$76.62	\$77.02

Salary costs include only the salary paid by GAB. Salary costs do not include sick leave paid for the first week or additional weeks, although the sick leave may be paid because of an accident on the job. Sick leave paid to the employee from his/her accrued sick leave is not included in "salary costs."

NOTES: (1) Full-time equivalents (FTE's) are calculated by the Employment Coordinator from Payroll reports supplied by Finance.
(2) Other worker's compensation data are calculated from the Benefits Coordinator's reports sent to department heads monthly.

ASHEVILLE FIRE DEPARTMENT

Proposed 4% Budget Reduction for Second Half of FY 1994

Division: Fire Suppression

Account Code Prefix: 10-40-471

<u>Object Code</u>	<u>Object Description</u>	<u>Reduction Amount</u>	<u>Impact</u>
1020	Salaries	\$87,485	None -- <u>this represents the difference in salaries between new hires and retirees for the period January-June, 1994</u>
1040	Overtime	\$ 1,996	Withhold 24-hour hirebacks on seven workshifts, which would result in one of thirteen fire companies out of service on each of those work days
4114	Communications	\$ 331	4% reduction in reimbursement to Finance/Information Services for administration of radio maintenance
4140	Training	\$ 3,000	Delete attendance from this division for Fire Department Instructors Conference and State Fire College
4160	Maintenance and Repair-Equipment	\$ 188	Reduction in in-house repairs (this account covers parts and equipment for in-house repairs)
4220	Books/Audio-visuals	\$ 492	Delete purchase of revisions of National Fire Protection Assn. training and safety standards
4340	Janitorial Supplies	\$ 663	Elimination of "janitorial supplies spending incentive" program
4360	Uniforms	\$ 400	Reduction due to retirements
4370	Safety Equipment and Supplies	\$ 160	Expenditure avoidance for managerial positions
4380	Materials	\$10,215	Expenditure avoidance for stocking of spare tools and appliances for new fire rigs

THE VALUE OF FIRE FIGHTERS

Fire Loss/Save in Our Cities

January 1 - December 31, 1998

Below is a sample of cities with an estimate value of property involved in fire, the estimated value of fire loss of the property involved and the estimate value of the property saved by the actions of professional fire fighters.

Using just the eleven cities and towns below, **professional fire fighters have saved the citizens they serve more than 1.4 billion dollars** in property loss. This is more than forty (50) times the cost of the pension request improvements for all the fire fighters in the state. The data from another 140 or more cities and towns is unavailable. **A conservative estimate of properties saved by professional fire fighters in all 150 cities and towns in North Carolina during 1998 would easily exceed 15 billion dollars.** This is 600 times more than what the pension request would cost.

In addition to fighting fires, fire fighters also perform emergency medical services and rescues, a variety of extrications, high-angle rescue, hazardous materials' incidents, fire prevention and education and major disasters of all descriptions. ***In short, professional fire fighters are the nation's first responders and literally sacrifice life and limb in service to the public.*** Other states have recognized the retirement needs of their fire fighters and made the necessary provisions for them.

CITY	PROPERTY VALUE	FIRE LOSS	PROPERTY SAVED
Concord	\$196,598,130	\$705,840	\$195,892,290
Hendersonville	\$826,425	\$78,746	\$747,679
Hickory	\$82,291,000	\$770,523	\$81,520,477
Kill Devil Hills	\$18,500,000	\$850,000	\$17,650,000
Lenoir	\$200,866,742	\$570,700	\$200,296,042
Nags Head	\$2,500,000	\$248,659	\$2,251,341
Pinehurst	\$6,250,000	\$62,500	\$6,188,000
Roanoke Rapids	\$17,722,665	\$2,300,355	\$15,422,310
Shelby	\$418,228	\$332	\$417,896
Wilson	\$70,750,587	\$2,858,825	\$67,891,762
Winston-Salem	\$852,410,698	\$8,177,369	\$844,233,329
Totals	\$1,449,134,475	\$16,623,849	\$1,432,510,626

HB 1034

Fire Fighter Retirement

Career Fire Fighters in North Carolina work 56 hour weeks compared to the general local government employee's 40 hour week.

- A 25 year career for fire fighters would equal 72,800 hours or **10,000 hours more than a general employee works in 30 years.**

Compounding problems for older fire fighters are the extreme physical demands of the occupation.

- The frequency of job related injuries and illnesses are 4 times that of the worker in private industry.
- 1998 Worker's Comp. Assigned Risk Rates for \$100 of payroll were 32 cents for a clerical worker, 71 cents for teachers, \$3.13 for police and \$17.02 for fire fighters.
- Many are forced to retire due to a high rate of failing health from occupational injuries and illnesses.
- Repeated injuries over a career (often in the same location of the body) take a heavy toll on the body creating a need for an option for early retirement.

Other states have long seen the need for the option for early retirement for their fire fighters.

- When comparing retirement benefits for fire fighters in 10 other southern states, **all have 25 year retirement** at a much higher rate than North Carolina.
- Seven of those southern states provided special provisions in their retirement for fire and police employees.

Approx. 20% of all local government's hazardous duty employees in North Carolina (i.e. fire Fighters in LGERS) have not been given equal consideration for retirement by legislators.

- Charlotte fire fighters retire at approx. 70% of salary in 25 years.
- Local government police can retire at approx. 80% salary.
- Fire fighters in LGERS retire at approx. 52% of salary after 30 years.

Twenty-five year retirement is cost-effective for cities since the cost of retirement improvements are partly offset by reducing overall payroll.

- Older fire fighters are replaced by lower salaried fire fighters.
- Lower salaries yields lower worker comp. and other benefits cost.

When considering the total value of all the structures on fires in 1998 in over 150 cities and towns in North Carolina, **a conservative estimate of the dollar value of properties saved by career fire fighters would easily exceed 15 billion dollars.**

- This is 600 times more than what HB 1034 would cost each year.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

**May 20, 1999
Room 1228/1327
11:00a.m.**

AGENDA

1. Opening Remarks

Representative Michaux, Chair

2. Bills To Be Considered

House Bill 77 – INCREASE LEO RETIREMENT

Sponsor: Representative Fitch

House Bill 569 – FIRE/RESCUE OPEN ENROLLMENT

Sponsor: Representative Redwine

House Bill 1016 – TEACHERS RETIREMENT CREDIT CLARIFIED

Sponsor: Representative Jeffus

House Bill 1034 – PROFESSIONAL FIREFIGHTERS RETIREMENT

House Bill 1035 – EARLY RETIREMENT AMENDMENT

Sponsor: Representative Moore

House Bill 1146 – ADMIN. LAW JUDGES RETIREMENT

Sponsor: Representative Michaux

Senate Bill 214 – WORKERS COM/AFC YEARS

Sponsor: Senator Phillips

Senate Bill 638 – LOCAL GOV'T RETIREMENT DEFINITION

Sponsor: Senator Rand

Senate Bill 687 – HICKORY FIREFIGHTERS' RETIREMENT FUND

Sponsor: Senator Allran

3. ADJOURNMENT

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

May 20, 1999

The House Committee on Pensions and Retirement met in Room 1228, of the Legislative Building, on May 20, 1999 at 11:00 a.m. Representative H.M. Michaux, Jr. (Chair) presided at the meeting and the following members were present: Representatives, Oldham, Barbee, McCombs, McCrary, Rogers, Warren, G. Wilson,. Representative's Berry, Gray, Morgan, Yongue, Horn, Tucker, Ramsey, were not present.

Chairman Michaux welcomed members and guests. The visitor registration sheet, actuarial notes and handouts are attached to the minutes. The Legislative Page for the day was Becky Johnson of Durham County, sponsored by Speaker Black's office.

The following staff members were present: Anne M. Peele (Committee Assistant), Stanley Moore (Fiscal Analyst), Theresa Matula (Legislative Analyst) and Karen Cochrane-Brown (Attorney). Wayland Rhodes and Bobby Land were the Sergeant-at-Arms for the meeting.

House Bill 1016, A BILL ENTITLED AN ACT TO CHANGE THE LAW REGARDING THE CONVERSION OF ANNUAL LEAVE FOR RETIRING SCHOOL EMPLOYEES was presented by Representative Jeffus. This bill has a Committee Substitute. It will become effective immediately upon ratification. This bill is a technical correction. It allows excess annual leave to convert to sick leave on all school employees at the date of their retirement. It was intended to be that way during the last session and the language was not clear.

Representative's Oldham and Barbee supports this bill and moves for a favorable report. The motion passes and is re-referred to Appropriations.

Senate Bill 638, A BILL TO BE ENTITLED AN ACT TO REDEFINE "EMPLOYEE" AND "EMPLOYER" IN THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM was presented by Senator Rand. This bill allows full-time employees from the local volunteer firefighter departments to become members of the State Retirement Plan if they pay the full actuary cost. It says the Board of Trustees request a ruling from the IRS, which will state whether or not they are eligible to belong to the local government retirement system. This bill does not request any money and will go straight to the floor. There is no cost to the system and it will not lose its exempt status.

Representative McCombs moves for favorable report. The motion passes.

House Bill 1146, A BILL ENTITLED AN ACT TO INCLUDE ADMINISTRATIVE LAW JUDGES AS MEMBERS OF THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM was presented by Representative Michaux. This bill will put Administrative Law Judges on the track with the Judicial Retirement System. They are hard working judges. They hear decisions and render opinions. They are trained lawyers. They are located in a separate agency in the Office of Administrative Hearings.

Stanley Moore explains further. This bill will transfer 8 Administrative Law Judges from membership the State Employees Retirement System to membership in the Judicial Retirement System. The cost to pay the unfunded accrued liability will start off at \$156,000 per year. The additional contributions that they will have to pay is at \$74,000, totaling \$231,000 per year or increasing as the salaries increase. Any service as an Administrative Law Judge will automatically transfer to the Judicial Retirement System.

All of the bills introduced this session relating to this issues combined would cost the general fund \$ 2.4 million.

Representative Warren moves for a favorable report. The motion passes and it is re-referred to Appropriations.

House Bill 1034, A BILL TO BE ENTITLED AN ACT TO DEFINE A PROFESSIONAL FIREFIGHTERS' BENEFIT ACCRUAL RATE FOR MEMBERS AND BENEFICIARIES OF THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM was presented by Representative Moore. This bill is similar to Representative Hensley, but it deals with firefighters. There is a committee substitute with HB 1034. This bill is necessary because of the stress and level of work done in this profession. Based on information from the State Employees Association, in a twenty-five year career a firefighter will work on an average thirty-five years of what an average person works because they work 56 hours a week. There are other quantifiable reasons for this bill. This bill based on what was mentioned in the previous meeting should be heard in Appropriations and hopefully will be studied further.

Representative Oldham moves for a favorable report. The motion passes and HB 1034 is re-referred to Appropriations.

House Bill 1035, A BILL ENTITLED AN ACT TO REVISE THE CALCULATION OF THE EARLY RETIREMENT ALLOWANCE FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM was presented by Representative Moore. This bill lowers the penalty for early retirement from 5% to 3% a year. The State Employees Association and the teachers supports this bill. They are not tied to the 3%. This number can be adjusted.

Stanley Moore explains how a persons benefit is calculated. Years ago the reduction was based on age. In 1994, a study commission recommended a 5% reduction for each year that a person was short of 30 or the age related reduction or which ever was less. It cost \$36 million dollars a year. Approximately 6000 people retire each year. The amount of people who retire with less than 30 years is not available right now, but he can get those numbers.

Jack Pruitt says that this request comes from NCAE and not the Board. The Board would not be interested in a bill that would compete for actuarial gains in the system. They would recommend legislation that would do the most for the greatest number of people. However, if the legislator support this bill then the Board of Trustee will not oppose it.

This bill is the equivalent to 1 point in the formula. The final decision is to play with this number in the formula.

Representative McCombs opposes this bill because he feels that it is not the right time for it. It would take away from other needed bills.

Representative Rogers's moves that the bill be referred without prejudice to Appropriations. The motion passes.

House Bill 569, A BILL TO BE ENTITLED AN ACT TO ALLOW ADDITIONAL RETROACTIVE MEMBERSHIP IN THE NORTH CAROLINA FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND was presented by Representative Redwine.

Stanley Moore explains the bill. It relates to the Firemen's and Rescue Workers Pensions Fund. Since 1961, there has been an open door enrollment period. These are position are on a volunteer basis and therefore a lot of the information has not been received by the members or there is not a concerted effort to get them to enroll in the Pension Fund. Over the years the open door enrollment makes so that they can apply or purchase service by paying \$10.00 plus amount of interest added. The actuarial is based on the low of 4000 people coming in or a high of 6000 coming in. The range is from \$5.4 million to \$8.1 million estimated cost from the general fund. The last open door enrollment period was between October of 1986 to June of 1987.

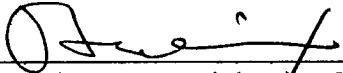
Representative Oldham moves for a favorable report and be re-referred to Appropriations. The motion passes.

Senate Bill 687, A BILL ENTITLED AN ACT TO AMEND THE SUPPLEMENTAL RETIREMENT FUND FOR FULL-TIME PAID FIREFIGHTERS IN THE CITY OF HICKORY was explained by Senator Allran.

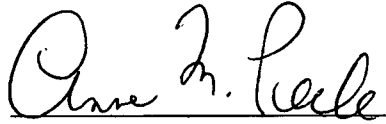
This is a local bill for the Town of Hickory. It limits the fund to who can participate in it. New part-time people are not eligible to participate in the fund. There are no part-time people employed at this time. Therefore, no one is left out. Anyone who is already qualified will remain qualified. The firefighters and the City of Hickory support this bill. It does not cost the state anything.

Representative Barbee moves for a favorable report and goes straight to the floor. The motion passes.

The meeting adjourned at 12:40 p.m.



Representative H.M. Michaux, Jr., Chair



Anne M. Peele, Committee Assistant

VISITOR REGISTRATION SHEET

PENSION + RETIREMENT

Name of Committee

5/20/95

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Bill Wilson

NCAE

Gordon A Joyner

NCARKEMS

Crispin R. Porter

Bone & Associates

Karl Knapp

City of Winston-Salem

Julian Mann

OAH

Beryl E. Wade

OAH

Cam Crow

BPMHL

Eric Rudolph

Cherokee

Daneel Arnold

SEANC

Troy GREEN

SEANC

Tom Coley

CWA

Richard Westbrook

UTU

VISITOR REGISTRATION SHEET

Pension & Retirement

5/20/99

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

<i>John May</i>	<i>NC CWA Council</i>
<i>BARRY C. SHOAF</i>	<i>PFFPNC</i>
<i>Richard O'Brien</i>	<i>PFFPNC</i>
<i>Jerry Wiggins</i>	<i>PFFPNC</i>
<i>David Anders</i>	<i>PFFPNC</i>
<i>Leigh Hammond</i>	<i>NC Ret Govt Emp. Assn</i>
<i>Ray Presnell</i>	<i>NC Retired School Personnel</i>
<i>Marshall Bann</i>	<i>Dept of State Treasurer</i>
<i>Tim Bryan</i>	<i>STATE TREASURER</i>
<i>Jack Pruitt</i>	<i>" "</i>
<i>Joe Kiser</i>	<i>NC GA</i>
<i>Don Engle</i>	<i>NC GA</i>

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Andy Lomenst

N.C.L.M.

Mike Shum

NC State AFCEC

Bryan Beatty

DOJ

Self Gray

NC Fraternal Order of Police

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☒ Committee Substitute for

S.B. 638 A BILL TO BE ENTITLED AN ACT TO REDEFINE "EMPLOYEE" AND
"EMPLOYER" IN THE LOCAL GOVERNMENT 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.

☐ 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.

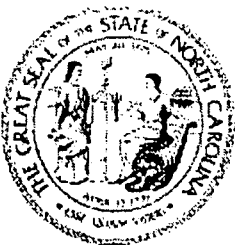
☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

2/24/99



SENATE BILL 638: Local Gov't Retirement Definition

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: May 17, 1999
Version: 2nd Edition

Introduced by: Senator Rand
Summary by: Theresa Matula
Committee Staff

SUMMARY:

Senate Bill 638 amends the definition of "Employee" and "Employer" in the Local Governmental Employees' Retirement System (LGERS) to include full-time paid firemen employed by a fire department that serves any part of a city or county and is supported in whole or in part by municipal or county funds.

BILL ANALYSIS:

Chapter 128, Section 21 is the definitions section of the Retirement System for Counties, Cities and Towns (Local Governmental Employees' Retirement System). Senate Bill 638 amends the definitions of "Employee" in subsection (10), and "Employer" in subsection (11); and addresses the inclusion of non-governmental entity employees.

Section 1: The definition of "Employee" is amended by Senate Bill 638 to include all full-time, paid firemen who are employed by any fire department that serves a city or county or any part of a city or county and that is supported in whole or in part by municipal or county funds.

Section 2: Senate Bill 638 amends the definition of "Employer" by deleting language that defines an employer to mean any separate, juristic political subdivision of the State as may be approved by the Board of Trustees upon the advice of the Attorney General. The new language specifies that "Employer" means any fire department that serves a city or county or any part of a city or county and that is supported in whole or in part by municipal or county funds.

Section 3: Section 3 was added in the second edition of the bill. This section addresses a concern raised in the actuarial notes regarding the inclusion of employees of a non-governmental entity in a governmental plan. (Both actuaries noted that the inclusion of non-governmental entities in the System could create adverse tax consequences by jeopardizing the qualified status of the System.) Within 30 days of the effective date of this act, Section 3 requires the Board of Trustees of the North Carolina Local Governmental Employees' Retirement System through the Office of the Attorney General to request a letter of determination or ruling from the Internal Revenue Service (IRS) as to whether the status of the Plan would be adversely affected by the participation of employees affected by this legislation.

Fire departments affected by this legislation are eligible for participation in the Plan on the first day of the calendar quarter following receipt of a favorable letter of determination or ruling.

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

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

SENATE BILL 638
RATIFIED BILL

AN ACT TO REDEFINE "EMPLOYEE" AND "EMPLOYER" IN THE LOCAL
GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

Section 1. G.S. 128-21(10) reads as rewritten:

"(10) "Employee" shall mean any person who is regularly employed in the service of and whose salary or compensation is paid by the employer as defined in subdivision (11) of this section, whether employed or appointed for stated terms or otherwise, except teachers in the public schools and except such employees who hold office by popular election as are not required to devote a major portion of their time to the duties of their office. "Employee" also means all full-time, paid firemen who are employed by any fire department that serves a city or county or any part of a city or county and that is supported in whole or in part by municipal or county funds. In all cases of doubt the Board of Trustees shall decide who is an employee."

Section 2. G.S. 128-21(11) reads as rewritten:

"(11) "Employer" shall mean any county, incorporated city or town, the board of alcoholic control of any county or incorporated city or town, the North Carolina League of Municipalities, and the State Association of County Commissioners. ~~"Employer" shall also mean any separate, juristic political subdivision of the State as may be approved by the Board of Trustees upon the advice of the Attorney General.~~ "Employer" also means any fire department that serves a city or county or any part of a city or county and that is supported in whole or in part by municipal or county funds."

Section 3. The Board of Trustees of the North Carolina Local Governmental Employees' Retirement System through the Office of the Attorney General 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 Local Governmental Employees' Retirement System as a governmental plan would be adversely affected by the participation of employees affected by this legislation. The request shall be made to the Internal Revenue Service no later than 30 days after the effective date of this act. Fire departments affected by this legislation are eligible for participation in the North Carolina Local Governmental Employees' Retirement System upon the first day of the calendar quarter following receipt of a favorable letter of determination or ruling.

Section 4. This act is effective when it becomes law.
In the General Assembly read three times and ratified this the 31st day of
May, 1999.

MORGAN BASHNIGHT

Dennis A. Wicker
President of the Senate

JAMES B. BLACK

James B. Black
Speaker of the House of Representatives

James B. Hunt, Jr.
Governor

Approved _____ .m. this _____ day of _____, 19_____

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 1146 A BILL TO BE ENTITLED AN ACT TO INCLUDE ADMINISTRATIVE LAW JUDGES AS MEMBERS OF THE CONSOLIDATED JUDICIAL 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.

☐ 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.

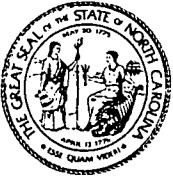
☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

2/24/99



BILL ANALYSIS

HOUSE BILL 1146: Admin. Law Judges' Retirement.

Committee: Pensions & Retirement
Date: May 11, 1999
Version: 1st Edition

Introduced by: Rep. Michaux
Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

House Bill 1146 authorizes the inclusion of administrative law judges as members of the Consolidated Judicial Retirement System, and the transfer of all present occupants of those offices from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System.

CURRENT LAW:

Under current law, the only public officials eligible to participate in the Consolidated Judicial Retirement System are justices, judges, district attorneys and clerks of court. All other appointed employees of the Judicial Branch, are currently members of the Teachers' and State Employees' Retirement System. Administrative Law Judges (ALJs) are employed by the Office of Administrative Hearings which is an executive branch agency. Currently, all ALJs are members of the Teachers' and State Employees' Retirement System.

BILL ANALYSIS:

This bill amends the law governing the Consolidated Judicial Retirement System to allow all ALJs who are serving on July 1, 1999 and those who become ALJs after that date to become members of the Judicial System.

On or after July 1, 1999, this bill authorizes the transfer of membership from the Teachers' and State Employees' Retirement System (for service as an administrative law judge) to the Judicial System as well as the transfer of the accumulated contributions of the member.

Upon retirement from the Judicial System on or after July 1, 1999, an ALJ will be eligible to receive a benefit computed by multiplying 3.02% of the ALJ's final compensation by the number of years of creditable service. If the ALJ had remained in the Teachers' and State Employees' System, the multiplier would have been 1.80% of final compensation times years of creditable service. The creditable service used in this computation will include any service transferred from the Teachers' and State Employees' Retirement System, and membership service with that System will be treated as membership service with the Judicial System.

This act would become effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 1146

Short Title: Admin. Law Judges' Retirement.

(Public)

Sponsors: Representatives Michaux; and Wainwright.

Referred to: Pensions and Retirement.

April 15, 1999

- 1 A BILL TO BE ENTITLED
2 AN ACT TO INCLUDE ADMINISTRATIVE LAW JUDGES AS MEMBERS OF
3 THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 135-50(b) reads as rewritten:
6 "(b) The purpose of this Article is to improve the administration of justice by
7 attracting and retaining the most highly qualified talent available within the State to
8 the positions of justice and judge, administrative law judge, district attorney and
9 solicitor, and clerk of superior court, within the General Court of Justice."
10 Section 2. G.S. 135-51 reads as rewritten:
11 "§ 135-51. Scope.
12 (a) This Article provides consolidated retirement benefits for all justices and
13 judges, district attorneys, and solicitors who are serving on January 1, 1974, and who
14 become such thereafter; and for all clerks of superior court who are so serving on
15 January 1, 1975, and who become such ~~thereafter~~ after that date; and for all
16 administrative law judges who are serving on July 1, 1999, and who become
17 administrative law judges after that date.
18 (b) For justices and judges of the appellate and superior court divisions of the
19 General Court of Justice who so served prior to January 1, 1974, the provisions of
20 this Article supplement and, under certain circumstances, replace the provisions of
21 Articles 6 and 8, as the case may be, of Chapter 7A of the General Statutes.
22 For district attorneys and judges of the district court of the General Court of
23 Justice who so served prior to January 1, 1974, the provisions of this Article

1 supplement and, under certain circumstances, replace the provisions of Article 1 of
2 this Chapter.

3 For clerks of superior court of the General Court of Justice who so served prior to
4 January 1, 1975, the provisions of this Article supplement and, under certain
5 circumstances, replace the provisions of Article 1 of this Chapter.

6 (c) The retirement benefits of any person who becomes a justice or judge, district
7 attorney, or solicitor on and after January 1, 1974, or clerk of superior court on and
8 after January 1, 1975, or administrative law judge on or after July 1, 1999, shall be
9 determined solely in accordance with the provisions of this Article."

10 Section 3. G.S. 135-53 reads as rewritten:

11 "**§ 135-53. Definitions.**

12 The following words and phrases as used in this Article, unless a different meaning
13 is plainly required by the context, shall have the following meanings:

- 14 (1) 'Accumulated contributions' with respect to any member shall
15 mean the sum of all the amounts deducted from the compensation
16 of the member pursuant to G.S. 135-68 since he last became a
17 member and credited to his account in the annuity savings fund,
18 plus any amount standing to his credit pursuant to G.S. 135-67(c)
19 as a result of a prior period of membership, plus any amounts
20 credited to his account pursuant to G.S. 135-28.1(b) or 135-56(b),
21 together with regular interest on all such amounts computed as
22 provided in G.S. 135-7(b).
- 23 (2) 'Actuarial equivalent' shall mean a benefit of equal value when
24 computed upon the bases of such mortality tables as shall be
25 adopted by the Board of Trustees, and regular interest.
- 26 (2a) 'Administrative law judge' means administrative law judges
27 appointed pursuant to G.S. 7A-752 and G.S. 7A-753.
- 28 (3) 'Beneficiary' shall mean any person in receipt of a retirement
29 allowance or other benefit as provided in this Article.
- 30 (4) 'Board of Trustees' shall mean the Board of Trustees established
31 by G.S. 135-6.
- 32 (4a) 'Clerk of superior court' shall mean the clerk of superior court
33 provided for in G.S. 7A-100(a).
- 34 (5) 'Compensation' shall mean all salaries and wages derived from
35 public funds which are earned by a member of the Retirement
36 System for his service as a justice or judge, or administrative law
37 judge, or district attorney, or clerk of superior court.
- 38 (6) 'Creditable service' shall mean for any member the total of his
39 prior service plus his membership service.
- 40 (6a) 'District attorney' shall mean the district attorney or solicitor
41 provided for in G.S. 7A-60.
- 42 (7) 'Filing' when used in reference to an application for retirement
43 shall mean the receipt of an acceptable application on a form
44 provided by the Retirement System.

- 1 (8) 'Final compensation' shall mean for any member the annual
2 equivalent of the rate of compensation most recently applicable to
3 him.
4 (9) 'Judge' shall mean any justice or judge of the General Court of
5 Justice and the administrative officer of the courts.
6 (10) 'Medical board' shall mean the board of physicians provided for
7 in G.S. 135-6.
8 (11) 'Member' shall mean any person included in the membership of
9 the Retirement System as provided in this Article.
10 (12) 'Membership service' shall mean service as a judge, administrative
11 law judge, district attorney, or clerk of superior court rendered
12 while a member of the Retirement System.
13 (13) 'Previous system' shall mean, with respect to any member, the
14 retirement benefit provisions of Article 6 and Article 8 of Chapter
15 7A of the General Statutes, to the extent that such Article or
16 Articles were formerly applicable to the member, and in the case
17 of judges of the district court division, and administrative law
18 judges, and district attorney, and clerk of superior court of the
19 General Court of Justice, the Teachers' and State Employees'
20 Retirement System.
21 (14) 'Prior service' shall mean service rendered by a member, prior to
22 his membership in the Retirement System, for which credit is
23 allowable under G.S. 135-56.
24 (15) 'Regular interest' shall mean interest compounded annually at such
25 a rate as shall be determined by the Board of Trustees in
26 accordance with G.S. 135-7(b).
27 (16) 'Retirement' shall mean the withdrawal from active service with a
28 retirement allowance granted under the provisions of this Chapter.
29 In order for a member's retirement to become effective in any
30 month, the member must render no service at any time during that
31 month.
32 (17) 'Retirement allowance' shall mean the periodic payments to which
33 a beneficiary becomes entitled under the provisions of this Article.
34 (18) 'Retirement System' shall mean the 'Consolidated Judicial
35 Retirement System' of North Carolina, as established in this
36 Article.
37 (19) 'Year' as used in this Article shall mean the regular fiscal year
38 beginning July 1 and ending June 30 in the following calendar
39 year, unless otherwise defined by regulation of the Board of
40 Trustees."

41 Section 4. G.S. 135-54 reads as rewritten:

42 "**§ 135-54. Name and date of establishment.**

43 A Retirement System is hereby established and placed under the management of
44 the Board of Trustees for the purpose of providing retirement allowances and other

1 benefits under the provisions of this Article for justices and judges, administrative law
2 judge, district attorneys, and clerks of superior court of the General Court of Justice
3 of North Carolina, and their survivors. The Retirement System so created shall be
4 established as of January 1, 1974.

5 The Retirement System shall have the power and privileges of a corporation and
6 shall be known as the 'Consolidated Judicial Retirement System of North Carolina,'
7 and by such name all of its business shall be transacted."

8 Section 5. G.S. 135-55 reads as rewritten:

9 "**§ 135-55. Membership.**

10 (a) The membership of the Retirement System shall consist of:

- 11 (1) All judges and district attorneys in office on January 1, 1974;
- 12 (2) All persons who become judges and district attorneys or reenter
13 service as judges and district attorneys after January 1, 1974;
- 14 (3) All clerks of superior court in office on January 1, 1975; ~~and~~
- 15 (4) All persons who become clerks of superior court or reenter service
16 as clerks of superior court after January 1, ~~1975~~; 1975;
- 17 (5) All administrative law judges in office on July 1, 1999; and
- 18 (6) All persons who become administrative law judges or reenter
19 service as administrative law judges after July 1, 1999.

20 (b) The membership of any person in the Retirement System shall cease upon:

- 21 (1) The withdrawal of his accumulated contributions after he is no
22 longer a judge, administrative law judge, district attorney, or clerk
23 of superior court, or
- 24 (2) His retirement under the provisions of the Retirement System, or
- 25 (3) His death."

26 Section 6. G.S. 135-56(a) reads as rewritten:

27 "(a) Subject to such rules and regulations as the Board of Trustees shall adopt with
28 regard to the verification of a judge's prior service, the prior service of a judge shall
29 consist of his service rendered prior to January 1, 1974, as a justice of the Supreme
30 Court, judge of the Court of Appeals, judge of the superior court, judge of the district
31 court division of the General Court of Justice, administrative law judge, as
32 administrative officer of the courts, or as a solicitor or district attorney."

33 Section 7. G.S. 135-56 is amended by adding a new subsection to read:

34 "(f) On and after July 1, 1999, the creditable service of a member who was an
35 administrative law judge and a member of the Teachers' and State Employees'
36 Retirement System at the time of transfer of membership from the previous system to
37 this System shall include service as an administrative law judge that was creditable in
38 the previous system immediately prior to July 1, 1999. The accumulated
39 contributions of a member as an administrative law judge shall be transferred from
40 the previous system to this System in the same manner as prescribed under G.S. 135-
41 28.1 as it pertained to judges of the district court division of the General Court of
42 Justice."

43 Section 8. G.S. 135-58(a1) reads as rewritten:

1 "(a1) Any member who retires under the provisions of subsection (a) or
2 subsection (c) of G.S. 135-57 on or after July 1, 1990, but before July 1, 1999, after he
3 either has attained his 65th birthday or has completed 24 years or more of creditable
4 service shall receive an annual retirement allowance, payable monthly, which shall
5 commence on the effective date of his retirement and shall be continued on the first
6 day of each month thereafter during his lifetime, the amount of which shall be
7 computed as the sum of (1), (2), and (3) following, provided that in no event shall the
8 annual allowance payable to any member be greater than an amount which, when
9 added to the allowance, if any, to which he is entitled under the Teachers' and State
10 Employees' Retirement System, the Legislative Retirement System or the North
11 Carolina Local Governmental Employees' Retirement System (prior in any case to
12 any reduction for early retirement or for an optional mode of payment) would total
13 three-fourths of his final compensation:

- 14 (1) Four and two-hundredths percent (4.02%) of his final
15 compensation, multiplied by the number of years of his creditable
16 service rendered as a justice of the Supreme Court or judge of the
17 Court of Appeals;
18 (2) Three and fifty-two hundredths percent (3.52%) of his final
19 compensation, multiplied by the number of years of his creditable
20 service rendered as a judge of the superior court or as
21 administrative officer of the courts;
22 (3) Three and two-hundredths percent (3.02%) of his final
23 compensation, multiplied by the number of years of his creditable
24 service rendered as a judge of the district court, district attorney,
25 or clerk of superior court."

26 Section 9. G.S. 135-58 is amended by adding a new subsection to read:

27 "(a2) Any member who retires under the provisions of subsection (a) or
28 subsection (c) of G.S. 135-57 on or after July 1, 1999, after he either has attained his
29 65th birthday or has completed 24 years or more of creditable service shall receive an
30 annual retirement allowance, payable monthly, which shall commence on the
31 effective date of his retirement and shall be continued on the first day of each month
32 thereafter during his lifetime, the amount of which shall be computed as the sum of
33 (1), (2), and (3) following, provided that in no event shall the annual allowance
34 payable to any member be greater than an amount which, when added to the
35 allowance, if any, to which he is entitled under the Teachers' and State Employees'
36 Retirement System, the Legislative Retirement System, or the North Carolina Local
37 Governmental Employees' Retirement System (prior in any case to any reduction for
38 early retirement or for an optional mode of payment) would total three-fourths of his
39 final compensation:

- 40 (1) Four and two-hundredths percent (4.02%) of his final
41 compensation, multiplied by the number of years of his creditable
42 service rendered as a justice of the Supreme Court or judge of the
43 Court of Appeals;

1 (2) Three and fifty-two hundredths percent (3.52%) of his final
2 compensation, multiplied by the number of years of his creditable
3 service rendered as a judge of the superior court or as
4 administrative officer of the courts;

5 (3) Three and two-hundredths percent (3.02%) of his final
6 compensation, multiplied by the number of years of his creditable
7 service rendered as a judge of the district court, administrative law
8 judge, district attorney, or clerk of superior court."

9 Section 10. G.S. 135-56 is amended by adding a new subsection to read:

10 "(c1) On and after July 1, 1999, the creditable service of an administrative law
11 judge who was a member of the Teachers' and State Employees' Retirement System
12 on June 30, 1999, and whose accumulated contributions are transferred from that
13 System to this System, includes service that was creditable in the Teachers' and State
14 Employees' Retirement System, and membership service with that System is
15 membership service with this System."

16 Section 11. This act becomes effective July 1, 1999.



**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

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Information Systems Division
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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

MEMORANDUM

TO: Representative H. M. Michaux, Jr.

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 23, 1999

SUBJECT: Actuarial Note on House Bill 1146

Re: Transfers the eight administrative law judges from the Teachers' and State Employees' Retirement System to the Consolidated Judicial 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: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, April 20, 1999
- (3) Actuarial Note, Hartman & Associates, April 20, 1999

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1146 Administrative Law Judges' Retirement

SHORT TITLE: Administrative Law Judges' Retirement

SPONSOR(S): Representative Henry M. Michaux, Jr.

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

FUNDS AFFECTED: General Fund

BILL SUMMARY: Transfers the eight administrative law judges from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE:

In order to liquidate the additional liability in the Judicial System, as a result of the transfer of service from the Teachers' and State Employees' Retirement System at an accrual rate of 1.80% to the Consolidated Judicial Retirement System at an accrual rate of 3.02%, Buck Consultants estimates the cost to be .36% of total payroll of the Judicial System and Hartman & Associates estimates the cost to be .30% of the payroll. In addition, there will be an additional cost of \$73,891 beginning the first year, which is the difference in the State System employer contribution rate of 10.83% of salary base of \$625,139 for the administrative law judges and the Judicial System contribution rate of 22.65% of the same salary base.

System Actuary: Buck Consultants

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Unfunded Liability Cost	\$156,000	\$166,528	\$177,086	\$188,314	\$200,253
Contribution Cost	\$ 73,891	\$ 78,576	\$ 83,558	\$ 88,855	\$ 94,489
Total Annual Cost	\$230,491	\$245,105	\$260,644	\$277,169	\$294,742

General Assembly Actuary: Hartman & Associates

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Unfunded Liability Cost	\$130,500	\$138,774	\$147,572	\$156,928	\$166,877
Contribution Cost	\$ 73,891	\$ 78,576	\$ 83,558	\$ 88,855	\$ 94,489
Total Annual Cost	\$204,391	\$217,350	\$231,130	\$245,783	\$261,366

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, 1997 actuarial valuation of the fund. The data included 456 active members with an annual payroll of \$39.7 million and 327 retired members in receipt of annual pensions totaling \$10.8 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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.

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. The above cost estimates are based on the salary base as of July 1, 1999 projected at the average annual increase in compensation base over the last five years of 6.34%.

(919) 733-4910

PREPARED BY: Stanley Moore



APPROVED BY: Tom Covington



DATE: Wednesday, April 21, 1999

BUCK CONSULTANTS

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

April 20, 1999

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 1146

Dear Mr. Bryan:

We have received your letter of April 16 regarding House Bill 1146 which affects the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System.

This legislation appears, effective July 1, 1999, to cause current and future Administrative Law Judges with the Office of Administrative Hearings, to be members of the Consolidated Judicial Retirement System with a 3.02% annual accrual rate benefit. For current Administrative Law Judges, all service as an Administrative Law Judge and accumulated contributions representative of such service would be transferred from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System. No Pension Accumulation Fund assets would be transferred. Any service remaining in the Teachers' and State Employees' Retirement System after the transfer would be considered service for attaining retirement rights in the Consolidated Judicial Retirement System, and service in the Consolidated Judicial Retirement System would be considered service for attaining retirement rights with the Teachers' and State Employees' Retirement System.

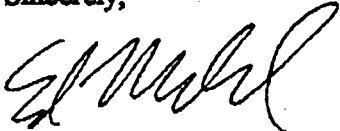
This legislation would increase the unfunded accrued liability of the Consolidated Judicial Retirement System by approximately \$914,000 or 0.36% of payroll.

Based on the current employer contribution rates, the net annual cost to the State would be equal to 11.82% of the total compensation of the eight Administrative Law Judges, or \$73,891, based on the reported compensation of \$625,139.

Mr. Jack Pruitt
April 12, 1999
Page 2

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

Sincerely,

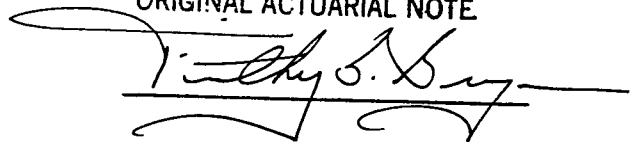


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

F:\NCTB\1999\DOCS\CORR\HB1146.DOC
JC 387, 2747 DC 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

April 20, 1999

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

Re: House Bill 1146: An Act to Include Administrative Law Judges as
Members of the CJRS

Dear Mr. Moore:

This bill would amend G.S. 135-50 through -58 to include administrative law judges serving on or after July 1, 1999 as members of the Consolidated Judicial Retirement System (CJRS). These employees are currently members of the Teachers' and State Employees' Retirement System (TSERS). Any creditable service and accumulated contributions of a member as an administrative law judge immediately prior to July 1, 1999 would transfer from the TSERS to the CJRS. This act would become effective July 1, 1999.

This bill would create an additional liability in the CJRS equal to the value of benefits given for service prior to July 1, 1999, offset by the accumulated contributions transferred from the TSERS. This net additional liability in the CJRS is estimated at \$761,538. Liquidating this amount over 8 years produces a cost of 0.30% of payroll. There would also be a reduction in liability in the TSERS estimated at \$303,428, which amortized over 9 years corresponds to 0.0006% of payroll in that system.

Additionally, transferring these employees from the TSERS to the CJRS would increase the annual cost by 11.82% of their pay, the difference in employer contribution rates in the two systems.

These estimates are based on the most recent actuarial valuations prepared as of December 31, 1997 and information provided by you regarding eligible administrative law judges as of December 31, 1998.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By *Stanley Moore* Date *4-23-99*
Legislative Fiscal Research

MVH/jj

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1146

SHORT TITLE: Administrative Law Judges' Retirement

SPONSOR(S): Representative Henry M. Michaux, Jr.

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

FUNDS AFFECTED: General Fund

BILL SUMMARY: Transfers the eight administrative law judges from the Teachers' and State Employees' Retirement System to the Consolidated Judicial Retirement System

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE:

In order to liquidate the additional liability in the Judicial System, as a result of the transfer of service from the Teachers' and State Employees' Retirement System at an accrual rate of 1.80% to the Consolidated Judicial Retirement System at an accrual rate of 3.02%, Buck Consultants estimates the cost to be .36% of total payroll of the Judicial System and Hartman & Associates estimates the cost to be .30% of the payroll. In addition, there will be an additional cost of \$73,891 beginning the first year, which is the difference in the State System employer contribution rate of 10.83% of salary base of \$625,139 for the administrative law judges and the Judicial System contribution rate of 22.65% of the same salary base.

System Actuary: Buck Consultants

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Unfunded Liability Cost	\$156,000	\$166,528	\$177,086	\$188,314	\$200,253
Contribution Cost	<u>\$ 73,891</u>	<u>\$ 78,576</u>	<u>\$ 83,558</u>	<u>\$ 88,855</u>	<u>\$ 94,489</u>
Total Annual Cost	\$230,491	\$245,105	\$260,644	\$277,169	\$294,742

General Assembly Actuary: Hartman & Associates

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Unfunded Liability Cost	\$130,500	\$138,774	\$147,572	\$156,928	\$166,877
Contribution Cost	<u>\$ 73,891</u>	<u>\$ 78,576</u>	<u>\$ 83,558</u>	<u>\$ 88,855</u>	<u>\$ 94,489</u>
Total Annual Cost	\$204,391	\$217,350	\$231,130	\$245,783	\$261,366

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, 1997 actuarial valuation of the fund. The data included 456 active members with an annual payroll of \$39.7 million and 327 retired members in receipt of annual pensions totaling \$10.8 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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.

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. The above cost estimates are based on the salary base as of July 1, 1999 projected at the average annual increase in compensation base over the last five years of 6.34%.

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington



DATE: Wednesday, April 21, 1999

I just received your report - we will read it in before we adjourn.

1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

Denise

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

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

- ☐ Committee Substitute for
H.B. 1034 A BILL TO BE ENTITLED AN ACT TO DEFINE A PROFESSIONAL
FIREFIGHTERS' BENEFIT ACCRUAL RATE FOR MEMBERS AND BENEFICIARIES
OF THE LOCAL GOVERNMENTAL EMPLOYEE'S RETIREMENT.
- ☐ 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.
- ☐ 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)

2/24/99

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

D

HOUSE BILL 1034*

Proposed Committee Substitute H1034-PCS6195-LL

Short Title: Professional Firefighters' Retirement.

(Public)

Sponsors:

Referred to:

April 14, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO DEFINE A PROFESSIONAL FIREFIGHTERS' BENEFIT
3 ACCRUAL RATE FOR MEMBERS AND BENEFICIARIES OF THE LOCAL
4 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 128-21 is amended by adding a new subdivision to read:

7 "(17a) 'Professional firefighter' means a full-time, paid employee of an
8 employer, maintaining a fire department certified by the North
9 Carolina Department of Insurance, who is actively serving in a
10 position with assigned primary duties and responsibilities for the
11 prevention, detection, and suppression of fire."

12 Section 2. G.S. 128-24(5) reads as rewritten:

13 "(5) The provisions of this subdivision (5) shall apply to any member
14 whose membership is terminated on or after July 1, 1965, and who
15 becomes entitled to benefits hereunder in accordance with the
16 provisions hereof.

17 a. Notwithstanding any other provision of this Chapter, any
18 member who separates from service prior to the attainment
19 of the age of 60 years for any reason other than death or
20 retirement for disability as provided in G.S. 128-27(c), after
21 completing 15 or more years of creditable service, and who
22 leaves his total accumulated contributions in said System
23 shall have the right to retire on a deferred retirement

allowance upon attaining the age of 60 years; provided that such member may retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired; and further provided that in the case of a member who so separates from service on or after July 1, 1967, the aforestated requirement of 15 or more years of creditable service shall be reduced to 12 or more years of creditable service; and further provided that in the case of a member who so separates from service on or after July 1, 1971, or whose account is active on July 1, 1971, the aforestated requirement of 12 or more years of creditable service shall be reduced to five or more years of creditable service. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or eligible former law enforcement officer.

- b. In lieu of the benefits provided in paragraph a of this subdivision, any member who separates from service prior to the attainment of the age of 60 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired. Such early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25
55	30
54	35
53	39

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- b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer or a professional firefighter at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System, may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement ~~officers~~ officers or professional firefighters.
- b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer or professional firefighter at the time of separation from service prior to the attainment of the age of 55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred service retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred service retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement ~~officers~~ officers or professional firefighters.
- b3. Deferred retirement allowance of members retiring on or after July 1, 1995. -- In lieu of the benefits provided in paragraphs a. and b. of this subdivision, any member who

1 separates from service prior to attainment of age 60 years,
2 after completing 20 or more years of creditable service, and
3 who leaves his total accumulated contributions in said
4 System, may elect to retire on a deferred retirement
5 allowance upon attaining the age of 50 years or any time
6 thereafter; provided that such member may so retire only
7 upon written application to the Board of Trustees setting
8 forth at what time, not less than one day nor more than 90
9 days subsequent to the execution and filing thereof, he
10 desires to be retired. Such deferred retirement allowance
11 shall be computed in accordance with the service retirement
12 provisions of this Article pertaining to a member who is not
13 a law enforcement officer or an eligible former law
14 enforcement officer.

- 15 c. Should a beneficiary who retired on an early or service
16 retirement allowance be reemployed, or otherwise engaged
17 to perform services, by an employer participating in the
18 Retirement System on a part-time, temporary, interim, or on
19 fee-for-service basis, whether contractual or otherwise, and if
20 such beneficiary earns an amount in any calendar year
21 which exceeds fifty percent (50%) of the reported
22 compensation, excluding terminal payments, during the 12
23 months of service preceding the effective date of retirement,
24 or twenty thousand dollars (\$20,000), whichever is greater,
25 as hereinafter indexed, then the retirement allowance shall
26 be suspended as of the first day of the month following the
27 month in which the reemployment earnings exceed the
28 amount above, for the balance of the calendar year. The
29 retirement allowance of the beneficiary shall be reinstated as
30 of January 1 of each year following suspension. The amount
31 that may be earned before suspension shall be increased on
32 January 1 of each year by the ratio of the Consumer Price
33 Index to the Index one year earlier, calculated to the nearest
34 tenth of a percent (1/10 of 1%).

- 35 d. Should a beneficiary who retired on an early or service
36 retirement allowance be restored to service as an employee,
37 then the retirement allowance shall cease as of the first day
38 of the month following the month in which the beneficiary
39 is restored to service and the beneficiary shall become a
40 member of the Retirement System and shall contribute
41 thereafter as allowed by law at the uniform contribution
42 payable by all members.

43 Upon his subsequent retirement, he shall be paid a
44 retirement allowance determined as follows:

1. For a member who earns at least three years' membership service after restoration to service, the retirement allowance shall be computed on the basis of his compensation and service before and after the period of prior retirement without restriction; provided, that if the prior allowance was based on a social security leveling payment option, the allowance shall be adjusted actuarially for the difference between the amount received under the optional payment and what would have been paid if the retirement allowance had been paid without optional modification.
2. For a member who does not earn three years' membership service after restoration to service, the retirement allowance shall be equal to the sum of the retirement allowance to which he would have been entitled had he not been restored to service, without modification of the election of an optional allowance previously made, and the retirement allowance that results from service earned since being restored to service; provided, that if the prior retirement allowance was based on a social security leveling payment option, the prior allowance shall be adjusted actuarially for the difference between the amount that would have been paid for each month had the payment not been suspended and what would have been paid if the retirement allowance had been paid without optional modification."

Section 3. G.S. 128-27(a) reads as rewritten:

"(a) Service Retirement Benefits. --

- (1) Any member may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 60 years and have at least five years of creditable service or shall have completed 30 years of creditable service, or if a ~~fireman, he~~ professional firefighter, the member shall have attained the age of 55 years and have at least five years of creditable service. completed at least 25 years of creditable service provided that the last five years of creditable service is as a professional firefighter.

- (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

(3) Repealed by Session Laws 1971, c. 325, s. 12.

(4) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired.

(5) Any member who is a law enforcement ~~officer~~, officer or professional firefighter, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, ~~he the member~~ desires to be retired; provided, also, any member who has met the conditions required by this ~~subdivision~~ section but does not retire, and later becomes an employee other than as a law enforcement ~~officer~~, officer or professional firefighter, continues to have the right to commence retirement."

Section 4. G.S. 128-27 is amended by adding a new subsection to read:

"(b18) Service Retirement Allowance of Professional Firefighters Retiring on or After July 1, 1999. -- Upon retirement from service, in accordance with subsection (a) of this section, on or after July 1, 1999, a member who is a professional firefighter or an eligible former professional firefighter shall receive the following service retirement allowance:

(1) If the member's service retirement date occurs on or after the member's 55th birthday, and completion of five years of creditable service as a professional firefighter, or after the completion of 25 years of creditable service, provided that the last five years of creditable service are as a professional firefighter, the allowance shall be equal to the sum of:

a. One and seventy-seven hundredths percent (1.77%) of the member's average final compensation, multiplied by the number of years of creditable service earned by the member in service other than as a professional firefighter, plus

b. Two and fifty hundredths percent (2.50%) of the member's average final compensation, multiplied by the number of years of creditable service earned as a professional firefighter.

(2) If the member's service retirement date occurs after the member's 50th birthday and before the member's 55th birthday with 15 or more years of creditable service as a professional firefighter and

1 prior to completion of 25 years of creditable service, the member's
2 retirement allowance shall be equal to the greater of:

3 a. The service retirement allowance payable under G.S. 128-
4 27(b16)(1) reduced by one-third of one percent (1/3 of 1%)
5 thereof for each month by which his retirement date
6 precedes the first day of the month coincident with or next
7 following the month the member would have attained his
8 55th birthday; or

9 b. The service retirement allowance as computed under G.S.
10 128-27(b16)(1) reduced by five percent (5%) times the
11 difference between 25 years and the member's creditable
12 service at retirement."

13 Section 5. G.S. 128-30(d) is amended by adding a new subdivision to
14 read:

15 "(10) Notwithstanding the foregoing provisions of this subsection,
16 beginning with the December 31, 1998, valuation, the actuary shall
17 determine an additional 'accrued liability contribution' on account
18 of each employer's professional firefighters. This contribution shall
19 be that percentage of the professional firefighters' compensation
20 necessary to liquidate the 'existing unfunded accrued liability' over
21 a period of years to be determined by the Board of Trustees. The
22 'existing unfunded accrued liability' for each employer shall be
23 equal to the accrued liability for additional benefits payable to
24 each employer's professional firefighters who are members of the
25 Retirement System on June 30, 1999. The 'accrued liability
26 contribution' determined on the basis of this subdivision shall be
27 added to that determined under subdivisions (3) and (9) of this
28 subsection and shall be included in the total amount payable under
29 subdivision (5) of this subsection."

30 Section 6. This act becomes effective July 1, 1999, and applies to persons
31 retiring on or after that date.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

April 26, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

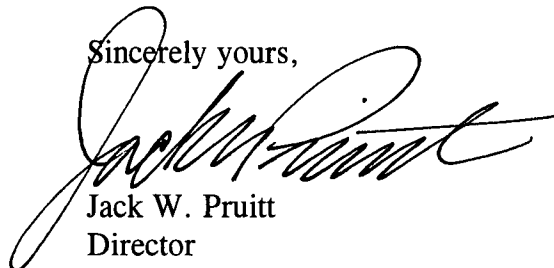
Re: Actuarial Note/House Bill 1034

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1034 which affects 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

April 26, 1999

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 1034

Dear Mr. Pruitt:

We have received your letter of April 16 regarding House Bill 1034 which affects the Local Governmental Employees' Retirement System.

This legislation appears to create a definition for a "professional firefighter." The legislation further provides that members who are professional firefighters shall be entitled to (i) unreduced service retirement benefits after 25 years of creditable service, at any age, provided that the five years of creditable service prior to retirement are as a professional firefighter and (ii) reduced early retirement benefits at age 50 with 15 years of creditable service as a professional firefighter, 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 also appears to provide vested deferred retirement benefits (i) on an unreduced service basis for members attaining age 55 if the member had five years of creditable service as a professional firefighter, and (ii) on a reduced early service basis for a member attaining age 50 if the member had 15 years of creditable service as a professional firefighter.

This legislation further appears to provide retirement benefits for members retiring on and after July 1, 2000 equal to 1.77% of average final compensation multiplied by the number of years of creditable service other than as a professional firefighter and for service as a professional firefighter rendered prior to July 1, 1987 *plus* 2.50% of average final compensation multiplied by the number of years of creditable service as a professional firefighter since July 1, 1987.

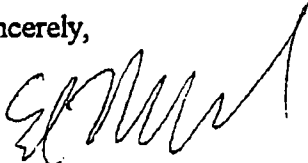
Mr. Jack Pruitt
April 26, 1999
Page 2

The changes appear to provide professional firefighters with the same retirement structure as law enforcement officers with the added provisions for an unreduced service retirement allowance after 25 years of creditable service, and an annual formula accrual rate of 2.50% for service as a professional firefighter since July 1, 1987.

We have determined that the employers' normal contribution rate for firemen members under this legislation would be 11.99% of covered payroll. The increase from the current employer normal rate of 4.80% would be 7.19%, which would require additional annual normal contributions in perpetuity of approximately \$10,091,000. The additional unfunded accrued liability created on account of this legislation is \$117,784,000, which would require additional accrued liability contributions of approximately \$10,134,000 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 \$20,225,000. The attached table shows the estimated annual cost of the additional benefits for employers with firemen and the increase in the accrued liability rate which would be applied to the payroll of all members of each employer.

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

Sincerely,

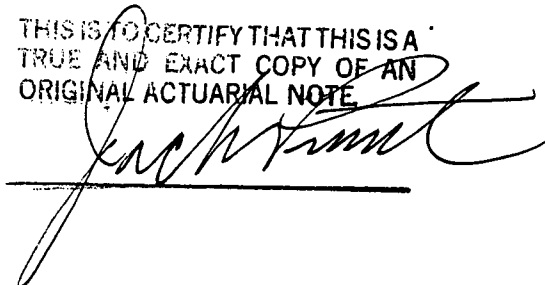


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq
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JC 751 BC AJJ

Enclosure

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 House Bill 1034

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70111	BURLINGTON, CITY OF.....	75	2,405,698	10,699,003	1.65%	172,970	176,534	349,504
70121	GRAHAM, CITY OF.....	9	270,368	2,173,719	0.96%	19,439	20,868	40,307
70131	ELON COLLEGE, TOWN OF.....	6	182,481	586,275	2.34%	13,120	13,719	26,839
70141	HAW RIVER, TOWN OF.....	3	86,272	296,546	2.16%	6,203	6,405	12,608
70411	WADESBORO, TOWN OF.....	1	35,839	965,498	0.38%	2,577	3,669	6,246
70711	WASHINGTON, CITY OF.....	22	684,749	4,797,880	1.00%	49,233	47,979	97,212
70812	WINDSOR, TOWN OF.....	1	20,845	109,876	0.31%	1,499	341	1,840
70911	ELIZABETHTOWN, TOWN OF.....	1	37,122	546,851	0.07%	2,669	383	3,052
71001	BRUNSWICK COUNTY.....	1	4,705	7,780,997	0.00%	338	0	338
71091	VILLAGE OF BALD HEAD ISLAND.....	2	47,691	375,484	0.22%	3,429	826	4,255
71101	BUNCOMBE COUNTY.....	1	31,086	30,428,831	0.00%	2,235	0	2,235
71120	WEST BUNCOMBE FIRE DEPARTMENT.....	4	120,833	120,833	6.14%	8,688	7,419	16,107
71121	ASHEVILLE, CITY OF.....	163	6,045,872	21,435,209	2.19%	434,698	469,431	904,129
71138	SKYLAND VOLUNTEER FIRE DEPARTMENT	15	388,590	394,525	4.35%	27,940	17,162	45,102
71141	WEAVERVILLE, TOWN OF.....	9	249,796	775,406	1.88%	17,960	14,578	32,538
71151	BLACK MOUNTAIN, TOWN OF.....	8	192,210	947,104	1.66%	13,820	15,722	29,542
71211	VALDESE, TOWN OF.....	9	222,540	1,509,572	0.85%	16,001	12,831	28,832
71231	MORGANTON, CITY OF.....	1	37,445	5,269,517	0.04%	2,692	2,108	4,800
71311	CONCORD, CITY OF.....	105	3,154,877	14,369,069	1.48%	226,836	212,662	439,498
71331	KANNAPOLIS, TOWN OF.....	4	153,752	2,089,910	0.66%	11,055	13,793	24,848
71411	GRANITE FALLS, TOWN OF.....	6	164,044	898,032	1.55%	11,795	13,919	25,714
71451	CITY OF LENIOR.....	58	1,447,752	4,112,329	2.63%	104,093	108,154	212,247
71611	MOREHEAD CITY, TOWN OF.....	13	395,510	1,979,621	1.62%	28,437	32,070	60,507
71621	NEWPORT, TOWN OF.....	1	25,898	329,644	0.60%	1,862	1,978	3,840
71631	BEAUFORT, TOWN OF.....	10	235,538	837,533	1.80%	16,935	15,076	32,011
71651	EMERALD ISLE, TOWN OF.....	11	293,718	827,884	1.84%	21,118	15,233	36,351
71811	HICKORY, CITY OF.....	108	3,174,773	12,754,381	1.81%	228,266	230,854	459,120
71821	CLAREMONT, TOWN OF.....	1	28,379	237,121	1.27%	2,040	3,011	5,051
71831	MAIDEN, TOWN OF.....	1	21,433	734,810	0.05%	1,541	367	1,908
71841	LONG VIEW, TOWN OF.....	4	87,750	560,989	1.00%	6,309	5,610	11,919
71851	CONOVER, TOWN OF.....	5	115,079	1,196,045	0.51%	8,274	6,100	14,374
71871	NEWTON, TOWN OF.....	10	294,066	3,106,899	0.72%	21,143	22,370	43,513
71901	CHATHAM COUNTY.....	1	29,926	6,871,095	0.01%	2,152	687	2,839

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1034

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
72001	CHEROKEE COUNTY.....	1	25,640	3,168,169	0.01%	1,844	317	2,161
72111	EDENTON, TOWN OF.....	8	240,698	1,284,005	1.20%	17,306	15,408	32,714
72311	SHELBY, CITY OF.....	40	1,280,120	6,177,203	1.71%	92,041	105,630	197,671
72321	KINGS MOUNTAIN, CITY OF.....	6	167,365	2,386,433	0.52%	12,034	12,409	24,443
72411	WHITEVILLE, CITY OF.....	11	251,537	1,021,017	1.53%	18,086	15,622	33,708
72511	NEW BERN, CITY OF.....	31	993,045	6,820,584	0.99%	71,400	67,524	138,924
72531	HAVELOCK, CITY OF.....	2	67,664	1,440,290	0.42%	4,865	6,049	10,914
72601	CUMBERLAND COUNTY.....	1	13,174	48,395,457	0.00%	947	0	947
72602	WESTAREA VOLUNTEER FIRE DEPARTMENT..	4	75,199	116,764	1.71%	5,407	1,997	7,404
72611	FAYETTEVILLE, CITY OF.....	178	5,340,623	19,655,233	2.03%	383,991	399,001	782,992
72612	LAFAYETTE VILLAGE FIRE DEPARTMENT...	13	326,885	326,885	6.29%	23,503	20,561	44,064
72618	BONNIE DOONE FIRE DISTRICT.....	13	437,504	440,376	7.55%	31,457	33,248	64,705
72620	CUMBERLAND ROAD FIRE DEPARTMENT.....	3	55,738	62,763	3.94%	4,008	2,473	6,481
72631	HOPE MILLS, TOWN OF.....	9	129,063	1,154,731	0.16%	9,280	1,848	11,128
72701	CURRITUCK COUNTY.....	3	37,253	3,095,123	0.06%	2,678	1,857	4,535
72801	DARE COUNTY.....	3	96,423	12,972,981	0.04%	6,933	5,189	12,122
72811	NAGS HEAD, TOWN OF.....	8	253,331	2,103,563	0.75%	18,214	15,777	33,991
72821	KILL DEVIL HILLS, TOWN OF.....	16	528,127	2,349,793	1.20%	37,972	28,198	66,170
72851	KITTY HAWK, TOWN OF.....	2	35,615	324,868	0.43%	2,561	1,397	3,958
72911	THOMASVILLE, CITY OF.....	48	1,341,407	4,410,353	2.52%	96,447	111,141	207,588
72931	LEXINGTON, CITY OF.....	47	1,533,433	8,034,253	1.68%	110,254	134,975	245,229
73201	DURHAM COUNTY.....	6	118,318	36,274,073	0.02%	8,507	7,255	15,762
73202	PARKWOOD FIRE DEPARTMENT.....	10	298,906	317,580	4.54%	21,491	14,418	35,909
73208	BETHESDA FIRE DEPARTMENT.....	2	58,734	88,569	1.32%	4,223	1,169	5,392
73211	DURHAM, CITY OF.....	235	8,171,229	42,964,199	1.28%	587,511	549,942	1,137,453
73311	TARBORO, TOWN OF.....	19	637,294	3,781,308	1.28%	45,821	48,401	94,222
73321	ROCKY MOUNT, CITY OF.....	113	3,692,041	16,720,612	1.75%	265,458	292,611	558,069
73323	ROCKY MOUNT-WILSON AIRPORT AUTHORITY	2	39,769	165,330	0.73%	2,859	1,207	4,066
73401	FORSYTH COUNTY.....	2	18,195	43,405,961	0.00%	1,308	0	1,308
73411	WINSTON-SALEM, CITY OF.....	255	7,663,998	52,783,181	1.01%	551,041	533,110	1,084,151
73421	KERNERSVILLE, TOWN OF.....	35	953,087	2,894,972	2.08%	68,527	60,215	128,742
73431	RURAL HALL, TOWN OF.....	2	44,604	292,910	0.49%	3,207	1,435	4,642
73442	CLEMMONS FIRE DEPARTMENT.....	6	165,810	186,970	4.88%	11,922	9,124	21,046

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1034

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
73521	LOUISBURG, TOWN OF.....	5	156,567	1,132,268	1.18%			
73601	GASTON COUNTY.....	1	26,135	25,188,645	0.01%	11,257	13,361	24,618
73611	GASTONIA, CITY OF.....	122	4,121,627	21,943,725	1.39%	1,879	2,519	4,398
73621	BELMONT, CITY OF.....	6	158,571	1,082,860	0.90%	296,345	305,018	601,363
73641	CHERRYVILLE, CITY OF.....	6	172,842	1,248,300	0.88%	11,401	9,746	21,147
73691	MT. HOLLY, CITY OF.....	4	113,168	1,368,078	0.54%	12,427	10,985	23,412
73911	OXFORD, CITY OF.....	6	145,494	1,458,002	0.58%	8,137	7,388	15,525
74101	GUILFORD, COUNTY OF.....	1	32,284	69,904,527	0.00%	10,461	8,456	18,917
74102	GUIL-RAND FIRE DEPARTMENT.....	20	518,051	554,710	6.14%	2,321	0	2,321
74107	GUILFORD COLL. COMM. VOL. FIRE ASSOC	11	352,993	394,704	6.42%	37,248	34,059	71,307
74108	PINECROFT-SEDFIELD FIRE DISTRICT..	11	338,306	343,264	8.51%	25,380	25,340	50,720
74109	ALAMANCE COMMUNITY FIRE DIST., INC...	4	115,871	115,871	8.91%	24,324	29,212	53,536
74110	DEEP RIVER FIRE DEPARTMENT.....	1	31,554	31,554	9.80%	8,331	10,324	18,655
74111	GREENSBORO, CITY OF.....	361	13,637,950	62,862,741	1.69%	2,269	3,092	5,361
74118	GUILFORD FIRE DISTRICT.....	8	123,848	162,031	1.37%	980,569	1,062,380	2,042,949
74121	HIGH POINT, CITY OF.....	176	5,778,494	31,369,849	1.31%	8,905	2,220	11,125
74131	JAMESTOWN, TOWN OF.....	1	44,808	735,729	0.52%	415,474	410,945	826,419
74151	GIBSONVILLE, TOWN OF.....	1	34,442	576,130	0.04%	3,222	3,826	7,048
74168	COLFAX VOLUNTEER FIRE DEPARTMENT....	5	146,380	154,042	5.36%	2,476	230	2,706
74172	SUMMERFIELD FIRE DISTRICT.....	4	109,524	109,524	5.77%	10,525	8,257	18,782
74182	MOUNT HOPE FIRE DEPARTMENT.....	1	23,643	23,643	9.44%	7,875	6,320	14,195
74221	ROANOKE RAPIDS, CITY OF.....	27	808,831	2,903,853	2.00%	1,700	2,232	3,932
74231	WELDON, TOWN OF.....	6	110,961	385,733	0.37%	58,155	58,077	116,232
74301	HARNETT COUNTY.....	2	49,296	10,102,084	0.03%	7,978	1,427	9,405
74311	DUNN, TOWN OF.....	2	62,480	1,731,682	0.19%	3,544	3,031	6,575
74321	LILLINGTON, TOWN OF.....	1	25,260	398,701	0.46%	4,492	3,290	7,782
74411	WAYNESVILLE, TOWN OF.....	7	222,659	2,366,601	0.64%	1,816	1,834	3,650
74431	CANTON, TOWN OF.....	5	122,386	1,416,998	0.65%	16,009	15,146	31,155
74501	HENDERSON COUNTY.....	2	57,102	11,601,896	0.02%	8,800	9,210	18,010
74511	HENDERSONVILLE, CITY OF.....	16	509,619	1,792,636	2.59%	4,106	2,320	6,426
74532	BLUE RIDGE FIRE DEPARTMENT.....	6	160,826	173,355	3.72%	36,642	46,429	83,071
74541	FLETCHER, TOWN OF.....	1	4,121	291,133	0.09%	11,563	6,449	18,012
74611	AMOSKIE, TOWN OF.....	5	129,254	880,005	1.22%	296	262	558
						9,293	10,736	20,029

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1034

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
74711	RAEFORD, TOWN OF.....	1	33,404	865,138	0.32%	2,402	2,768	5,170
74901	IREDELL COUNTY.....	1	22,212	12,749,037	0.00%	1,597	0	1,597
74911	STATESVILLE, CITY OF.....	54	1,634,561	7,408,551	1.43%	117,525	105,942	223,467
74921	MOORESVILLE, CITY OF.....	13	435,757	3,035,470	1.32%	31,331	40,068	71,399
75111	SMITHFIELD, TOWN OF.....	4	147,294	2,550,404	0.23%	10,590	5,866	16,456
75141	BENSON, TOWN OF.....	1	18,560	794,109	0.01%	1,334	79	1,413
75311	SANFORD, CITY OF.....	43	1,375,261	5,672,680	1.83%	98,881	103,810	202,691
75411	KINSTON, CITY OF.....	56	1,629,674	8,199,516	1.34%	117,174	109,874	227,048
75511	LINCOLNTON, CITY OF.....	16	544,635	2,949,300	1.84%	39,159	54,267	93,426
75611	FRANKLIN, TOWN OF.....	1	4,065	732,859	0.00%	292	0	292
75711	MARS HILL, TOWN OF.....	1	21,218	231,142	0.26%	1,526	601	2,127
75721	MARSHALL, TOWN OF.....	1	20,944	82,200	1.26%	1,506	1,036	2,542
75811	WILLIAMSTON, CITY OF.....	16	342,555	1,142,504	2.19%	24,630	25,021	49,651
75851	ROBERSONVILLE, TOWN OF.....	1	30,849	508,511	0.32%	2,218	1,627	3,845
75908	PLEASANT GARDEN FIRE DEPARTMENT.....	2	50,801	50,801	6.00%	3,653	3,048	6,701
75911	MARION, TOWN OF.....	4	121,217	1,193,041	0.96%	8,716	11,453	20,169
76011	CHARLOTTE, CITY OF.....	12	409,323	80,029,301	0.04%	29,430	32,012	61,442
76031	MINT HILL, TOWN OF.....	2	64,248	365,441	1.26%	4,619	4,605	9,224
76301	MOORE COUNTY.....	2	54,339	9,189,847	0.03%	3,907	2,757	6,664
76311	SOUTHERN PINES, TOWN OF.....	14	344,814	2,171,185	1.21%	24,792	26,271	51,063
76331	ABERDEEN, TOWN OF.....	4	109,570	755,463	0.93%	7,878	7,026	14,904
76351	PINEHURST, VILLAGE OF.....	26	540,273	1,852,744	1.74%	38,846	32,238	71,084
76361	PINEBLUFF, TOWN OF.....	1	14,894	117,028	0.06%	1,071	70	1,141
76421	NASHVILLE, TOWN OF.....	2	36,175	638,845	0.08%	2,601	511	3,112
76501	NEW HANOVER COUNTY.....	3	31,098	27,105,626	0.00%	2,236	0	2,236
76502	NEW HANOVER AIRPORT AUTHORITY.....	7	176,174	490,453	1.83%	12,667	8,975	21,642
76511	WRIGHTSVILLE BEACH, TOWN OF.....	10	290,371	1,441,400	0.97%	20,878	13,982	34,860
76531	WILMINGTON, CITY OF.....	124	3,711,544	14,355,965	1.74%	266,860	249,794	516,654
76711	JACKSONVILLE, CITY OF.....	60	1,875,784	7,677,102	1.80%	134,869	138,188	273,057
76801	ORANGE COUNTY.....	1	30,100	15,688,842	0.00%	2,164	0	2,164
76811	CHAPEL HILL, TOWN OF.....	49	1,817,650	11,692,679	1.04%	130,689	121,604	252,293
76821	CARRBORO, TOWN OF.....	19	487,734	2,528,686	1.12%	35,068	28,321	63,389
77011	ELIZABETH CITY.....	31	984,439	3,945,123	1.86%	70,781	73,379	144,160

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1034

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
77101	PENDER COUNTY.....	1	23,359	4,425,346	0.03%	1,680	1,328	3,008
77111	BURGAW, TOWN OF.....	1	31,579	444,336	0.24%	2,271	1,066	3,337
77311	ROXBORO, CITY OF.....	13	337,002	2,037,255	0.97%	24,230	19,761	43,991
77401	PITT COUNTY.....	2	58,152	22,688,785	0.01%	4,181	2,269	6,450
77411	GREENVILLE, CITY OF.....	108	3,714,276	12,704,320	2.28%	267,056	289,658	556,714
77511	TRYON, TOWN OF.....	1	29,626	580,916	0.58%	2,130	3,369	5,499
77601	RANDOLPH COUNTY.....	1	21,864	9,353,498	0.00%	1,572	0	1,572
77611	ASHEBORO, CITY OF.....	38	1,065,325	4,914,947	1.58%	76,597	77,656	154,253
77621	RANDLEMAN, CITY OF.....	10	233,445	741,185	1.51%	16,785	11,192	27,977
77711	ROCKINGHAM, CITY OF.....	16	403,918	2,396,522	1.30%	29,042	31,155	60,197
77721	HAMLET, CITY OF.....	8	174,852	1,250,874	0.79%	12,572	9,882	22,454
77731	ELLERBE, TOWN OF.....	1	25,114	96,220	2.59%	1,806	2,492	4,298
77811	LUMBERTON, CITY OF.....	49	1,413,999	5,498,692	2.05%	101,667	112,723	214,390
77821	FAIRMONT, TOWN OF.....	1	36,488	454,413	0.75%	2,623	3,408	6,031
77851	PEMBROKE, TOWN OF.....	1	24,799	405,047	0.67%	1,783	2,714	4,497
77911	REIDSVILLE, TOWN OF.....	29	679,315	2,878,654	1.32%	48,843	37,998	86,841
77951	EDEN, CITY OF.....	16	472,614	3,417,839	1.07%	33,981	36,571	70,552
78011	SALISBURY, CITY OF.....	59	1,835,095	8,996,324	1.57%	131,943	141,242	273,185
78111	FOREST CITY.....	8	281,487	2,034,464	1.10%	20,239	22,379	42,618
78121	SPINDALE, TOWN OF.....	3	90,546	595,668	0.86%	6,510	5,123	11,633
78141	RUTHERFORDTON, TOWN OF.....	5	98,655	430,229	1.23%	7,093	5,292	12,385
78201	SAMPSON COUNTY.....	1	26,329	6,809,721	0.00%	1,893	0	1,893
78211	CLINTON, CITY OF.....	3	84,792	2,001,037	0.27%	6,097	5,403	11,500
78311	LAURINBURG, CITY OF.....	4	132,081	3,108,634	0.31%	9,497	9,637	19,134
78411	ALBEMARLE, CITY OF.....	41	1,075,093	5,283,580	1.58%	77,299	83,481	160,780
78601	SURRY COUNTY.....	2	48,142	10,321,926	0.02%	3,461	2,064	5,525
78631	MOUNT AIRY, TOWN OF.....	16	465,068	3,184,002	0.85%	33,438	27,064	60,502
78641	ELKIN, TOWN OF.....	3	77,918	840,951	0.85%	5,602	7,148	12,750
79011	MONROE, CITY OF.....	5	168,908	5,650,093	0.16%	12,144	9,040	21,184
79101	VANCE COUNTY.....	9	204,138	5,225,967	0.05%	14,678	2,613	17,291
79111	HENDERSON, CITY OF.....	31	860,510	3,828,936	1.52%	61,871	58,200	120,071
79201	WAKE COUNTY.....	8	166,949	72,163,952	0.01%	12,004	7,216	19,220
79202	HOLLY SPRINGS, TOWN OF.....	4	106,255	1,436,333	0.29%	7,640	4,165	11,805

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1034

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
79208	BAYLEAF FIRE DEPARTMENT.....	7	161,226	170,608	5.45%	11,592	9,298	20,890
79211	RALEIGH, CITY OF.....	382	13,950,245	62,308,992	1.71%	1,003,023	1,065,484	2,068,507
79212	DURHAM HIGHWAY FIRE PROTECTION AGENC	7	153,460	153,460	2.89%	11,034	4,435	15,469
79218	RALEIGH-DURHAM AIRPORT AUTHORITY....	18	671,917	4,739,679	1.22%	48,311	57,824	106,135
79221	CARY, TOWN OF.....	108	3,780,829	15,788,989	1.64%	271,842	258,939	530,781
79241	ZEBULON, TOWN OF.....	3	78,153	869,079	0.28%	5,619	2,433	8,052
79252	GARNER FIRE DEPARTMENT.....	12	338,209	346,840	4.74%	24,317	16,440	40,757
79511	BOONE, TOWN OF.....	4	145,653	2,364,558	0.38%	10,472	8,985	19,457
79521	BLOWING ROCK, TOWN OF.....	1	24,721	724,482	0.11%	1,777	797	2,574
79601	WAYNE COUNTY.....	1	25,065	12,347,390	0.01%	1,802	1,235	3,037
79611	GOLDSBORO, CITY OF.....	80	2,147,268	8,116,475	1.84%	154,389	149,343	303,732
79621	MOUNT OLIVE, TOWN OF.....	1	21,531	636,385	0.08%	1,548	509	2,057
79701	WILKES COUNTY.....	1	30,452	7,463,601	0.00%	2,189	0	2,189
79711	NORTH WILKESBORO, TOWN OF.....	3	83,628	978,043	0.54%	6,013	5,281	11,294
79811	WILSON, CITY OF.....	75	2,628,248	14,336,513	1.46%	188,971	209,313	398,284
		4,421	140,343,648	1,286,296,624		10,090,707	10,134,306	20,225,013



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MEMORANDUM

TO: Representative Richard Moore

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 29, 1999

SUBJECT: Actuarial Note on PCS for House Bill 1034

Re: Defines a "Professional Firefighter" in the Local Governmental Employees' Retirement System and provides an accrual rate of 2.5% for each year of service as a firemen and provides for unreduced retirement after with 25 years of service as a professional firefighter or at age 55 with five years of service as a professional firefighter.

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: Representative Michaux; Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, April 26, 1999
- (3) Actuarial Note, Hartman & Associates, April 26, 1999

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: Proposed Committee Substitute for House Bill 1034

SHORT TITLE: Professional Firefighters' Retirement

SPONSOR(S): Representative Moore

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Government Funds

BILL SUMMARY: Defines a "Professional Firefighter" in the Local Governmental Employees' Retirement System and provides an accrual rate of 2.5% for each year of service as a professional firefighter and provides for unreduced retirement after 25 years of service regardless of age or at age 55 with five years of service as a professional firefighter.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Retirement System Actuary: Buck Consultants estimates the normal cost will increase from 4.80% of payroll to 11.99% for a net increase of 7.19% of the payroll of firefighters. Buck Consultants estimates an increase in the unfunded accrued liability of \$163,616,000 and the annual cost to pay the unfunded accrued liability over a 15 year liquidation period will be \$14,075,000 which is expressed as a percent of the total payroll of all employees within each employer.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$10,090,708	\$10,716,332	\$11,380,745	\$12,086,351	\$12,835,705
Accrued Liability	<u>\$14,075,000</u>	<u>\$14,947,650</u>	<u>\$15,874,404</u>	<u>\$16,858,617</u>	<u>\$17,903,852</u>
Total Local Funds	\$24,165,708	\$25,663,982	\$27,255,149	\$28,944,968	\$30,739,5565

General Assembly Actuary: Hartman & Associates, LLC estimates the normal cost will increase from 4.80% of payroll to 10% for a net increase of 5.20% of the payroll of firefighters. They also estimates an increase in the unfunded accrued liability of \$169,790,000 and the annual cost to pay the unfunded accrued liability over a 15 year liquidation period will be \$15,409,733 which is expressed as 10.98% of the payroll for firefighters.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$ 7,297,870	\$ 7,750,338	\$ 8,230,859	\$ 8,741,172	\$ 9,283,124
Accrued Liability	<u>\$15,409,733</u>	<u>\$16,365,136</u>	<u>\$17,379,774</u>	<u>\$18,457,320</u>	<u>\$19,601,674</u>
Total Local Funds	\$22,707,602	\$24,115,474	\$25,610,633	\$27,198,492	\$28,884,799

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, 1997 actuarial valuation of the fund. The data included 106,802 active members with an annual payroll of \$2.743 billion and 25,456 retired members in receipt of

annual pensions totaling \$261.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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

The above cost estimates are based on 4,421 employees with an estimated salary base of \$140,343,648 projected at the average annual increase in compensation base of 6.2% for the Local System over the next five years.

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: Tuesday, April 27, 1999

BUCK CONSULTANTS

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

April 26, 1999

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 1034

Dear Mr. Pruitt:

We have received your letter of April 23 regarding Proposed Committee Substitute for House Bill 1034 which affects the Local Governmental Employees' Retirement System.

This legislation appears to create a definition for a "professional firefighter." The legislation further provides that members who are professional firefighters shall be entitled to (i) unreduced service retirement benefits after 25 years of creditable service, at any age, provided that the five years of creditable service prior to retirement are as a professional firefighter and (ii) reduced early retirement benefits at age 50 with 15 years of creditable service as a professional firefighter, 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 also appears to provide vested deferred retirement benefits (i) on an unreduced service basis for members attaining age 55 if the member had five years of creditable service as a professional firefighter, and (ii) on a reduced early service basis for a member attaining age 50 if the member had 15 years of creditable service as a professional firefighter.

This legislation further appears to provide retirement benefits for members retiring on and after July 1, 1999 equal to 1.77% of average final compensation multiplied by the number of years of creditable service other than as a professional firefighter *plus* 2.50% of average final compensation multiplied by the number of years of creditable service as a professional firefighter.

The changes appear to provide professional firefighters with the same retirement structure as law enforcement officers with the added provisions for an unreduced service retirement allowance after 25 years of creditable service, and an annual formula accrual rate of 2.50% for service as a professional firefighter.

Mr. Jack Pruitt
April 26, 1999
Page 2

We have determined that the employers' normal contribution rate for firemen members under this legislation would be 11.99% of covered payroll. The increase from the current employer normal rate of 4.80% would be 7.19%, which would require additional annual normal contributions in perpetuity of approximately \$10,091,000. The additional unfunded accrued liability created on account of this legislation is \$163,616,000, which would require additional accrued liability contributions of approximately \$14,075,000 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 \$24,166,000. The attached table shows the estimated annual cost of the additional benefits for employers with firemen and the increase in the accrued liability rate which would be applied to the payroll of all members of each employer.

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

Sincerely,



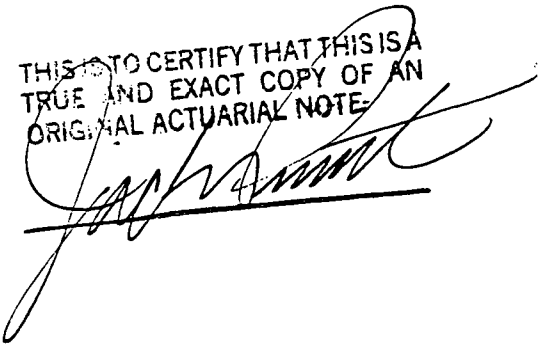
Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

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JC 751 BC A33

Enclosure

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

April 26, 1999

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

Re: House Bill 1034: An Act to Define a Professional
Firefighters' Benefit Accrual Rate for Members and
Beneficiaries of the LGERS

Dear Mr. Moore:

This bill would amend G.S. 128-21 by adding a new subdivision to define a 'professional firefighter' as a full-time, paid employee of a certified fire department who is actively serving to prevent, detect, and suppress fire.

This bill would also amend G.S. 128-24 and G.S. 128-27 to revise the amount of retirement allowance and the service requirements to receive the retirement allowance for professional firefighters. Under this bill, the annual accrual rate would increase from 1.77% to 2.50% for each year of service as a professional firefighter. The bill also provides that a member may retire as a professional firefighter with an unreduced allowance after completion of 25 years of creditable service, if the last five years are as a professional firefighter, or upon attainment of age 55 and completion of 5 years of creditable service.

This bill becomes effective July 1, 1999 and applies to members retiring on or after that date. The provisions of this bill will increase benefits for both past and future service, and this will increase both the employer's normal contribution rate and the accrued liability contribution. The estimated cost for the fiscal year beginning July 1, 1999, expressed as a percentage of payroll for professional firemen, is an increase in the normal rate of 5.20% and an increase in the accrued liability rate of 10.98%. This corresponds to a total increase in the unfunded accrued liability of approximately \$169,790,000 liquidated over a fifteen year period.

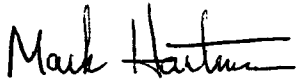
Mr. Stanley Moore
April 26, 1999

Page 2

These cost estimates are based on the most recent actuarial valuation as December 31, 1997 and data provided by you on members meeting the definition of professional firefighter. This data includes 4,421 persons with a total estimated payroll of \$140.3 million. These calculations assume that all prior service included in this data was as a professional firefighter.

If you have any questions, let me know.

Sincerely,



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

MVH/mot

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 4-29-99
Legislative Fiscal Research

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 1035 A BILL TO BE ENTITLED AN ACT TO REVISE THE CALCULATION OF
THE EARLY RETIREMENT ALLOWANCE FOR MEMBERS 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 ☐ ☐.

☐ 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.

☐ 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.

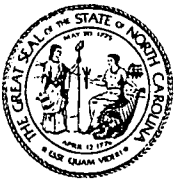
☒ Without prejudice *and recommendation that the bill be re-referred to the
Committee on Appropriations*

☐ With an indefinite postponement report.

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

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

2/24/99



BILL ANALYSIS

HOUSE BILL 1035: Early Retirement Amendment.

Committee: House Pensions & Retirement
Date: May 19, 1999
Version: 1st Edition

Introduced by: Rep. Moore
Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

House Bill 1035 amends the law governing the Teachers' and State Employees' Retirement System to reduce the reduction factor used to calculate early retirement allowances.

CURRENT LAW:

Under current law, a member of the Teachers' and State Employees' Retirement System can retire at any age between 50 and 60, with at least 20 years of service. However, the benefit the member would have received is reduced by 5% for each year of service less than 30, which the member has obtained. Thus, a member who is age 52 with 28 years of service can receive a benefit that is 10% less than the benefit would have been if there were no reduction.

A member can only retire with full benefits if the member has 30 years of service, at any age, or the member is at least age 60 with 25 years of service or age 65 with 5 years of service.

BILL ANALYSIS:

This bill changes the reduction factor from 5% to 3%. The bill would apply to all members who retire on or after July 1, 1999, and would not affect the benefits of current retirees. This bill also does not affect the accrual rate, which is currently 1.80%, or any other element of the retirement allowance calculation.

This act would become effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 1035

Short Title: Early Retirement Amendment.

(Public)

Sponsors: Representatives Moore; Barefoot, Mosley, and Yongue.

Referred to: Pensions and Retirement.

April 14, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO REVISE THE CALCULATION OF THE EARLY RETIREMENT
3 ALLOWANCE FOR MEMBERS OF THE TEACHERS' AND STATE
4 EMPLOYEES' RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 135-5(b17) reads as rewritten:

7 "(b17) Service Retirement Allowance of Members Retiring on or After ~~July 1,~~
8 ~~1997. July 1, 1997, but Before July 1, 1999.~~ -- Upon retirement from service in
9 accordance with subsection (a) or (a1) above, on or after July 1, 1997, but before July
10 1, 1999, a 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 eighty hundredths percent (1.80%) of his
19 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. 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%) 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. 135-5(b17)(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, 1994, 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.
11 135-5(b17)(2)b.
12 d. Notwithstanding the foregoing provisions, any member
13 whose creditable service commenced prior to July 1, 1963,
14 shall not receive less than the benefit provided by G.S. 135-
15 5(b)."

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

17 "(b18) Service Retirement Allowance of Members Retiring on or After July 1,
18 1999. -- Upon retirement from service in accordance with subsection (a) or (a1)
19 above, on or after July 1, 1999, 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 30 years of creditable service, the allowance shall be
28 equal to one and eighty hundredths percent (1.80%) of his
29 average final compensation, multiplied by the number of
30 years of his creditable service.

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

- 36 1. The service retirement allowance payable under G.S.
37 135-5(b17)(1)a. reduced by one-third of one percent
38 (1/3 of 1%) thereof for each month by which his
39 retirement date precedes the first day of the month
40 coincident with or next following the month the
41 member would have attained his 55th birthday; or
42 2. The service retirement allowance as computed under
43 G.S. 135-5(b17)(1)a. reduced by three percent (3%)

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 (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 three percent (3%) 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(b)(7)(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 3. This act becomes effective July 1, 1999.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

April 20, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

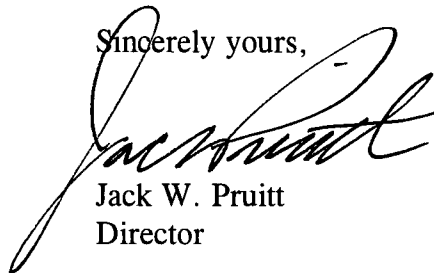
Re: Actuarial Note/House Bill 1035

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1035 which affects the Teachers' and State 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

April 20, 1999

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

House Bill 1035

Dear Mr. Pruitt:

We have received your letter of April 15 regarding House Bill 1035 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to change the early retirement reduction factor from 5% to 3% for each year a retiring member's creditable service is less than 30 years, while leaving in place the other early retirement provisions. This bill would become law effective July 1, 1999 and would apply to both law enforcement officers and other employees.

The attached schedule reflects these proposed changes. 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.

As a technical observation, this bill contains no funding provisions.

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

Sincerely,

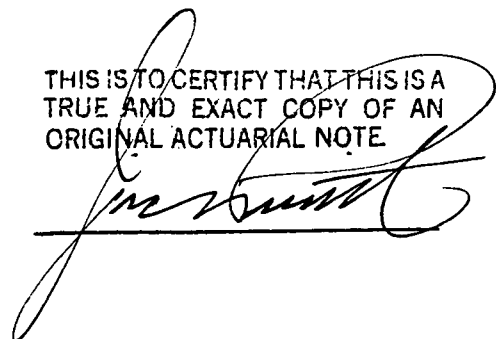


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

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



Teachers' and State Employees' Retirement System

House Bill 1035

Proposal	<u>GAINS</u>			<u>PROPOSAL</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
3.0% Early Retirement Reduction	0.59%	\$36,964,000	\$2,974,000	0.42%	\$26,313,000	\$2,117,000	0.17%	\$10,651,000	\$857,000

April 20, 1999

P:\NCTE\99\DOCS\CORR\HB1035.DOC



**North Carolina General Assembly
Legislative Services Office**

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

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Room 5, Legislative Building
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Bill Drafting Division
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Raleigh, NC 27603-5925
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Thomas L. Covington, Director
Fiscal Research Division
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Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

MEMORANDUM

TO: Representative Richard Moore

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 29, 1999

SUBJECT: Actuarial Note on House Bill 1035

Re: Reduces the early retirement reduction factor from 5% for each year short of 30 years to 3% per year for each year short of 30 years.

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: Representative Michaux; Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, April 20, 1999
- (3) Actuarial Note, Hartman & Associates, April 28, 1999

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1035

SHORT TITLE: Early Retirement Amendment

SPONSOR(S): Representative Moore

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Funds

BILL SUMMARY: A member of the Retirement System can retire on early retirement between ages 50 and 60 with service of between 20 and 30 years. The present reduction factor is 5% for each year a member is short of 30 year. The bill reduces the early retirement reduction factor from 5% for each year short of 30 years to 3% per year for each year short of 30 years.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE:

Retirement System Actuary: Buck Consultant estimates the cost to be .42% of payroll. The cost estimates are based on the salary base as of July 1, 1999 projected at the average annual increase in compensation base over the last five years of 5.3%.

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
General Fund	\$26.3m	\$27.7m	\$29.2m	\$30.7m	\$32.4m
Highway Fund	\$2.1m	\$2.2m	\$2.3m	\$2.4m	\$2.5m
Receipt Funds	<u>\$7.1m</u>	<u>\$7.5m</u>	<u>\$7.9m</u>	<u>\$8.3m</u>	<u>\$8.7m</u>
Total Annual Cost	\$35.5m	\$37.4m	\$39.4m	\$41.4m	\$43.6m

General Assembly Actuary: Hartman & Associates estimates the cost to be .44% of payroll. The cost estimates are based on the salary base as of July 1, 1999 projected at the average annual increase in compensation base over the last five years of 5.3%.

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
General Fund	\$27.6m	\$29.0m	\$30.6m	\$32.2m	\$33.9m
Highway Fund	\$2.2m	\$2.3m	\$2.4m	\$2.5m	\$2.6m
Receipt Funds	<u>\$7.4m</u>	<u>\$7.8m</u>	<u>\$8.2m</u>	<u>\$8.7m</u>	<u>\$9.1m</u>
Total Annual Cost	\$37.2m	\$39.2m	\$41.2m	\$43.4m	\$45.6m

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, 1997 actuarial valuation of the fund. The data included 271,128 active members with an annual payroll of \$7.374 billion and 92,236 retired members in receipt of annual pensions totaling \$1.231 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 

APPROVED BY: Tom Covington



DATE: April 29, 1999

BUCK CONSULTANTS

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

April 20, 1999

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

House Bill 1035

Dear Mr. Pruitt:

We have received your letter of April 15 regarding House Bill 1035 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to change the early retirement reduction factor from 5% to 3% for each year a retiring member's creditable service is less than 30 years, while leaving in place the other early retirement provisions. This bill would become law effective July 1, 1999 and would apply to both law enforcement officers and other employees.

The attached schedule reflects these proposed changes. 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.

As a technical observation, this bill contains no funding provisions.

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

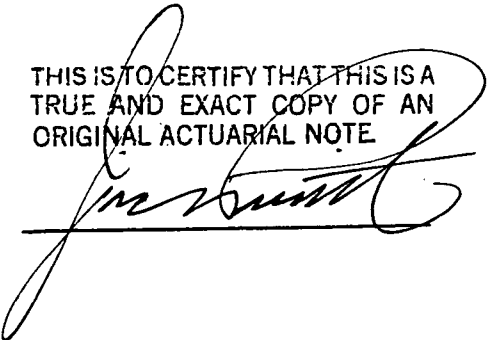
Sincerely,


Edward A. Macdonald
Principal and Consulting Actuary

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JC 367 BC ASB

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



Teachers' and State Employees' Retirement System

House Bill 1035

Proposal	<u>GAINS</u>			<u>PROPOSAL</u>			<u>REMAINING GAINS</u>		
	<u>Equivalent Appropriations</u>			<u>Equivalent Appropriations</u>			<u>Equivalent Appropriations</u>		
	Cost As % of Payroll	General Fund	Highway Fund	Cost As % of Payroll	General Fund	Highway Fund	Cost as % of Payroll	General Fund	Highway Fund
3.0% Early Retirement Reduction	0.59%	\$36,964,000	\$2,974,000	0.42%	\$26,313,000	\$2,117,000	0.17%	\$10,651,000	\$857,000

April 20, 1999

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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

April 28, 1999

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

Re: House Bill 1035: An Act to Revise the Calculation of the
Early Retirement Allowance for Members of the TSERS

Dear Mr. Moore:

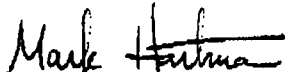
This bill would amend G.S. 135-5 to revise the rules for calculating the early retirement allowance for members covered by the Teachers' and State Employees' Retirement System.

Currently, if a member retires after attaining age 50 and completing 20 years of service (15 years if a law enforcement officer) but prior to becoming eligible for an unreduced retirement allowance, he may receive a reduced early retirement allowance. The reduction is the lessor of 5% for each year of service less than 30 or $1/4$ of 1% for each month up to sixty that his retirement precedes attaining age 65 plus $5/12$ of 1% for each additional month ($1/3$ of 1% for each month his retirement precedes attaining age 55 for a law enforcement officer). This bill reduces the reduction factor for service less than thirty years from 5% to 3% per year. This act would become effective July 1, 1999.

The net estimated cost of this increase in the TSERS for the fiscal year beginning July 1, 1999 is 0.44% of payroll. This estimate is based on data from the most recent annual valuation completed as of December 31, 1997.

If you have any questions, let me know.

Sincerely,



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

MVH/mot

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 4-29-99
Legislative Fiscal Research

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 569 A BILL TO BE ENTITLED AN ACT TO ALLOW ADDITIONAL
RETOACTIVE 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.

☐ 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.

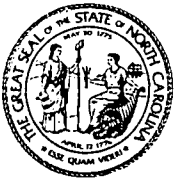
☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

2/24/99



BILL ANALYSIS

HOUSE BILL 569: Fire/Rescue Open Enrollment.

Committee: House Pensions & Retirement
Date: May 19, 1999
Version: 1st Edition

Introduced by: Rep. Redwine
Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

House Bill 569 amends the law governing the North Carolina Firemen's and Rescue Squad Workers' Pension Fund to allow additional retroactive membership in the Fund.

CURRENT LAW:

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.

BILL ANALYSIS:

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 1, 2000. 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, 2000.

BACKGROUND:

This issue was considered in 1994, by the Joint Legislative 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 people purchased 20 years at age 55 and began drawing a pension 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 also found that this is an issue that needs to be addressed, but declined to recommend legislation at that time.

This act would become effective October 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 569

Short Title: Fire/Rescue Open Enrollment.

(Public)

Sponsors: Representatives Redwine; Hill, Gibson, Tucker, McLawhorn, Cox, Warren, and Mosley.

Referred to: Pensions and Retirement.

March 23, 1999

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~~ 2000. The
11 person shall make a lump sum payment of ~~five dollars (\$5.00)~~ ten dollars (\$10.00) per
12 month retroactively to the time he first became eligible to become a member, plus
13 interest at an annual rate of eight percent (8%), for each year of his retroactive
14 payments. Upon making the lump sum payment, the person shall be given credit for
15 all prior service in the same manner as if he had made application for membership at
16 the time he first became eligible. Any member who made application for membership
17 subsequent to the time he was first eligible and did not receive credit for prior service
18 may receive credit for this prior service upon lump sum payment of ~~five dollars~~
19 ~~(\$5.00)~~ ten dollars (\$10.00) per month retroactively to the time he first became
20 eligible, plus interest at an annual rate of eight percent (8%), for each year of his
21 retroactive payments. Upon making this lump sum payment, the date of membership
22 shall be the same as if he had made application for membership at the time he was
23 first eligible. Any fireman or rescue squad worker who has applied for prior service

1 under this subsection shall have until ~~October 1, 1989~~, June 30, 2000, to pay for this
2 prior service and, if this payment is not made by ~~October 1, 1989~~, June 30, 2000, he
3 shall not receive credit for this service, except as provided in subsection (a1) of this
4 section."

5 Section 2. This act becomes effective October 1, 1999.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

April 12, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

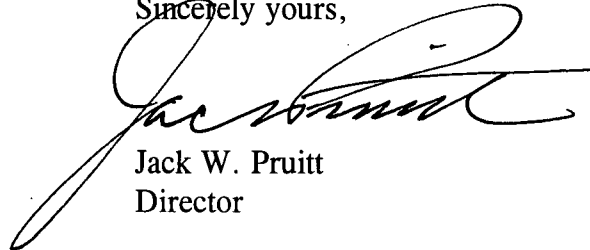
Re: Actuarial Note/House Bill 569

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 569 which affects the Firemen's and Rescue Squad Workers' Pension Fund.

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

March 29, 1999

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 569

Dear Mr. Pruitt:

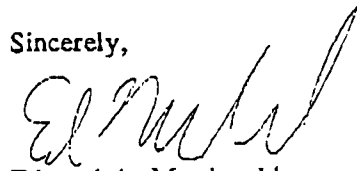
We have received your letter of March 26 regarding House Bill 569 which affects the Firemen's and Rescue Squad Workers' Pension Fund.

This proposal appears to allow, for a period of time commencing October 1, 1999 and ending March 31, 2000, 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, 1999 and ending June 30, 2000, 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 proposal to be \$1,354 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 1999-2000 fiscal year would be between \$5,416,000 and \$8,124,000. The cost estimate is based on the June 30, 1998 valuation, a monthly benefit of \$146 and a funding period of approximately 5 years for amortization of the additional unfunded liability. The significant increase in the cost from our previous correspondence (March 3, 1997) is due to the increase in benefit level, the change in the actuarial assumptions and a shorter amortization period.

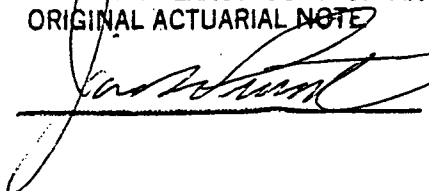
If we can be of further assistance with regard to this proposal, please do not hesitate to contact us.

Sincerely,


Edward A. Macdonald
Principal and Consulting Actuary

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TRUE AND EXACT COPY OF AN
ORIGINAL ACTUARIAL NOTE





**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

Tony C. Goldman, Director
Information Systems Division
Suite 400, LOB
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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

MEMORANDUM

TO: Representative David Redwine

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 12, 1999

SUBJECT: Actuarial Note on House Bill 569

Re: Allows a open-door enrollment period in the Firemen's and Rescue Squad Workers' Pension Fund from October 1, 1999 until March 31, 2000 for purposes of gaining retroactive membership service based on payment of \$10 per month of service plus interest.

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: Representative Michaux; Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, March 29, 1999
- (3) Actuarial Note, Hartman & Associates, April 8, 1999

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 569

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, 1999 to March 31, 2000 for purposes of gaining retroactive membership service based on payment of \$10 per month of service plus interest.

EFFECTIVE DATE: October 1, 1999 to March 31, 2000

ESTIMATED IMPACT ON STATE: SYSTEM ACTUARY

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Benefit Increase	\$5.4m - \$8.1m	\$5.4m - \$8.1m	\$5.4m - \$8.1m	\$5.4m - \$8.1m	\$5.4m - \$8.1m

GENERAL ASSEMBLY ACTUARY

	<u>FY</u> 1999-00	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04
Benefit Increase	\$4.5m - \$6.7m	\$4.5m - \$6.7m	\$4.5m - \$6.7m	\$4.5m - \$6.7m	\$4.5m - \$6.7m

ASSUMPTIONS AND METHODOLOGY: The cost range is based on an estimate of a low of 4,000 new participants and a high of 6,000 new participants 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 employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 1998 actuarial valuation of the fund. The data included 26,820 active members and 7,353 retired members in receipt of annual pensions totaling \$12.9 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 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

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: April 9, 1999

BUCK
CONSULTANTS

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

March 29, 1999

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 569

Dear Mr. Pruitt:

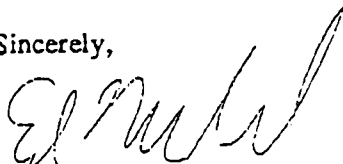
We have received your letter of March 26 regarding House Bill 569 which affects the Firemen's and Rescue Squad Workers' Pension Fund.

This proposal appears to allow, for a period of time commencing October 1, 1999 and ending March 31, 2000, 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, 1999 and ending June 30, 2000, 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 proposal to be \$1,354 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 1999-2000 fiscal year would be between \$5,416,000 and \$8,124,000. The cost estimate is based on the June 30, 1998 valuation, a monthly benefit of \$146 and a funding period of approximately 5 years for amortization of the additional unfunded liability. The significant increase in the cost from our previous correspondence (March 3, 1997) is due to the increase in benefit level, the change in the actuarial assumptions and a shorter amortization period.

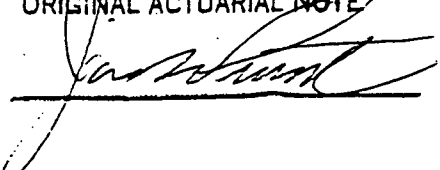
If we can be of further assistance with regard to this proposal, please do not hesitate to contact us.

Sincerely,


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq
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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

April 8, 1999

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

Re: House Bill 569: An Act to Allow Additional Retroactive
Membership in the NC Firemen's and Rescue Squad Workers'
Pension Fund

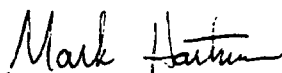
Dear Mr. Moore:

This bill would rewrite G.S. 58-86-45(a) to provide that eligible firemen and rescue squad workers may purchase retroactive service credits. 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, 2000. Further, the bill allows 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 bill would become effective October 1, 1999.

The estimated annual cost of this bill for each member who elects to purchase prior credit is, on average, approximately \$1,113. Assuming between 4,000 and 6,000 persons elect to purchase prior credits, the estimated cost of this Act for the fiscal year beginning July 1, 1999, is between \$4,451,517 and \$6,677,275. This estimation is based on data contained in the most recent actuarial valuation prepared as of June 30, 1998, and amortizes the 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: 4-12-99
Legislative Fiscal Research

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☒ Committee Substitute for

S.B. 687 A BILL TO BE ENTITLED AN ACT TO AMEND THE SUPPLEMENTAL
RETIREMENT FUND FOR FULL-TIME PAID FIREFIGHTERS IN THE CITY OF
HICKORY.

☒ 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.

☐ 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)

2/24/99



SENATE BILL 687: Hickory Firefighters' Retirement Fund.

BILL ANALYSIS

Committee: Senate Retirement & Aging
Date: April 13, 1999
Version: 1st Edition

Introduced by: Senator Allran
Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

Senate Bill 687 amends the Supplemental Retirement Fund for firefighters in the City of Hickory to limit eligibility for benefits to full-time paid firefighters.

CURRENT LAW:

The Supplemental Retirement Fund for firefighters in the City of Hickory was created by Chapter 65 of the 1971 Session Laws. It currently provides that each firefighter, "whether fully paid or part paid, who retired subsequent to January 1, 1960", with at least 20 years of service and at age 55, or with 30 years at any age, is eligible to receive an annual benefit not to exceed \$2,400. *(The bill incorrectly indicates that the maximum annual benefit is \$1,200. It was increased by Chapter 139 of the 1985 Session Laws. A technical amendment has been prepared.)*

BILL ANALYSIS:

This bill amends this provision in the Session Laws to state that only full-time paid firefighters who retire on or after March 1, 1999, will be eligible for the annual benefit. The preamble to the bill states that there are no longer any "part paid" or "volunteer" members who are eligible to participate in the fund. Therefore, the enactment of this bill should not cut off anyone's expectation of a benefit.

Section 2 of the bill specifically notes that this act shall not create a liability for the Hickory Firemen's Supplemental Retirement Fund unless sufficient current assets are available in the fund.

This act would become effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

3

SENATE BILL 687

Pensions & Retirement and Aging Committee Substitute Adopted 4/14/99
House Committee Substitute Favorable 5/13/99

Short Title: Hickory Firefighters' Retirement Fund.

(Local)

Sponsors:

Referred to:

April 1, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE SUPPLEMENTAL RETIREMENT FUND FOR FULL-
3 TIME PAID FIREFIGHTERS IN THE CITY OF HICKORY.

4 Whereas, the provisions of Chapter 65 of the 1971 Session Laws, as
5 amended, provided a supplemental retirement fund for firemen in the City of
6 Hickory and modified the application of G.S. 58-84-25, 58-84-30, and 58-84-35 to the
7 City of Hickory; and

8 Whereas, since the creation of the supplemental pension fund there have
9 been substantial changes in circumstances that affect the integrity of that fund if
10 participation is not limited to a smaller class of persons than all firefighters; and

11 Whereas, there are no longer persons classified as "part-paid" or
12 "volunteer" who are eligible to participate in the fund; Now, therefore,
13 The General Assembly of North Carolina enacts:

14 Section 1. Section 3(a) of Chapter 65 of the 1971 Session Laws, as
15 amended by Chapter 407 of the 1981 Session Laws and Chapter 139 of the 1985
16 Session Laws, reads as rewritten:

17 "(a) Each City fireman, whether fully paid or part paid, who retired subsequent to
18 January 1, 1960, but before February 28, 1999, and each full-time paid firefighter who
19 retired on or after March 1, 1999, with 20 years or more service and has attained the
20 age of 55, or who had 30 years or more service regardless of age, which service
21 includes service in the United States Armed Service purchased into the North
22 Carolina Local Governmental Employees' Retirement System, shall be entitled to and

1 shall receive in each calendar year following the calendar year in which he retires an
2 annual supplemental retirement benefit, provided, in no event shall any retired
3 fireman be entitled to or receive in any year an annual benefit in excess of two
4 thousand four hundred dollars (\$2,400)."

5 Section 2. The provisions of this act shall not create a liability for the
6 Hickory Firemen's Supplemental Retirement Fund unless sufficient current assets are
7 available in the Fund to pay fully for the liability.

8 Section 3. This act is effective when it becomes law.

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

H.B. 1016 A BILL TO BE ENTITLED AN ACT TO CLARIFY THE LAW REGARDING
RETIRING TEACHERS' COMPENSATION FOR ACCUMULATED ANNUAL LEAVE.

☐ 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.

☐ 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.

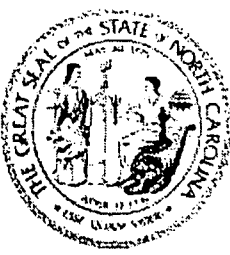
☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

2/24/99



HOUSE BILL 1016: School Employee Retirement Credit Clarified

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: May 19, 1999
Version: H1016-PCSSH-003

Introduced by: Representative Jeffus
Summary by: Theresa Matula
Committee Staff

SUMMARY: *The Proposed Committee Substitute (H1016-PCSSH-003) for House Bill 1016 allows retiring school employees to convert accumulated annual leave over 30 days to sick leave at the time of retirement. This leave may be used for creditable service at retirement in accordance with G.S. 135-4(e).*

BILL ANALYSIS:

Chapter 115C of the General Statutes covers Elementary and Secondary Education. The Proposed Committee Substitute makes amendments to the sections of G.S. 115C that cover annual vacation leave for school employees.

Section 1 amends G.S. 115C-302.1(c) to *cover only the earning and usage of vacation leave*. The language concerning conversions of leave has been moved to subsections (c1) and (c2) so that these conversion provisions will be easier to locate and to reference.

Section 2 adds subsections (c1) and (c2) to G.S. 115C-301.1. The law currently allows teachers to accumulate annual vacation leave days without any applicable maximum until June 30 of each year. On *June 30* of each year any teacher or other personnel paid on the teacher salary schedule who has accumulated more than 30 days of annual vacation leave shall:

1. Convert to either sick leave or to pay, the excess accumulation that is the result of the teacher having to forfeit annual vacation leave in order to attend required workdays; and
2. Convert to sick leave the remaining excess accumulation.

This language is in the existing law and has simply been moved to subsection (c1).

Subsection (c2) contains existing law regarding payment of leave upon separation from service due to service retirement, resignation, dismissal, reduction in force, or death. The new language in subsection (c2) allows teachers separating due to service retirement to convert any annual vacation leave over 30 days to sick leave. These converted days may be used for creditable service at retirement in accordance with G.S. 135-4(e).

Section 3 amends G.S. 115C-272(b)(2) covering *superintendents*. The amendments clarify that 240 hours is 30 days and allows superintendents separating due to service retirement to convert any annual vacation leave over 30 days to sick leave. These converted days may be used for creditable service at retirement in accordance with G.S. 135-4(e).

HOUSE BILL 1016

— Page 2

Section 4 amends G.S. 115C-285(a)(2) covering *supervisors and classified principals* paid on an hourly or other basis whether paid from State or from local funds. The amendments clarify that 240 hours is 30 days and allows supervisors and classified principals separating due to service retirement to convert any annual vacation leave over 30 days to sick leave. These converted days may be used for creditable service at retirement in accordance with G.S. 135-4(e).

Section 5 amends G.S. 115C-316(a)(3) covering *10-month and 11-month employees*. The amendments clarify that 240 hours is 30 days and allows 10 month and 11-month employees separating due to service retirement to convert any annual vacation leave over 30 days to sick leave. These converted days may be used for creditable service at retirement in accordance with G.S. 135-4(e).

Section 6 amends G.S. 115C-316(a)(4) covering *12-month school employees* other than superintendents, supervisors and classified principals paid on an hourly or other basis whether paid from State or from local funds. The amendments clarify that 240 hours is 30 days and allows 12-month employees separating due to service retirement to convert any annual vacation leave over 30 days to sick leave. These converted days may be used for creditable service at retirement in accordance with G.S. 135-4(e).

Section 7 states that this act will become effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

D

HOUSE BILL 1016
Proposed Committee Substitute H1016-PCS1272-SH

Short Title: School Employee Retirement Credit Chgd.

(Public)

Sponsors:

Referred to:

April 13, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO CHANGE THE LAW REGARDING THE CONVERSION OF
3 ANNUAL LEAVE FOR RETIRING SCHOOL EMPLOYEES.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 115C-302.1(c) reads as rewritten:
6 "(c) Vacation. -- Included within the 10-month term shall be annual vacation
7 leave at the same rate provided for State employees, computed at one-twelfth of the
8 annual rate for State employees for each month of employment. Local boards shall
9 provide at least 10 days of annual vacation leave at a time when students are not
10 scheduled to be in regular attendance. However, instructional personnel who do not
11 require a substitute may use annual vacation leave on days that students are in
12 attendance. Vocational and technical education teachers who are employed for 11 or
13 12 months may, with prior approval of the principal, work on annual vacation leave
14 days designated in the school calendar and may use those annual vacation leave days
15 during the eleventh or twelfth month of employment.
16 On a day that pupils are not required to attend school due to inclement weather,
17 but employees are required to report for a workday, a teacher may elect not to report
18 due to hazardous travel conditions and to take an annual vacation day or to make the
19 day at a time agreed upon by the teacher and the teacher's immediate supervisor or
20 principal. On a day that school is closed to employees and pupils due to inclement
21 weather, a teacher shall work on the scheduled makeup day.
22 All vacation leave taken by the teacher will be upon the authorization of the
23 teacher's immediate supervisor and under policies established by the local board of

1 education. Annual vacation leave shall not be used to extend the term of
2 employment.

3 ~~Teachers may accumulate annual vacation leave days without any applicable~~
4 ~~maximum until June 30 of each year. In order that only 30 days of annual vacation~~
5 ~~leave carry forward to July 1, on June 30 of each year any teacher or other personnel~~
6 ~~paid on the teacher salary schedule who has accumulated more than 30 days of~~
7 ~~annual vacation leave shall:~~

8 (1) ~~Convert to either sick leave or pay the excess accumulation that is~~
9 ~~the result of the teacher having to forfeit annual vacation leave in~~
10 ~~order to attend required workdays; and~~

11 (2) ~~Convert to sick leave the remaining excess accumulation.~~

12 ~~Local boards of education shall identify which days are accumulated due to the~~
13 ~~teacher forfeiting annual vacation leave in order to attend required workdays. Actual~~
14 ~~payment for excess accumulated annual vacation leave may be made after July 1.~~

15 ~~Upon separation from service due to service retirement, resignation, dismissal,~~
16 ~~reduction in force, or death, an employee shall be paid in a lump sum for~~
17 ~~accumulated annual leave not to exceed a maximum of 30 days. In addition to the~~
18 ~~maximum of 30 days pay for accumulated annual leave, upon separation from service~~
19 ~~due to service retirement, any teacher or other personnel paid on the teacher salary~~
20 ~~schedule with more than 30 days of accumulated annual vacation leave may convert~~
21 ~~some or all of the excess accumulation to sick leave for creditable service towards~~
22 ~~retirement or pay if the excess accumulation is the result of the teacher having to~~
23 ~~forfeit annual vacation leave in order to attend required workdays. Local boards of~~
24 ~~education shall identify which days are accumulated due to the teacher forfeiting~~
25 ~~annual vacation leave in order to attend required workdays. Employees going onto~~
26 ~~term disability may exhaust annual leave rather than be paid in a lump sum.~~

27 Notwithstanding any provisions of this subsection to the contrary, no person shall
28 be entitled to pay for any vacation day not earned by that person."

29 Section 2. G.S. 115C-302.1 is amended by adding two new subsections to
30 read:

31 "(c1) Conversion of Leave. -- Teachers may accumulate annual vacation leave days
32 without any applicable maximum until June 30 of each year. In order that only 30
33 days of annual vacation leave carry forward to July 1, on June 30 of each year any
34 teacher or other personnel paid on the teacher salary schedule who has accumulated
35 more than 30 days of annual vacation leave shall:

36 (1) Convert to either sick leave or to pay the excess accumulation that
37 is the result of the teacher having to forfeit annual vacation leave
38 in order to attend required workdays; and

39 (2) Convert to sick leave the remaining excess accumulation.

40 Local boards of education shall identify which days are accumulated due to the
41 teacher forfeiting annual vacation leave in order to attend required workdays. Actual
42 payment for excess accumulated annual vacation leave may be made after July 1.

43 (c2) Conversion of Leave Upon Separation of Service. -- Upon separation from
44 service due to service retirement, resignation, dismissal, reduction in force, or death,

1 an employee shall be paid in a lump sum for accumulated annual vacation leave not
2 to exceed a maximum of 30 days. Employees going onto term disability may exhaust
3 annual leave rather than be paid in a lump sum.

4 Any teacher or other personnel paid on the teacher salary schedule who has more
5 than 30 days of accumulated annual vacation leave at the time the person retires
6 shall:

7 (1) Convert to either sick leave or to pay the excess accumulation that
8 is the result of the teacher having to forfeit annual vacation leave
9 in order to attend required workdays; and

10 (2) Convert to sick leave the remaining excess accumulation which
11 may be used for creditable service at retirement in accordance with
12 G.S. 135-4(e).

13 Local boards of education shall identify which days are accumulated due to the
14 teacher forfeiting annual vacation leave in order to attend required workdays."

15 Section 3. G.S. 115C-272(b)(2) reads as rewritten:

16 "(2) Notwithstanding any provisions of this section to the contrary no
17 person shall be entitled to pay for any vacation day not earned by
18 that person. Vacation days shall not be used for extending the term
19 of employment of individuals and shall not be cumulative from one
20 fiscal year to another fiscal year: Provided, that superintendents
21 may accumulate annual vacation leave days as follows: annual
22 leave may be accumulated without any applicable maximum until
23 June 30 of each year. On June 30 of each year, any superintendent
24 with more than 30 days of accumulated leave shall have the excess
25 accumulation converted to sick leave so that only 30 days are
26 carried forward to July 1 of the same year. All vacation leave
27 taken by the superintendent will be upon the authorization of his
28 immediate supervisor and under policies established by the local
29 board of education. An employee shall be paid in a lump sum for
30 accumulated annual leave not to exceed a maximum of 240 hours
31 or 30 days when separated from service due to resignation,
32 dismissal, reduction in force, death, or service retirement. Upon
33 separation from service due to service retirement, any annual
34 vacation leave over 30 days will convert to sick leave and may be
35 used for creditable service at retirement in accordance with G.S.
36 135-4(e). If the last day of terminal leave falls on the last workday
37 in the month, payment shall be made for the remaining
38 nonworkdays in that month. Employees retiring on disability
39 retirement may exhaust annual leave rather than be paid in a lump
40 sum. The provisions of this subdivision shall be accomplished
41 without additional State and local funds being appropriated for this
42 purpose. The State Board of Education shall adopt rules and
43 regulations for the administration of this subdivision."

44 Section 4. G.S. 115C-285(a)(2) reads as rewritten:

"(2) Supervisors and classified principals paid on an hourly or other basis whether paid from State or from local funds may accumulate annual vacation leave days as follows: annual leave may be accumulated without any applicable maximum until June 30 of each year. On June 30 of each year, any supervisor or principals with more than 30 days of accumulated leave shall have the excess accumulation converted to sick leave so that only 30 days are carried forward to July 1 of the same year. All vacation leave taken by the employee will be upon the authorization of his immediate supervisor and under policies established by the local board of education. An employee shall be paid in a lump sum for accumulated annual leave not to exceed a maximum of 240 hours or 30 days when separated from service due to resignation, dismissal, reduction in force, death, or service retirement. Upon separation from service due to service retirement, any annual vacation leave over 30 days will convert to sick leave and may be used for creditable service at retirement in accordance with G.S. 135-4(e). If the last day of terminal leave falls on the last workday in the month, payment shall be made for the remaining nonworkdays in that month. Employees retiring on disability retirement may exhaust annual leave rather than be paid in a lump sum. The provisions of this subdivision shall be accomplished without additional State and local funds being appropriated for this purpose. The State Board of Education shall adopt rules and regulations for the administration of this subdivision."

Section 5. G.S. 115C-316(a)(3) reads as rewritten:

"(3) Notwithstanding any provisions of this section to the contrary no person shall be entitled to pay for any vacation day not earned by that person. The first 10 days of annual leave earned by a 10- or 11-month employee during any fiscal year period shall be scheduled to be used in the school calendar adopted by the respective local boards of education. Vacation days shall not be used for extending the term of employment of individuals. Ten- or 11-month employees may accumulate annual vacation leave days as follows: annual leave may be accumulated without any applicable maximum until June 30 of each year. On June 30 of each year, any of these employees with more than 30 days of accumulated leave shall have the excess accumulation converted to sick leave so that only 30 days are carried forward to July 1 of the same year. All vacation leave taken by these employees shall be upon the authorization of their immediate supervisor and under policies established by the local board of education. Vacation leave for instructional personnel who do not require a substitute shall not be restricted to days that students are not in attendance. An employee

1 shall be paid in a lump sum for accumulated annual leave not to
2 exceed a maximum of 240 hours or 30 days when separated from
3 service due to resignation, dismissal, reduction in force, death or
4 service retirement. Upon separation from service due to service
5 retirement, any annual vacation leave over 30 days will convert to
6 sick leave and may be used for creditable service at retirement in
7 accordance with G.S. 135-4(e). If the last day of terminal leave falls
8 on the last workday in the month, payment shall be made for the
9 remaining nonworkdays in that month. Employees retiring on
10 disability retirement may exhaust annual leave rather than be paid
11 in a lump sum. The provisions of this subdivision shall be
12 accomplished without additional State and local funds being
13 appropriated for this purpose. The State Board of Education shall
14 adopt rules and regulations for the administration of this
15 subdivision."

16 Section 6. G.S. 115C-316(a)(4) reads as rewritten:

17 "(4) Twelve-month school employees other than superintendents,
18 supervisors and classified principals paid on an hourly or other
19 basis whether paid from State or from local funds may accumulate
20 annual vacation leave days as follows: annual leave may be
21 accumulated without any applicable maximum until June 30 of
22 each year. On June 30 of each year, any employee with more than
23 30 days of accumulated leave shall have the excess accumulation
24 converted to sick leave so that only 30 days are carried forward to
25 July 1 of the same year. All vacation leave taken by the employee
26 will be upon the authorization of his immediate supervisor and
27 under policies established by the local board of education. An
28 employee shall be paid in a lump sum for accumulated annual
29 leave not to exceed a maximum of 240 hours or 30 days when
30 separated from service due to resignation, dismissal, reduction in
31 force, death, or service retirement. Upon separation from service
32 due to service retirement, any annual vacation leave over 30 days
33 will convert to sick leave and may be used for creditable service at
34 retirement in accordance with G.S. 135-4(e). If the last day of
35 terminal leave falls on the last workday in the month, payment
36 shall be made for the remaining nonworkdays in that month.
37 Employees retiring on disability retirement may exhaust annual
38 leave rather than be paid in a lump sum. The provisions of this
39 subdivision shall be accomplished without additional State and
40 local funds being appropriated for this purpose. The State Board of
41 Education shall adopt rules and regulations for the administration
42 of this subdivision."

43 Section 7. This act is effective when it becomes law.



**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
16 W. Jones Street
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300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

MEMORANDUM

TO: Representative Maggie Jeffus

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 26, 1999

SUBJECT: Actuarial Note on House Bill 1016

Re: Allows teachers who retire during the school year to convert any annual leave over 30 days to sick leave for retirement purposes.

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: Representative Michaux; Chairman, House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, April 20, 1999
- (3) Actuarial Note, Hartman & Associates, April 21, 1999

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1016 Teacher Retirement Credit Clarified

SHORT TITLE: Teacher Retirement Credit Clarified

SPONSOR(S): Representative Jeffus

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Funds

BILL SUMMARY: Under present law, as of June 30 of each year, any annual leave over 30 days is converted to sick leave. This bill will teachers who retire during the school year to convert any annual leave over 30 days to sick leave for retirement purposes.

EFFECTIVE DATE: July 1, 1999


ESTIMATED IMPACT ON STATE: Both actuaries agree that in some cases, a member could end up with one additional month of service. Buck Consultants estimates the cost of the legislation is negligible. Hartman & Associates estimates the cost of the legislation to be .004% of payroll each year.

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, 1997 actuarial valuation of the fund. The data included 271,128 active members with an annual payroll of \$7.374 billion and 92,236 retired members in receipt of annual pensions totaling \$1.231 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 Consultants
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: Monday, April 26, 1999 

**BUCK
CONSULTANTS**

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

April 20, 1999

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 1016

Dear Mr. Pruitt:

We have received your letter of April 16 regarding House Bill 1016 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to grant teachers an opportunity to convert vacation leave, in excess of 30 days accumulation, to sick leave at the time of retirement even if their date of retirement is not July 1st.

The cost of this legislation is negligible.

As a technical observance, this bill contains no funding provision.

If you have any questions, please do not hesitate to contact us.

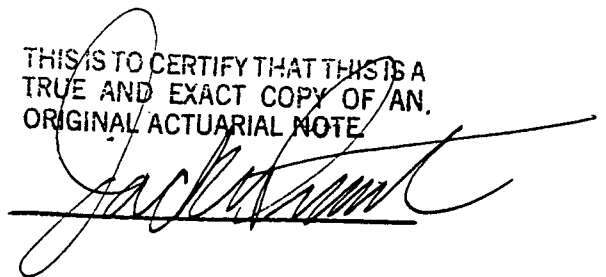
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq
P:\NCTSL\999\DOCS\CORR\HB1016.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

April 21, 1999

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

Re: House Bill 1016: An Act to Clarify the Law Regarding
Retiring Teachers' Compensation for Accumulated Annual Leave

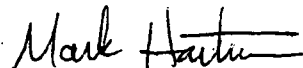
Dear Mr. Moore:

This bill would rewrite G.S. 115C-302.1(c) to clarify the rules regarding excess annual vacation leave for classroom teachers covered by the Teachers' and State Employees' Retirement System. Currently, teachers may accumulate up to thirty days unused annual vacation leave, and any excess is converted to sick leave on June 30 of each calendar year. Upon service retirement, a teacher is paid for a maximum of 30 days accumulated vacation. If retirement is as of June 30, any excess vacation is converted to sick leave and provides additional retirement service credit. This bill provides that the excess vacation leave may be converted at the time the employee retires for service retirement. This act would become effective July 1, 1999.

The effect of this bill would be an increase in service credits to certain retiring teachers. The net estimated cost of this increase in the TSERS for the fiscal year beginning July 1, 1999 is 0.004% of payroll. This estimate is based on data you provided regarding covered classroom teachers and data included in the December 31, 1997 annual valuation.

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: 4-26-99
Legislative Fiscal Research

**BUCK
CONSULTANTS**

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

May 18, 1999

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 1016

Dear Mr. Pruitt:

We have received your request of May 18 regarding Proposed Committee Substitute for House Bill 1016 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to grant all school personnel an opportunity to convert vacation leave, in excess of 30 days accumulation, to sick leave at the time of retirement even if their date of retirement is not July 1st.

The cost of this legislation is negligible.

If you have any questions, please do not hesitate to contact us.

Sincerely,

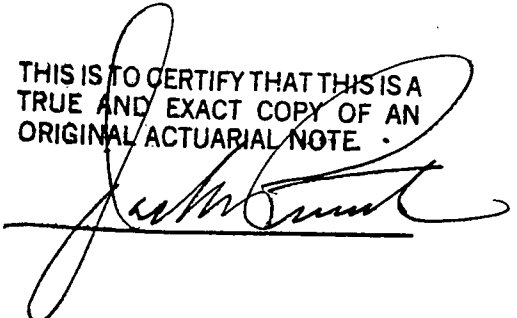


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jg

P:\NCTE\1999\DOCS\CORR\PROP HB1016.DOC
JC 357 BC A33

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



05/18/99 10:23 HARTMAN & ASSOCIATES, LLC

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 18, 1999

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

Re: Committee Substitute to House Bill 1016: An Act to Clarify
the Law Regarding Retiring School Employees' Compensation
for Accumulated Annual Leave

Dear Mr. Moore:

The committee substitute to this bill would rewrite various sections of G.S. 115C to clarify the rules regarding excess annual vacation leave for all school personnel covered by the Teachers' and State Employees' Retirement System. Currently, these employees may accumulate up to thirty days unused annual vacation leave, and any excess is converted to sick leave on June 30 of each calendar year. Upon service retirement, the employee is paid for a maximum of 30 days accumulated vacation. If retirement is as of June 30, any excess vacation is converted to sick leave and provides additional retirement service credit. This bill provides that the excess vacation leave may be converted at the time the employee retires for service retirement. This act would become effective July 1, 1999.

The effect of this bill would be an increase in service credits to certain retiring school employees. The net estimated cost of this increase in the TSERS for the fiscal year beginning July 1, 1999 is 0.005% of payroll. This estimate is based on data you provided regarding covered school personnel and data included in the December 31, 1997 annual valuation.

If you have any questions, let me know.

Sincerely,



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

MVH/jj

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

May 25, 1999

The House Committee on Pensions and Retirement met in Room 1228, of the Legislative Building, on May 25, 1999 at 11:00 a.m. Representative H.M. Michaux, Jr. (Chair) presided at the meeting and the following members were present: Representatives, Oldham, Barbee, McCombs, McCrary, Rogers, Warren, G. Wilson,. Representative's Berry, Gray, Morgan, Yongue, Horn, Tucker, Ramsey, were not present.

Chairman Michaux welcomed members and guests. The visitor registration sheet, actuarial notes and handouts are attached to the minutes. The Legislative Pages for the day were Andralena Miller of Durham County, sponsored by Representative Michaux and Tomp Litchfield of Beaufort County, sponsored by Representative Edwards..

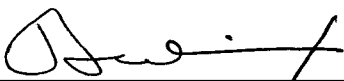
The following staff members were present: Anne M. Peele (Committee Assistant), Stanley Moore (Fiscal Analyst), Theresa Matula (Legislative Analyst) and Karen Cochrane-Brown (Attorney). Charles Williams and Bobby Land were the Sergeants-at-Arms for the meeting.

House Bill 77 and House Bill 1147 have removed from the calendar.

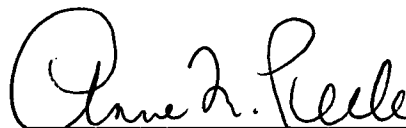
Senate Bill 214, A BILL ENTITLED AN ACT TO PROVIDE A MEANS OF MEASURING AVERAGE FINAL COMPENSATION FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM WHO PURCHASE CREDITABLE SERVICE FOR LEAVES OF ABSENCE INCURRED WHILE RECEIVING WORKERS' COMPENSATION PAYMENTS was explained by Senator Phillips. This bill is equity cost by workman's compensation injury. If you are in your last three or four years of service to the state after 25 to 27 years, and you are injured on the job, currently you receive workman's compensation pay and it is calculated into your final benefit. This bill will allow the employee to pay the difference between the workman's comp and the salary they would have been paid. This bill will not cost the state or the pension system any money because the employee is paying for it.

Representative McCombs moves for a favorable report. The motion passes.

The meeting adjourned at 11:10 p.m.



Representative H.M. Michaux, Jr., Chair



Anne M. Peele, Committee Assistant

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

**May 25, 1999
Room 1228/1327
11:00 a.m.**

AGENDA

1. Opening Remarks

Representative Michaux, Chair

2. Bills To Be Considered

House Bill 77 – INCREASE LEO RETIREMENT

Sponsor: Representative Fitch

House Bill 1147 – INCREASE POSTRETIREMENT CAP

Sponsor: Representative Michaux

Senate Bill 214 – WORKERS COM/AFC YEARS

Sponsor: Senator Phillips

3. ADJOURNMENT

VISITOR REGISTRATION SHEET

Pensions & Retirement

5	25	99
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Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME _____

FIRM OR AGENCY AND ADDRESS

Ray Green

SEAN

ELLS. HANKINS

NC LM

Karl Krupp

City of Winston-Salem

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

S.B. 214 A BILL TO BE ENTITLED AN ACT TO PROVIDE A MEANS OF MEASURING AVERAGE FINAL COMPENSATION FOR MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL RETIREMENT SYSTEM WHO PURCHASE CREDITABLE SERVICE FOR LEAVES OF ABSENCE INCURRED WHILE RECEIVING WORKERS' COMPENSATION PAYMENTS.

☒ 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.

☐ 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.

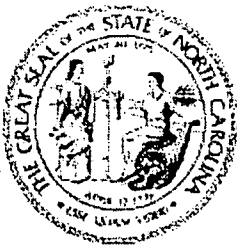
☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

2/24/99



SENATE BILL 214: Workers' Comp/AFC Years

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: May 17, 1999
Version: 1st Edition

Introduced by: Senator Phillips
Summary by: Theresa Matula
Committee Staff

SUMMARY: *Senate Bill 214 provides an average final compensation (AFC) calculation method for members of the Local Governmental Employees' Retirement System (LGERS) and members of the Teachers' and State Employees' Retirement System (TSERS) who were on a leave of absence without pay while receiving Workers Compensation. This method will allow members to purchase service for those years the member was on leave of absence if they occurred during a period that would have produced the highest average annual compensation*

BILL ANALYSIS:

Senate Bill 214 makes virtually identical amendments to the Statutes governing the Local Governmental Employees' Retirement System (LGERS) and the Teachers' and State Employees' Retirement System (TSERS).

"Average final compensation" basically means the average annual compensation, not including any terminal payments for unused sick leave, of a member during the four consecutive calendar years of creditable service producing the highest such average.

Section 1

Section 1 of Senate Bill 214, amends G.S. 128-2 (l)(2). G.S. 128-26 pertains to the allowance for service in the Retirement System for Counties, Cities and Towns or the *Local Governmental Employee's Retirement System (LGERS)*. Subsection (l) specifies when a member may purchase creditable service for periods of employer approved leaves of absence while in receipt of benefits under the North Carolina Workers' Compensation Act. The amendment applies to members whose leaves of absence terminate on and after July 1, 1983. This amendment specifies that whenever the creditable service purchased is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation had the member not been on leave of absence without pay, then the compensation that the member would have received during the purchase period shall be included in calculating the member's average final compensation. In such cases, the compensation that the member would have received during the purchased period shall be based on the annual rate of compensation of the member immediately prior to the leave of absence.

Section 2

Section 2 of Senate Bill 214 amends G.S. 135-4(r)(3). G.S. 135-4 defines creditable service in the Retirement System for Teachers and State Employees, or the *Teachers' and State Employees' Retirement System (TSERS)*. Subsection (r) pertains to a member's purchase of creditable service for periods of employer approved leaves of absence when in receipt of benefits under the North Carolina Workers' Compensation Act. The amendment applies to members whose leaves of absence terminate on and after January 1, 1998. This amendment specifies that whenever the creditable service purchased is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation had the member not been on leave of absence without pay, then the compensation that the member would have received during the purchase period shall be included in calculating the member's average final compensation. In such cases, the compensation that the member would have received during the purchased period shall be based on the annual rate of compensation of the member immediately prior to the leave of absence.

This act becomes effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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1

SENATE BILL 214

Short Title: Workers' Comp/AFC Years.

(Public)

Sponsors: Senators Phillips; Dalton, Garwood, Jordan, Kinnaird, Lee, Lucas,
Miller, Purcell, Rand, Reeves, and Wellons.

Referred to: Pensions & Retirement and Aging.

March 2, 1999

1

A BILL TO BE ENTITLED

2

AN ACT TO PROVIDE A MEANS OF MEASURING AVERAGE FINAL
3 COMPENSATION FOR MEMBERS OF THE TEACHERS' AND STATE
4 EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL
5 RETIREMENT SYSTEM WHO PURCHASE CREDITABLE SERVICE FOR
6 LEAVES OF ABSENCE INCURRED WHILE RECEIVING WORKERS'
7 COMPENSATION PAYMENTS.

8

The General Assembly of North Carolina enacts:

9

Section 1. G.S. 128-26(l) reads as rewritten:

10

"(l) Notwithstanding any other provision of this Chapter, any member may
11 purchase creditable service for periods of employer approved leaves of absence when
12 in receipt of benefits under the North Carolina Workers' Compensation Act. This
13 service shall be purchased by paying a cost calculated in the following manner:

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(1) Leaves of Absence Terminated Prior to July 1, 1983. -- The cost to
a member whose employer approved leave of absence, when in
receipt of benefits under the North Carolina Workers'
Compensation Act, terminated upon return to service prior to July
1, 1983, shall be a lump sum amount payable to 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 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

1 the member could retire on an unreduced retirement allowance, as
2 determined by the board of trustees upon the advice of the
3 consulting actuary, plus an administrative fee to be set by the
4 Board of Trustees. Notwithstanding the foregoing provisions of this
5 subdivision that provide for the purchase of service credits, the
6 terms "full cost", "full liability", and "full actuarial cost" include
7 assumed annual post-retirement allowance increases, as determined
8 by the Board of Trustees, from the earliest age at which a member
9 could retire on an unreduced service allowance.

- 10 (2) Leaves of Absence Terminating On and After July 1, 1983. -- The
11 cost to a member whose employer approved leave of absence,
12 when in receipt of benefits under the North Carolina Workers'
13 Compensation Act, terminates upon return to service on and after
14 July 1, 1983, shall be a lump sum amount due and payable to the
15 Annuity Savings Fund within six months from return to service
16 equal to the total employee and employer percentage rates of
17 contribution in effect at the time of purchase and based on the
18 annual rate of compensation of the member immediately prior to
19 the leave of absence; Provided, however, the cost to a member
20 whose amount due is not paid within six months from return to
21 service shall be the amount due plus one percent (1%) per month
22 penalty for each month or fraction thereof the payment is made
23 beyond the six-month period.

24 Whenever the creditable service purchased pursuant to this
25 subsection is for a period that occurs during the four consecutive
26 calendar years that would have produced the highest average
27 annual compensation pursuant to G.S. 128-21(5) had the member
28 not been on leave of absence without pay, then the compensation
29 that the member would have received during the purchased period
30 shall be included in calculating the member's average final
31 compensation. In such cases, the compensation that the member
32 would have received during the purchased period shall be based
33 on the annual rate of compensation of the member immediately
34 prior to the leave of absence."

35 Section 2. G.S. 135-4(r) reads as rewritten:

36 "(r) Notwithstanding any other provision of this Chapter, any member may
37 purchase creditable service for periods of employer approved leaves of absence when
38 in receipt of benefits under the North Carolina Workers' Compensation Act. This
39 service shall be purchased by paying a cost calculated in the following manner:

- 40 (1) Leaves of Absence Terminated Prior to July 1, 1983. -- The cost to
41 a member whose employer approved leave of absence, when in
42 receipt of benefits under the North Carolina Workers'
43 Compensation Act, terminated upon return to service prior to July
44 1, 1983, shall be a lump sum amount payable to the Annuity

1 Savings Fund equal to the full liability of the service credits
2 calculated on the basis of the assumptions used for purposes of the
3 actuarial valuation of the system's liabilities, and shall take into
4 account the retirement allowance arising on account of the
5 additional service credit commencing at the earliest age at which
6 the member could retire on an unreduced retirement allowance, as
7 determined by the board of trustees upon the advice of the
8 consulting actuary, plus an administrative fee to be set by the
9 board of trustees. Notwithstanding the foregoing provisions of this
10 subdivision that provide for the purchase of service credits, the
11 terms "full cost", "full liability", and "full actuarial cost" include
12 assumed annual post-retirement allowance increases, as determined
13 by the Board of Trustees, from the earliest age at which a member
14 could retire on an unreduced service allowance.

- 15 (2) Leaves of Absence Terminating On and After July 1, 1983, but
16 before January 1, 1988. -- The cost to a member whose employer
17 approved leave of absence, when in receipt of benefits under the
18 North Carolina Workers' Compensation Act, terminates upon
19 return to service on and after July 1, 1983, but before January 1,
20 1988, shall be a lump sum amount due and payable to the Annuity
21 Savings Fund within six months from return to service equal to the
22 total employee and employer percentage rates of contribution in
23 effect at the time of purchase and based on the annual rate of
24 compensation of the member immediately prior to the leave of
25 absence; Provided, however, the cost to a member whose amount
26 due is not paid within six months from return to service shall be
27 the amount due plus one percent (1%) per month penalty for each
28 month or fraction thereof the payment is made beyond the six-
29 month period.

- 30 (3) Leaves of Absence Terminating On and After January 1, 1988. --
31 The cost to a member whose employer approved leave of absence,
32 when in receipt of benefits under the North Carolina Workers'
33 Compensation Act, terminates upon or before a return to service
34 on and after January 1, 1988, shall be due and payable to the
35 Annuity Savings Fund within six months from return to service
36 and shall be a lump sum amount equal to the employee percentage
37 rate of contribution in effect at the time of purchase applied to the
38 annual rate of compensation of the member immediately prior to
39 the leave of absence. For members electing to make this payment,
40 the member's employer which granted the leave of absence, or the
41 member's employer upon a return to service, or both, shall make a
42 matching lump sum payment to the Pension Accumulation Fund
43 within six months from return to service equal to the employer
44 percentage rate of contribution in effect at the time of purchase

1 applied to the annual rate of compensation of the member
2 immediately prior to the leave of absence. Such purchases of
3 creditable service are applicable only when members have
4 membership service credits within 30 days prior to the leave of
5 absence and within 12 months following the leave of absence and
6 such membership service is creditable service at the time of
7 purchase. Notwithstanding any other provision of this subdivision,
8 the cost to a member and to a member's employer or former
9 employer or both employers whose amount due is not paid within
10 six months from return to service shall be the amount due plus one
11 percent (1%) per month penalty for each month or fraction thereof
12 that the payment is made after the six-month period.

13 Whenever the creditable service purchased pursuant to this
14 subsection is for a period that occurs during the four consecutive
15 calendar years that would have produced the highest average
16 annual compensation pursuant to G.S. 135-1(5) had the member
17 not been on leave of absence without pay, then the compensation
18 that the member would have received during the purchased period
19 shall be included in calculating the member's average final
20 compensation. In such cases, the compensation that the member
21 would have received during the purchased period shall be based
22 on the annual rate of compensation of the member immediately
23 prior to the leave of absence."

24 Section 3. This act becomes effective July 1, 1999, and applies to persons
25 retiring on or after that date.

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

July 15, 1999

The House Committee on Pensions and Retirement met in Room 1228, of the Legislative Building, on July 14, 1999 at 10:00 a.m. Representative H.M. Michaux, Jr. (Chair) presided at the meeting and the following members were present: Representatives, Oldham, Barbee, McCombs, McCrary, Rogers, Warren, G. Wilson, Berry, Gray, Morgan, Yongue, Horn, Tucker, Representative Ramsey was not present.

Chairman Michaux welcomed members and guests. The visitor registration sheet, actuarial notes and handouts are attached to the minutes. The Legislative Pages for the day were Candra Woods of Haywood County, sponsored by Representative Haire, David Williams Lenoir County, sponsored by Representative Baddour, Mack King IV from Iredale County, sponsored by Representative Setzer, and Brandon Lokey from Randolph County, sponsored by Representative Brubaker..

The following staff members were present: Anne M. Peele (Committee Assistant), Sam Byrd (Fiscal Analyst) and Theresa Matula (Legislative Analyst). Rich Riddle and Thomas Wilder were the Sergeants-at-Arms for the meeting.

Senate Bill 1046, A BILL ENTITLED AN ACT TO MAKE CERTAIN EMPLOYEES OF STATE LICENSING AND EXAMINING BOARD MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM was explained by Sam Byrd

This bill would allow employees under Occupational Licensing Boards (also covered under the Executive Budget act) that are in existence as of July 1st to elect to become under the State Retirement system as long as it is done before October 1st. These members can also participate in the State Employee Health Benefits. It only applies to new employees of these boards on or after July 1, 1983. Prior to these dates employees were grandfathered by the General Assembly in 1983.

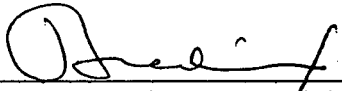
These employees were excluded from membership is because the Boards could elect to put the employees in the retirement system. They could also elect to exclude some of the newer, younger employees from the system. Consequently, when employees if the Board got eligible for retirement they could retire with fully paid health insurance and the Board could elect to not participate in the Retirement system and withdraw all of the State contributions leaving the State to hold the bag. This is why the General Assembly excluded these employees effective July 1, 1983. In 1959, questions were brought up regarding private sector employees in the public retirement, the IRS

Mr. Pruitt, of the State Retirement Board has no problem with this bill. These are employees of the State that should have the opportunity to participate in the retirement system.

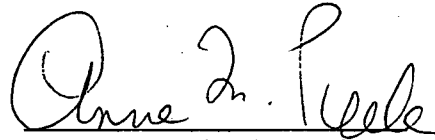
Mary Ann Olsen, Chair of the North Carolina Psychology Board, noted that this bill will make employees on this board members of the state retirement system. They are state employees under the State Personnel Act and the State Budget Act. However, they are not members of the State Retirement System. This bill will correct this situation.

Representative Yongue moves for a favorable report. The motion passes. The bill has been re-referred to Appropriations.

The meeting adjourned at 10:30a.m.



Representative H.M. Michaux, Jr., Chair



Anne M. Peele, Committee Assistant

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

**July 14, 1999
Room 1228/1327
10:00 a.m.**

AGENDA

1. Opening Remarks

Representative Michaux, Chair

2. Bills To Be Considered

Senate Bill 1046 – LICENSING/EXAMINING BOARD RETIREMENT
Sponsor: Senator Phillips

3. ADJOURNMENT

MINUTES
HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

June 15, 1999

The House Committee on Pensions and Retirement met in Room 1228, of the Legislative Building, on May 25, 1999 at 11:00 a.m. Representative H.M. Michaux, Jr. (Chair) presided at the meeting and the following members were present: Representatives, Oldham, Barbee, McCombs, McCrary, Rogers, Warren, G. Wilson, Berry, Gray, Morgan, Yongue, Horn, Tucker, Representative Ramsey was not present.

Chairman Michaux welcomed members and guests. The visitor registration sheet, actuarial notes and handouts are attached to the minutes. The Legislative Pages for the day were Candra Woods of Haywood County, sponsored by Representative _____, David Williams Lenoir County, sponsored by Representative Baddour, Mack King IV from Iredale County, sponsored by Representative Setzer, and Brandon Lokey from Randolph County, sponsored by Representative Brubaker..

The following staff members were present: Anne M. Peele (Committee Assistant), Sam Byrd (Fiscal Analyst) and Theresa Matula (Legislative Analyst). were the Sergeants-at-Arms for the meeting.

Senate Bill 1046, A BILL ENTITLED AN ACT TO MAKE CERTAIN EMPLOYEES OF STATE LICENSING AND EXAMINING BOARD MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM was explained by Sam Byrd

This bill would allow employees under Occupational Licensing Boards (also covered under the Executive Budget act) that are in existence as of July 1st to elect to become under the State Retirement system as long as it is done before October 1st. These members can also participate in the State Employee Health Benefits. It only applies to new employees of these boards on or after July 1, 1983. Prior to these dates employees were grandfathered by the General Assembly in 1983.

These employees were excluded from membership is because the Boards could elect to put the employees in the retirement system. They could also elect to exclude some of the newer, younger employees from the system. Consequently, when employees if the Board got eligible for retirement they could retire with fully paid health insurance and the Board could elect to not participate in the Retirement system and withdraw all of the State contributions leaving the State to hold the bag. This is why the General Assembly excluded these employees effective July 1, 1983. In 1959, questions were brought up regarding private sector employees in the public retirement, the IRS

Mr. Pruitt, of the State Retirement Board has no problem with this bill. These are employees of the State that should have the opportunity to participate in the retirement system.

Mary Ann Olsen, Chair of the North Carolina Psychology Board, noted that this bill will make employees on this board members of the state retirement system. They are state employees under the State Personnel Act and the State Budget Act. However, they are not members of the State Retirement System. This bill will correct this situation.

Representative Yongue moves for a favorable report. The motion passes. The bill has been re-referred to Appropriations.

The meeting adjourned at 10:30a.m.

Representative H.M. Michaux, Jr., Chair

Anne M. Peele, Committee Assistant

VISITOR REGISTRATION SHEET

Pensions and Retirement Committee

Date - July 14, 1999

Visitors: Please sign below and Return to Committee Assistant

<u>Name</u>	<u>Firm or Agency and Address</u>
LISA REYES	THE INSIDER
Alan Niles	Bundy Dixon
John Cyrus	N.C. State Manager
McDuff & Sons	NCRA
Fred Hammond	NC Retiree Assn.
David Starling	NC Dept. of State Treasurer
Jack Pruitt	" "
Sally Cameron	NC Psychology
Tom Byrd	Fiscal Research
Mary Ann Olsen	NC Psychology Board

**1999 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES**

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

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

☐ Committee Substitute for

S.B. 1046 A BILL TO BE ENTITLED AN ACT TO MAKE CERTAIN EMPLOYEES OF
STATE LICENSING AND EXAMINING BOARDS MEMBERS 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 ☐ ☐.

☐ 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.

☐ 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.

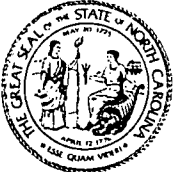
☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

2/24/99



BILL ANALYSIS

SENATE BILL 1046: Licensing/Examining Board Retirement.

Committee: Senate Pensions & Retirement
Date: June 15, 1999
Version: Proposed Committee
Substitute (S1046-CSRO-001)

Introduced by: Sen. Phillips
Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

The Proposed Committee Substitute for Senate Bill 1046 would amend the law governing the Teachers' and State Employees' Retirement System to make certain employees of State licensing and examining boards eligible for membership in the System.

CURRENT LAW:

Under current law, only those persons employed by licensing and examining boards which adopted a resolution on or before July 1, 1983, may participate in the State Retirement System, and then, only if the person was employed by the board prior to July 1, 1983.

BILL ANALYSIS:

The proposed committee substitute would reopen the time within which certain licensing boards may elect to participate in the Retirement System. Any licensing board subject to the Executive Budget Act, would have until October 1, 1999, to make an irrevocable election to become an employer in the Teachers' and State Employees' Retirement System. The participation would be conditioned on the board's payment of all employer contributions and collection of all employee contributions. All funds would be paid to the Retirement System and placed in the appropriate fund. Employees of an electing board could purchase creditable service for periods of employment prior to the election by making a lump sum payment equal to the full actuarial cost of the service.

The act would become effective July 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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2

SENATE BILL 1046

Pensions & Retirement and Aging Committee Substitute Adopted 6/23/99

Short Title: Licensing/Examining Board Retirement.

(Public)

Sponsors:

Referred to:

April 15, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE CERTAIN EMPLOYEES OF STATE LICENSING AND
3 EXAMINING BOARDS MEMBERS OF THE TEACHERS' AND STATE
4 EMPLOYEES' RETIREMENT SYSTEM.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 135-1.1 reads as rewritten:
7 "**§ 135-1.1. Licensing and examining boards.**
8 (a) Any State board or agency charged with the duty of administering any law
9 relating to the examination and licensing of persons to practice a profession, trade or
10 occupation, in its discretion, may elect on or before July 1, 1983, by an appropriate
11 resolution of said board, to cause its employees so employed prior to July 1, 1983 to
12 become members of the Teachers' and State Employees' Retirement System. Such
13 Retirement System coverage shall be conditioned on such board's paying all of the
14 employer's contributions or matching funds from funds of the board and on such
15 board's collecting from its employees the employees' contributions, at such rates as
16 may be fixed by law and by the regulations of the Board of Trustees of the
17 Retirement System, all of such funds to be paid to the Retirement System and placed
18 in the appropriate funds. Retroactive coverage of the employees of any such board
19 may also be effected to the extent that such board requests provided the board pays
20 all of the employer's contributions or matching funds necessary for such purpose and
21 provided said board collects from its employees all employees' contributions
22 necessary for such purpose, computed at such rates and in such amount as the Board
23 of Trustees of the Retirement System determines, all of such funds to be paid to the

1 Retirement System, together with such interest as may be due, and placed in the
2 appropriate funds.

3 (b) Notwithstanding any other provision of this Chapter, any State board or
4 agency charged with the duty of administering any law relating to the examination
5 and licensing of persons to practice a profession, trade, or occupation, and who is
6 subject to the provisions of the Executive Budget Act, Article 1 of Chapter 143 of the
7 General Statutes, may make an irrevocable election by appropriate resolution of the
8 board, on or before October 1, 1999, to become an employer in the Teachers' and
9 State Employees' Retirement System. Retirement System coverage shall be
10 conditioned on the board's payment of all of the employer's contributions or
11 matching funds from funds of the board and on the board's collecting from its
12 employees the employees' contributions, at such rates as may be fixed by law and by
13 the rules of the Board of Trustees of the Retirement System, all of such funds to be
14 paid to the Retirement System and placed in the appropriate funds. Any person who
15 is an employee of the board on the date the board makes an irrevocable election to
16 participate in the Retirement System may purchase creditable service for periods of
17 employment with the board prior to the election by making a lump-sum payment
18 equal to the full cost of the service credits calculated on the basis of the assumptions
19 used for the purposes of the actuarial valuation of the system's liabilities, and shall
20 take into account the additional retirement allowance arising on account of such
21 additional service credit commencing at the earliest age at which a member could
22 retire on an unreduced retirement allowance, as determined by the Board of Trustees
23 upon the advice of the consulting actuary, plus an administrative fee to be set by the
24 Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that
25 provide for the purchase of service credits, the terms 'full cost', 'full liability', and
26 'full actuarial cost' include assumed annual postretirement allowance increases, as
27 determined by the Board of Trustees, from the earliest age at which a member could
28 retire on an unreduced service allowance."

29 Section 2. This act becomes effective July 1, 1999.

2000

**HOUSE
PENSIONS &
RETIREMENT
COMMITTEE**

MINUTES

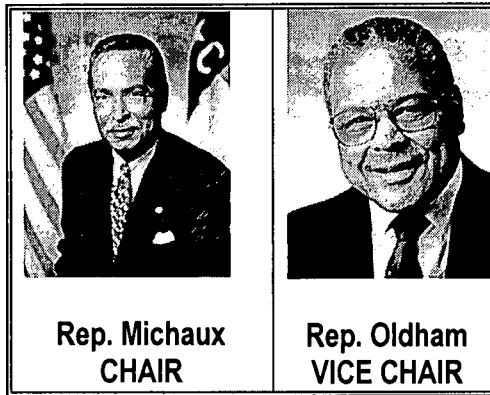


**Pensions and Retirement Committee
2000**

**Rep. H. M. Michaux Jr., Chair
Rep. Warren C. Oldham, Vice Chair**

Anne M. Peele, Committee Assistant

2000 HOUSE PENSIONS AND RETIREMENT COMMITTEE



Ex- Offico Members

Rep. Hackney
Rep. Baddour
Rep. Earle
Rep. Dedmon
Rep. Cunningham

Staff Members

Karen Cochran-Brown
Theresa Mutula
John Young
Stanley Moore

Committee Assistant

Anne M. Peele

DATES	4/7	4/21	4/28
Rep. Michaux – Chair	✓	✓	✓
Rep. Oldham – Vice Chair	✓	✓	✓
Rep. Barbee	✓	✓	✓
Rep. Berry	✓	✓	✓
Rep. Gray	✓		
Rep. Horn	✓	✓	✓
Rep. McCombs	✓	✓	✓
Rep McCrary	✓		✓
Rep. Morgan			
Rep. Ramsey			
Rep. Rogers	✓	✓	
Rep. Tucker	✓		✓
Rep. Warren	✓	✓	✓
Rep. Wilson, G.	✓	✓	✓
Rep. Yongue	✓	✓	✓
Ex-Officio Members			
Rep. Hackney	✓		
Rep. Baddour	✓		
Rep. Earle	✓		
Rep. Dedmon	✓		
Rep. Cunnigham	✓		

NORTH CAROLINA GENERAL ASSEMBLY
COMMITTEE SUMMARY REPORT

1999-2000 Biennium

HOUSE: PENSIONS AND RETIREMENT

Valid Through 3-AUG-2000

BILL	INTRODUCER	SHORT TITLE	LATEST ACTION ON BILL	IN DATE	OUT DATE
H 43	DEDMON	INCREASE FIRE AND RESCUE PENSION	HF-POSTPONED INDEFINITELY	03-02-99	04-15-99
H 77	FITCH	INCREASE LEO RETIREMENT	H -RE-REF COM ON PENS&RET	03-11-99	
H 179	BROWN	WILKESBORO FIREMAN'S RETIREMENT	*R -CH. SL 99-0056	03-01-99	04-19-99
H 204=	INSKO	REMOVE FLEXIBLE BENEFITS SUNSET	HF-POSTPONED INDEFINITELY	03-02-99	03-08-99
H 229=	MICHAUX	INCREASE RETIREMENT COLAS	HF-POSTPONED INDEFINITELY	03-04-99	04-15-99
H 508=	SMITH	PUB. DEF./APP. DEF. RETIREMENT	HF-POSTPONED INDEFINITELY	03-22-99	05-20-99
H 569	REDWINE	FIRE/RESCUE OPEN ENROLLMENT	HF-POSTPONED INDEFINITELY	03-23-99	05-25-99
H 717=	ALEXANDER	CHARLOTTE FIREFIGHTERS' RETIREMENT	*S -REF TO COM ON PENSIONS	03-30-99	04-23-99
H 722=	INSKO	PURCHASE OF PART-TIME SERVICE	R -CH. SL 99-0071	03-30-99	04-21-99
H 816=	HENSLEY	LAW OFFICERS' 25-YEAR RETIREMENT	*HF-POSTPONED INDEFINITELY	04-01-99	05-20-99
H 918=	MCLAWHORN	INCREASE DEATH BENEFITS	HF-POSTPONED INDEFINITELY	04-20-99	04-21-99
H 940=	HARDAWAY	RETIREMENT SYSTEM TRANSFER	HF-POSTPONED INDEFINITELY	04-07-99	05-17-99
H 962	FITCH	REPEAL RETIREMENT EXCLUSION	HF-POSTPONED INDEFINITELY	04-12-99	05-17-99
H 965=	COLE	FIRE MARSHALS IN PENSION FUND	HF-POSTPONED INDEFINITELY	04-21-99	05-17-99
H1016=	JEFFUS	SCHOOL EMPLOYEE RETIREMENT CREDIT	*HF-POSTPONED INDEFINITELY	04-21-99	05-25-99
H1034=	MOORE R	PROFESSIONAL FIREFIGHTERS' RETIREMEN	*HF-POSTPONED INDEFINITELY	04-14-99	05-25-99
H1035	MOORE R	EARLY RETIREMENT AMENDMENT	HF-POSTPONED INDEFINITELY	04-14-99	05-25-99
H1146	MICHAUX	ADMIN. LAW JUDGES' RETIREMENT	HF-POSTPONED INDEFINITELY	04-15-99	05-25-99
H1147	MICHAUX	INCREASE POSTRETIREMENT CAP	H -REF TO COM ON PENS&RET	04-15-99	
H1371	BADDOUR	CLERKS OF COURT LONGEVITY	HF-POSTPONED INDEFINITELY	04-29-99	05-19-99
H1378	WARWICK	REINSTATEMENT OF UNUSED SICK LEAVE	*H -RE-REF COM ON PENS&RET	06-21-99	
H1671=	MICHAUX	INCREASE FIRE AND RESCUE PENSION	HF-POSTPONED INDEFINITELY	00-05-24	00-06-07
H1672=	MICHAUX	CHANGE RETIREMENT BENEFITS	HF-POSTPONED INDEFINITELY	00-05-24	00-06-07
H1673=	MICHAUX	INCREASE RETIREMENT BENEFITS	HF-POSTPONED INDEFINITELY	00-05-24	00-06-07
H1677	ARNOLD	PROFESSIONAL FIREFIGHTERS' RETIREMEN	HF-POSTPONED INDEFINITELY	00-05-24	00-06-29
H1687	ARNOLD	RETIRED TEACHERS/COMPENSATION	HF-POSTPONED INDEFINITELY	00-05-24	00-06-22
H1689=	HIATT	MT AIRY FIREFIGHTERS' RETIREMENT	S -REF TO COM ON PENSIONS	00-05-24	00-06-07
H1691	GRADY	PAYMENT OF DEATH BENEFIT	HF-POSTPONED INDEFINITELY	00-06-22	00-06-22
H1726	ROGERS	TEACHER RETIREMENT ELIGIBILITY	HF-POSTPONED INDEFINITELY	00-05-30	00-06-22
H1805	NESBITT	RETIREMENT WITHDRAWAL SERVICE	H -REF TO COM ON PENS&RET	00-05-25	

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.

BOLD LINE INDICATES BILL INDEXED AS AFFECTING APPROPRIATIONS.

NORTH CAROLINA GENERAL ASSEMBLY
COMMITTEE SUMMARY REPORT

1999-2000 Biennium

HOUSE: PENSIONS AND RETIREMENT

Valid Through 3-AUG-2000

<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 214	PHILLIPS	WORKERS COM/AFC YEARS	R -CH. SL 99-0158	04-08-99	05-25-99
S 583=	RUCHO	CHARLOTTE FIREFIGHTERS' RETIREMENT	R -CH. SL 99-0100	04-27-99	05-17-99
S 583=	RUCHO	CHARLOTTE FIREFIGHTERS' RETIREMENT	R -CH. SL 99-0100	05-20-99	05-25-99
S 638	RAND	LOCAL GOVT. RETIREMENT DEFINITION	*R -CH. SL 99-0167	04-29-99	05-25-99
S 687	ALLRAN	HICKORY FIREFIGHTERS' RETIREMENT FUN	R -CH. SL 99-0128	05-13-99	05-25-99
S 758=	KINNAIRD	PURCHASE OF PART-TIME SERVICE	H -REF TO COM ON PENS&RET	04-28-99	
S1046	PHILLIPS	LICENSING/EXAMINING BOARD RETIREMENT	*S -PRES. TO GOV. 07-12	07-08-99	07-14-99
S1281	HOYLE	REPEAL CHERRYVILLE FIRE PENSION	R -CH. SL 00-0021	00-06-14	00-06-22
S1461=	EAST	MT AIRY FIREFIGHTERS' RETIREMENT	R -CH. SL 00-0022	00-06-14	00-06-22

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.
BOLDDED LINE INDICATES BILL INDEXED AS AFFECTING APPROPRIATIONS.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

**June 7, 2000
Room 1228/1327
12:00p.m.**

AGENDA

1. Opening Remarks

Representative Michaux, Chair

2. Bills To Be Considered

HB 1147 - INCREASE POST RETIREMENT CAP

HB 1671 - INCREASE FIRE AND RESCUE PENSION

HB 1672 - CHANGE RETIREMENT BENEFITS

HB 1673 - INCREASE RETIREMENT BENEFITS

Sponsor: Representative Michaux

HB 77 - INCREASE LEO RETIREMENT

Sponsor: Representative Fitch

HB 1677 PROFESSIONAL FIRE FIGHTERS' RETIREMENT

HB 1687 - RETIRED TEACHERS/COMPENSATION

Sponsor: Representative Arnold

HB 1378 - REINSTATEMENT OF UNUSED SICK LEAVE

Sponsor: Representative Warwick

HB 1689 - MT. AIRY FIREFIGHTERS' RETIREMENT

Sponsor: Representative Hiatt

HB 1726 - TEACHER RETIREMENT ELIGIBILITY

Sponsor: Representative Rogers

HB 1805 - RETIREMENT WITHDRAWAL SERVICE

Sponsor: Representative Nesbitt

HB 1691 - AMENDS DEATH BENEFIT PLAN

Sponsor: Representative Grady

SB 758 - PURCHASE OF PART-TIME SERVICE

Sponsor: Senator Kinnaird

3. ADJOURNMENT

**HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
COMMITTEE MEETING MINUTES
WEDNESDAY, JUNE 7, 2000**

The meeting was called to order by Chairman, Rep. Michaux. Members present were Rep. Oldham, Rep. Barbee, Rep. Berry, Rep. Gray, Rep. Horn, Rep. McCombs, Rep. McCrary, Rep. Rogers, Rep. Tucker, Rep. Warren, Rep. G. Wilson, Rep. Yongue, Rep. Hackney, Rep. Baddour, Rep. Earle, Rep. Dedmon, and Rep. Cunningham. The Pages assisting the meeting were Wes Gray and Jeff Fedder. The Visitor Registration Sheet is attached hereto and is incorporated into the minutes of this meeting.

The bills on the agenda were HB 1147, 1671, 1672, and 1673, all sponsored by Rep. Michaux; HB 77, sponsored by Rep. Fitch; HB 1677 and 1687, sponsored by Rep. Arnold; HB 1378, sponsored by Rep. Warwick; HB 1689, sponsored by Rep. Hiatt; HB 1726, sponsored by Rep. Rogers; HB 1805, sponsored by Rep. Nesbitt; HB 1691, sponsored by Rep. Grady; and SB 758, sponsored by Senator Kinnaird.

Staff person, Stanley Moore, was recognized to explain **HB 1672, (Short Title: Change Retirement Benefits) (Exhibit A)**. Following the discussion of the bill, Rep. Yongue made a motion for a favorable report for HB 1672. The Committee gave the bill a favorable report with the recommendation that the bill be re-referred to the Committee on Appropriations.

Staff person, Stanley Moore, was recognized to explain **HB 1673, (Short Title: Increase Retirement Benefits) (Exhibit B)**. Rep. Barbee made a motion for a favorable report for HB 1672. The Committee gave the bill a favorable report with the recommendation that the bill be re-referred to the Committee on Appropriations.

Staff person, Stanley Moore, was recognized to explain **HB 1671, (Short Title: Increase Fire and Rescue Pension) (Exhibit C)**. Rep. Yongue made a motion for a favorable report for HB 1671. The Committee gave the bill a favorable report with the recommendation that the bill be re-referred to the Committee on Appropriations.

Rep. Redwine, Co-Chair of the House Committee on Appropriations, was recognized to speak to the committee members on retirement and pension matters proposed in the 2000-2001 State Budget. **(Exhibit D)**. These proposals would be incorporated into the Current Operating Appropriation Bill. Rep. Redwine read a letter from State Treasurer, Harlan Boyles. **(Exhibit E)**. The letter addressed the subject of the Teachers' and State Employees' Retirement System and the possible designation of a portion of the System's employer contributions to increased salaries and retirement benefits for the participating members of the System. State Treasurer Boyles felt the proposal would benefit everyone. Several members of the committee spoke in support of the proposal. Rep. McCombs made a motion that the proposal be given a favorable report. The motion carried.

Page 2
Minutes of Pension and Retirement Committee
June 7, 2000

Rep. Nesbitt was recognized to explain **HB1805 (Short Title: Retirement Withdrawal Service)**. (Exhibit F). After some discussion, the Committee decided to consider the bill at another time.

Rep. Hiatt was recognized to explain **HB 1689 (Short Title: Mt. Airy Firefighters' Retirement)**. (Exhibit G). Staff Counsel, Stanley Moore, provided the committee with a summary of the bill. Rep. Yongue made a motion for a favorable report of HB 1689. The Committee gave the bill a favorable report.

There being no further business before the committee, the meeting was adjourned.

Respectfully submitted,

Anne Peele
Committee Assistant

Rep. H. M. Michaux, Jr., Chair

VISITOR REGISTRATION SHEET

Pensions and Retirement Committee

Date June 7, 2000

Visitors: Please sign below and Return to Committee Assistant

<u>Name</u>	<u>Firm or Agency and Address</u>
Frank Lewis	OSBM
ES Hunt	DOR
Guy McLean	CEPS
James Pether	OSBA
Paul Chan	Great West Life
Mark Cook	DVA
Benny Seabers	USPPA
Paul Miller	N.C. State Insurance Assoc.
Roddy Jones	N.C. State Insurance Association
Gordon A. Joyner	NC Assoc of Res. & EMS
Stuart Albright	N. Governor's Office
R. Lynn	SEANC
Katherine Joyce	SEANC
Rolin Pendergraft	DOJ

VISITOR REGISTRATION SHEET

Pensions and Retirement Committee

June 7, 2000

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Amber Perrell	PENC
Berry Rector	SEAWC
LYNN WILSON	SEAWC
ELLIS HANKINS	NCLM
Henry M. Concaen	NCLM
Nancy Dunn	Intern
Andy Romenet	NCLM.
Charles Summers	Rep. Easterling
Hal Miller	NCACCT
Carl Goodwin	OSP
David Anderson	PFFPWC
Charles Croner	NCATL

VISITOR REGISTRATION SHEET

Pensions and Retirement Committee

June 7, 2000

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Jennifer Adams	Intern
Michael LaTuga	Intern
Wendy Mills	SEANC
Betsy Duke	SEANC
Phil Phil	DDJ
Marshall Barmen	Dept of State Treasurer
BRANDON THOMAS	SEANC
Darrell Arnold	SEANC
Linda Suggs	NCASA
Paul Johnson	NCAE
AL ADAMS	NERGEA
Lisa Pajes	THE INSIDER

Pensions and Retirement Committee

Name of Committee

Date _____

NAME

FIRM OR AGENCY AND ADDRESS

Mine Open

NC State AFL CW

Leura Truston

Patterson, New-Kersey

Andrew Galloway

NCAQ

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 1672*

Short Title: Change Retirement Benefits.

(Public)

Sponsors: Representatives Michaux; Warner, Thompson, Wainwright, Hunter, and Arnold.

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

May 24, 2000

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

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 135-5 is amended by adding a new subsection to read:

9 "(ggg) From and after July 1, 2000, the retirement allowance to or on account of
10 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
11 increased by three and six-tenths percent (3.6%) of the allowance payable on June 1,
12 2000, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2000, the
13 retirement allowance to or on account of beneficiaries whose retirement commenced
14 after July 1, 1999, but before June 30, 2000, shall be increased by a prorated amount
15 of three and six-tenths percent (3.6%) of the allowance payable as determined by the
16 Board of Trustees based upon the number of months that a retirement allowance was
17 paid between July 1, 1999, and June 30, 2000."

18 Section 2. G.S. 135-65 is amended by adding a new subsection to read:

19 "(u) From and after July 1, 2000, the retirement allowance to or on account of
20 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
21 increased by two and six-tenths percent (2.6%) of the allowance payable on June 1,
22 2000. Furthermore, from and after July 1, 2000, the retirement allowance to or on
23 account of beneficiaries whose retirement commenced after July 1, 1999, but before

1 June 30, 2000, shall be increased by a prorated amount of two and six-tenths percent
2 (2.6%) of the allowance payable as determined by the Board of Trustees based upon
3 the number of months that a retirement allowance was paid between July 1, 1999,
4 and June 30, 2000."

5 Section 3. G.S. 120-4.22A is amended by adding a new subsection to
6 read:

7 "(o) In accordance with subsection (a) of this section, from and after July 1, 2000,
8 the retirement allowance to or on account of beneficiaries whose retirement
9 commenced on or before January 1, 2000, shall be increased by three and six-tenths
10 percent (3.6%) of the allowance payable on June 1, 2000. Furthermore, from and
11 after July 1, 2000, the retirement allowance to or on account of beneficiaries whose
12 retirement commenced after January 1, 2000, but before June 30, 2000, shall be
13 increased by a prorated amount of three and six-tenths percent (3.6%) of the
14 allowance payable as determined by the Board of Trustees based upon the number of
15 months that a retirement allowance was paid between January 1, 2000, and June 30,
16 2000."

17 Section 4. G.S. 128-27(b17) reads as rewritten:

18 "(b17) Service Retirement Allowance of Member Retiring on or After July 1,
19 1998. 1998, But Before July 1, 2000. -- Upon retirement from service in accordance
20 with subsection (a) or (a1) above, on or after July 1, 1998, but before July 1, 2000, a
21 member shall receive the following service 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 seventy-seven hundredths percent (1.77%)
30 of his average final compensation, multiplied by the number
31 of 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.
38 128-27(b17)(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. 128-27(b17)(1)a. reduced by five percent (5%)

- 1 times the difference between 30 years and his
2 creditable service at retirement.
- 3 (2) A member who is not a law enforcement officer or an eligible
4 former law enforcement officer shall receive a service retirement
5 allowance computed as follows:
- 6 a. If the member's service retirement date occurs on or after
7 his 65th birthday upon the completion of five years of
8 creditable service or after the completion of 30 years of
9 creditable service or on or after his 60th birthday upon the
10 completion of 25 years of creditable service, the allowance
11 shall be equal to one and seventy-seven hundredths percent
12 (1.77%) of average final compensation, multiplied by the
13 number of years of creditable service.
- 14 b. If the member's service retirement date occurs after his 60th
15 birthday and before his 65th birthday and prior to his
16 completion of 25 years or more of creditable service, his
17 retirement allowance shall be computed as in G.S. 128-
18 27(b17)(2)a. but shall be reduced by one-quarter of one
19 percent ($\frac{1}{4}$ of 1%) thereof for each month by which his
20 retirement date precedes the first day of the month
21 coincident with or next following his 65th birthday.
- 22 c. If the member's early service retirement date occurs on or
23 after his 50th birthday and before his 60th birthday and after
24 completion of 20 years of creditable service but prior to the
25 completion of 30 years of creditable service, his early service
26 retirement allowance shall be equal to the greater of:
- 27 1. The service retirement allowance as computed under
28 G.S. 128-27(b17)(2)a. but reduced by the sum of five-
29 twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each
30 month by which his retirement date precedes the first
31 day of the month coincident with or next following
32 the month the member would have attained his 60th
33 birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%)
34 thereof for each month by which his 60th birthday
35 precedes the first day of the month coincident with or
36 next following his 65th birthday; or
- 37 2. The service retirement allowance as computed under
38 G.S. 128-27(b17)(2)a. reduced by five percent (5%)
39 times the difference between 30 years and his
40 creditable service at retirement; or
- 41 3. If the member's creditable service commenced prior
42 to July 1, 1995, the service retirement allowance
43 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 5. G.S. 128-27 is amended by adding a new subsection to read:

"(b18) Service Retirement Allowance of Member Retiring on or After July 1, 2000. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2000, 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-eight hundredths percent (1.78%) 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(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. 128-27(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 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-eight hundredths percent
2 (1.78%) 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(b18)(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(b18)(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(b18)(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(b18)(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
4 service to be eligible to commence retirement with an early
5 or 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(b17)(1)b.~~ or ~~G.S.~~
9 ~~128-27(b17)(2)c.,~~ G.S. 128-27(b18)(1)b. or G.S. 128-
10 (b18)(2)c., notwithstanding the requirement of obtaining age
11 50.
12 (2) The member had designated as the principal beneficiary to receive
13 a return of his accumulated contributions one and only one person
14 who is living at the time of his death.
15 (3) The member had not instructed the Board of Trustees in writing
16 that he did not wish the provisions of this subsection apply.

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

25 Section 7. G.S. 128-27 is amended by adding two new subsections to
26 read:

27 "(xx) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2000.
28 -- From and after July 1, 2000, the retirement allowance to or on account of
29 beneficiaries on the retirement rolls as of June 1, 2000, shall be increased by six-
30 tenths of one percent (0.6%) of the allowance payable on June 1, 2000. This
31 allowance shall be calculated on the allowance payable and in effect on June 30,
32 2000, so as not to be compounded on any other increase payable under subsection (k)
33 of this section or otherwise granted by act of the 1999 General Assembly, 2000
34 Regular Session.

35 (yy) From and after July 1, 2000, the retirement allowance to or on account of
36 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
37 increased by three and eight-tenths percent (3.8%) of the allowance payable on June
38 1, 2000, in accordance with subsection (k) of this section. Furthermore, from and
39 after July 1, 2000, the retirement allowance to or on account of beneficiaries whose
40 retirement commenced after July 1, 1999, but before June 30, 2000, shall be increased
41 by a prorated amount of three and eight-tenths percent (3.8%) of the allowance
42 payable as determined by the Board of Trustees based upon the number of months
43 that a retirement allowance was paid between July 1, 1999, and June 30, 2000."

44 Section 8. This act becomes effective July 1, 2000.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

May 31, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

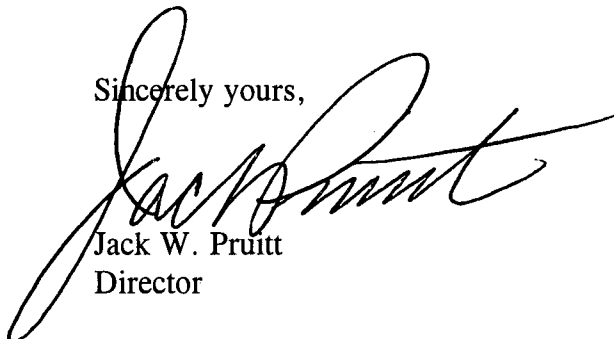
Re: Actuarial Note/House Bill 1672

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1672 which affects the Teachers' and State Employees' Retirement System, the Local Governmental 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,



Jack W. Pruitt
Director

JWP/dsp

Enclosure

BUCK CONSULTANTS

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

May 31, 2000

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

House Bill 1672

Dear Mr. Pruitt:

We have received your letter of May 24 regarding House Bill 1672 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 of the Teachers' and State Employees' Retirement System equal to 3.6% for those who commenced retirement on and before July 1, 1999, and a prorated portion of the 3.6% post-retirement increase for those who commenced retirement after July 1, 1999 and before June 30, 2000, with all increases payable effective July 1, 2000.

This legislation also appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Consolidated Judicial Retirement System, equal to 2.6% for those who commenced retirement on and before July 1, 1999 and a prorated portion of the 2.6% post-retirement increase for those who commenced retirement after July 1, 1999 and before June 30, 2000, with all increases payable effective July 1, 2000.

This legislation also appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Local Governmental Employees' Retirement System, equal to 3.8% for those who commenced retirement on and before July 1, 1999 and a prorated portion of the 3.8% post-retirement increase for those who commenced retirement after July 1, 1999 and before June 30, 2000, with all increases payable effective July 1, 2000.


This legislation also appears to grant an increase in the defined benefit formula accrual rate, in the Local Governmental Employees' Retirement System, from 1.77% to 1.78%, effective as of July 1, 2000 with a corresponding adjustment in the monthly allowances of existing retirees equal to 0.6% of the retirement allowances in effect on June 1, 2000, payable effective July 1, 2000.

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.

Mr. Jack Pruitt
May 31, 2000
Page 2

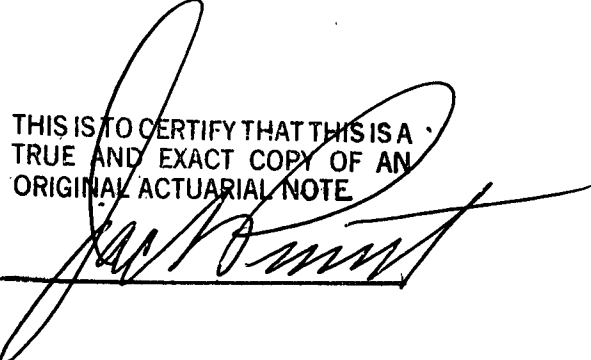
If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

Sincerely,


Edward A. Macdonald
Principal and Consulting Actuary

EAM:ws
F:\NCTE\2000\DOCS\CORR\H81672.DOC

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



Jack Pruitt

HOUSE BILL 1672

SYSTEM	<u>GAINS</u>			<u>HOUSE BILL 1672</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	0.95%	\$64,505,000	\$5,026,000	0.94%	\$63,826,000	\$4,973,000	0.01%	\$679,000	\$53,000
Consolidated Judicial Retirement System	0.99%	\$ 465,000	N/A	0.97%	\$ 456,000	N/A	0.02%	\$ 9,000	N/A
Local Governmental Employees' Retirement System	0.55%	\$18,095,000*	N/A	0.55%	\$18,095,000*	NA	0.00%	\$ 0*	N/A

* Equivalent local funding

May 31, 2000

BUCK
CONSULTANTS



North Carolina General Assembly
Legislative Services Office

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(919) 733-7044

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

MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore 
Fiscal Research Division

DATE: May 23, 2000

SUBJECT: Actuarial Note Request House Bill 1672

Re: Teachers' and State Employees' Retirement System- Provides a post-retirement increase of three and six-tenths percent (3.6%) in the benefits of retirees. **Consolidated Judicial Retirement System** - Provides a post-retirement increase of two and six-tenths percent (2.6%) in the benefits of retirees. **Legislative Retirement System** - Provides a post-retirement increase of three and six-tenths percent (3.6%) in the benefits of retirees. **Local Governmental Employees' Retirement System** - Increases the accrual rate for active members from 1.77% to 1.78% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of three and eight-tenths percent (3.8%) 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, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Michaux

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

1672 MAY 23 00

H

HOUSE PRINCIPAL CLERK

HOUSE DRH7299*-LL182(4.28)

Short Title: Change Retirement Benefits.

(Public)

Sponsors: Representative Michaux.

Referred to:

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

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 135-5 is amended by adding a new subsection to read:

9 "(ggg) From and after July 1, 2000, the retirement allowance to or on account of
10 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
11 increased by three and six-tenths percent (3.6%) of the allowance payable on June 1,
12 2000, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2000, the
13 retirement allowance to or on account of beneficiaries whose retirement commenced
14 after July 1, 1999, but before June 30, 2000, shall be increased by a prorated amount
15 of three and six-tenths percent (3.6%) of the allowance payable as determined by the
16 Board of Trustees based upon the number of months that a retirement allowance was
17 paid between July 1, 1999, and June 30, 2000."

18 Section 2. G.S. 135-65 is amended by adding a new subsection to read:

19 "(u) From and after July 1, 2000, the retirement allowance to or on account of
20 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
21 increased by two and six-tenths percent (2.6%) of the allowance payable on June 1,
22 2000. Furthermore, from and after July 1, 2000, the retirement allowance to or on
23 account of beneficiaries whose retirement commenced after July 1, 1999, but before
24 June 30, 2000, shall be increased by a prorated amount of two and six-tenths percent
25 (2.6%) of the allowance payable as determined by the Board of Trustees based upon

1 the number of months that a retirement allowance was paid between July 1, 1999,
2 and June 30, 2000."

3 Section 3. G.S. 120-4.22A is amended by adding a new subsection to
4 read:

5 "(o) In accordance with subsection (a) of this section, from and after July 1, 2000,
6 the retirement allowance to or on account of beneficiaries whose retirement
7 commenced on or before January 1, 2000, shall be increased by three and six-tenths
8 percent (3.6%) of the allowance payable on June 1, 2000. Furthermore, from and
9 after July 1, 2000, the retirement allowance to or on account of beneficiaries whose
10 retirement commenced after January 1, 2000, but before June 30, 2000, shall be
11 increased by a prorated amount of three and six-tenths percent (3.6%) of the
12 allowance payable as determined by the Board of Trustees based upon the number of
13 months that a retirement allowance was paid between January 1, 2000, and June 30,
14 2000."

15 Section 4. G.S. 128-27(b17) reads as rewritten:

16 "(b17) Service Retirement Allowance of Member Retiring on or After July 1,
17 ~~1998. 1998, But Before July 1, 2000.~~ -- Upon retirement from service in accordance
18 with subsection (a) or (a1) above, on or after July 1, 1998, but before July 1, 2000, a
19 member shall receive the following service retirement allowance:

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

23 a. If the member's service retirement date occurs on or after
24 his 55th birthday and completion of five years of creditable
25 service as a law enforcement officer, or after the completion
26 of 30 years of creditable service, the allowance shall be
27 equal to one and seventy-seven hundredths percent (1.77%)
28 of his average final compensation, multiplied by the number
29 of years of his creditable service.

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

35 1. The service retirement allowance payable under G.S.
36 128-27(b17)(1)a. reduced by one-third of one percent
37 (1/3 of 1%) thereof for each month by which his
38 retirement date precedes the first day of the month
39 coincident with or next following the month the
40 member would have attained his 55th birthday; or

41 2. The service retirement allowance as computed under
42 G.S. 128-27(b17)(1)a. reduced by five percent (5%)
43 times the difference between 30 years and his
44 creditable service at retirement.

- 1 (2) A member who is not a law enforcement officer or an eligible
2 former law enforcement officer shall receive a service retirement
3 allowance computed as follows:
- 4 a. If the member's service retirement date occurs on or after
5 his 65th birthday upon the completion of five years of
6 creditable service or after the completion of 30 years of
7 creditable service or on or after his 60th birthday upon the
8 completion of 25 years of creditable service, the allowance
9 shall be equal to one and seventy-seven hundredths percent
10 (1.77%) of average final compensation, multiplied by the
11 number of years of creditable service.
- 12 b. If the member's service retirement date occurs after his 60th
13 birthday and before his 65th birthday and prior to his
14 completion of 25 years or more of creditable service, his
15 retirement allowance shall be computed as in G.S. 128-
16 27(b17)(2)a. but shall be reduced by one-quarter of one
17 percent ($\frac{1}{4}$ of 1%) thereof for each month by which his
18 retirement date precedes the first day of the month
19 coincident with or next following his 65th birthday.
- 20 c. If the member's early service retirement date occurs on or
21 after his 50th birthday and before his 60th birthday and after
22 completion of 20 years of creditable service but prior to the
23 completion of 30 years of creditable service, his early service
24 retirement allowance shall be equal to the greater of:
- 25 1. The service retirement allowance as computed under
26 G.S. 128-27(b17)(2)a. but reduced by the sum of five-
27 twelfths of one percent ($\frac{5}{12}$ of 1%) thereof for each
28 month by which his retirement date precedes the first
29 day of the month coincident with or next following
30 the month the member would have attained his 60th
31 birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%)
32 thereof for each month by which his 60th birthday
33 precedes the first day of the month coincident with or
34 next following his 65th birthday; or
- 35 2. The service retirement allowance as computed under
36 G.S. 128-27(b17)(2)a. reduced by five percent (5%)
37 times the difference between 30 years and his
38 creditable service at retirement; or
- 39 3. If the member's creditable service commenced prior
40 to July 1, 1995, the service retirement allowance
41 equal to the actuarial equivalent of the allowance
42 payable at the age of 60 years as computed in G.S.
43 128-27(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 5. G.S. 128-27 is amended by adding a new subsection to read:

"(b18) Service Retirement Allowance of Member Retiring on or After July 1, 2000. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2000, 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-eight hundredths percent (1.78%) 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(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. 128-27(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 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-eight hundredths percent

(1.78%) 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(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. 128-27(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. 128-27(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, 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(b18)(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 6. 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
4 service to be eligible to commence retirement with an early
5 or 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(b17)(1)b.~~ or ~~G.S.~~
9 ~~128-27(b17)(2)c.~~, G.S. 128-27(b18)(1)b. or G.S. 128-
10 (b18)(2)c., notwithstanding the requirement of obtaining age
11 50.
12 (2) The member had designated as the principal beneficiary to receive
13 a return of his accumulated contributions one and only one person
14 who is living at the time of his death.
15 (3) The member had not instructed the Board of Trustees in writing
16 that he did not wish the provisions of this subsection apply.

17 For the purpose of this benefit, a member is considered to be in service at the date
18 of his death if his death occurs within 180 days from the last day of his actual service.
19 The last day of actual service shall be determined as provided in subsection (1) of this
20 section. Upon the death of a member in service, the surviving spouse may make all
21 purchases for creditable service as provided for under this Chapter for which the
22 member had made application in writing prior to the date of death, provided that the
23 date of death occurred prior to or within 60 days after notification of the cost to
24 make the purchase."

25 Section 7. G.S. 128-27 is amended by adding two new subsections to
26 read:

27 "(xx) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2000.
28 -- From and after July 1, 2000, the retirement allowance to or on account of
29 beneficiaries on the retirement rolls as of June 1, 2000, shall be increased by six-
30 tenths of one percent (0.6%) of the allowance payable on June 1, 2000. This
31 allowance shall be calculated on the allowance payable and in effect on June 30,
32 2000, so as not to be compounded on any other increase payable under subsection (k)
33 of this section or otherwise granted by act of the 1999 General Assembly, 2000
34 Regular Session.

35 (yy) From and after July 1, 2000, the retirement allowance to or on account of
36 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
37 increased by three and eight-tenths percent (3.8%) of the allowance payable on June
38 1, 2000, in accordance with subsection (k) of this section. Furthermore, from and
39 after July 1, 2000, the retirement allowance to or on account of beneficiaries whose
40 retirement commenced after July 1, 1999, but before June 30, 2000, shall be increased
41 by a prorated amount of three and eight-tenths percent (3.8%) of the allowance
42 payable as determined by the Board of Trustees based upon the number of months
43 that a retirement allowance was paid between July 1, 1999, and June 30, 2000."

44 Section 8. This act becomes effective July 1, 2000.

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1672

SHORT TITLE: Change Retirement Benefits

SPONSOR(S): Representative Michaux

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 3.6% in the benefits of retirees of the Teachers' and State Employees' Retirement System, a post-retirement increase of 2.6% in the benefits of retirees of the Consolidated Judicial Retirement System, a post-retirement increase of 3.6% in the benefits of retirees of the Legislative Retirement System, a post-retirement increase of 3.8% in the benefits of retirees of the Local Governmental Employees' Retirement System and increases the formula in Local Governmental Employees' Retirement System from 1.77% for each year of service to 1.78% and grants an adjusting increase of 0.6% to local retirees.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT ON STATE:

Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 3.6% COLA to be 0.94% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$ 63.8m	\$ 67.7m	\$ 71.7m	\$ 76.0m	\$ 80.6m
Highway Fund	\$ 5.0m	\$ 5.3m	\$ 5.6m	\$ 5.9m	\$ 6.3m
Receipt Funds	<u>\$ 17.2m</u>	<u>\$ 18.2m</u>	<u>\$ 19.3m</u>	<u>\$ 20.5m</u>	<u>\$ 21.7m</u>
Total	\$ 86.0m	\$ 91.2m	\$ 96.6m	\$102.4m	
	\$108.6m				

General Assembly Actuary: Hartman & Associates estimates the cost of the 3.6% COLA to be 0.89% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$ 60.4m	\$ 64.0m	\$ 67.9m	\$ 72.0m	\$ 76.3m
Highway Fund	\$ 4.7m	\$ 5.0m	\$ 5.3m	\$ 5.6m	\$ 5.9m
Receipt Funds	<u>\$ 16.3m</u>	<u>\$ 17.3m</u>	<u>\$ 18.3m</u>	<u>\$ 19.4m</u>	<u>\$ 20.6m</u>

Total	\$ 81.4m	\$ 86.3m	\$ 91.5m	\$ 97.0m
	\$102.8m			

There are actuarial gains within the System to do this increase without additional appropriations.

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.6% COLA to be .97% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$455,900	\$486,081	\$518,259	\$552,568	
	\$589,148				

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.6% COLA to be .93% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$477,100	\$466,036	\$496,888	\$529,782	\$564,853

There are actuarial gains within the System to do this increase without additional appropriations.

Legislative Retirement System

Retirement System Actuary: Charles Dunn estimates the cost of the 3.6% COLA to be 1.66% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$59,760	\$59,760	\$59,760	\$59,760	\$59,760

General Assembly Actuary: Hartman & Associates estimates the cost of the 3.6% COLA to be 1.79% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$64,440	\$64,440	\$64,440	\$64,440	
	\$64,440				

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the formula increase and the 3.8% COLA to be .55% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
Local Funds	\$18.1m	\$19.3m	\$20.5m	\$21.8m	\$23.2m

General Assembly Actuary: Hartman & Associates estimates the cost of the formula increase and the 3.8% COLA to be .51% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
Local Funds	\$16.8m	\$17.9m	\$19.0m	\$20.2m	\$21.6m

There are actuarial gains within the System to do this increase without additional appropriations.

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, 1998 actuarial valuation of the fund. The data included 278,558 active members with an annual payroll of \$7.995 billion and 97,820 retired members in receipt of annual pensions totaling \$1.375 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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, 1998 actuarial valuation of the fund. The data included 478 active members with an annual payroll of \$40.9 million and 343 retired members in receipt of annual pensions totaling \$12.1 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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.

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, 1998 actuarial valuation of the fund. The data included 167 active members with an annual payroll of \$3.6 million and 181 retired members in receipt of annual pensions totaling \$965,102. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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, 1998 actuarial valuation of the fund. The data included 108,904 active members with an annual payroll of \$2.930 billion and 26,975 retired members in receipt of annual pensions totaling \$291.4 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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.

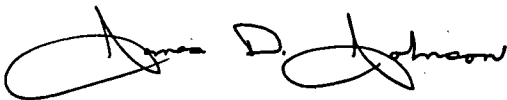
SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
 General Assembly Actuary - Hartman & Associates
 Legislative System Actuary Charles Dunn

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, 2000 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: James D. Johnson

A handwritten signature in black ink, appearing to read "James D. Johnson", is written over the printed name.

DATE: May 31, 2000

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1672

SHORT TITLE: Change Retirement Benefits

SPONSOR(S): Representative Michaux

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 3.6% in the benefits of retirees of the Teachers' and State Employees' Retirement System, a post-retirement increase of 2.6% in the benefits of retirees of the Consolidated Judicial Retirement System, a post-retirement increase of 3.6% in the benefits of retirees of the Legislative Retirement System, a post-retirement increase of 3.8% in the benefits of retirees of the Local Governmental Employees' Retirement System and increases the formula in Local Governmental Employees' Retirement System from 1.77% for each year of service to 1.78% and grants an adjusting increase of 0.6% to local retirees.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT ON STATE:

Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 3.6% COLA to be 0.94% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$ 63.8m	\$ 67.7m	\$ 71.7m	\$ 76.0m	\$ 80.6m
Highway Fund	\$ 5.0m	\$ 5.3m	\$ 5.6m	\$ 5.9m	\$ 6.3m
Receipt Funds	<u>\$ 17.2m</u>	<u>\$ 18.2m</u>	<u>\$ 19.3m</u>	<u>\$ 20.5m</u>	<u>\$ 21.7m</u>
Total	\$ 86.0m	\$ 91.2m	\$ 96.6m	\$102.4m	\$108.6m

General Assembly Actuary: Hartman & Associates estimates the cost of the 3.6% COLA to be 0.89% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$ 60.4m	\$ 64.0m	\$ 67.9m	\$ 72.0m	\$ 76.3m
Highway Fund	\$ 4.7m	\$ 5.0m	\$ 5.3m	\$ 5.6m	\$ 5.9m
Receipt Funds	<u>\$ 16.3m</u>	<u>\$ 17.3m</u>	<u>\$ 18.3m</u>	<u>\$ 19.4m</u>	<u>\$ 20.6m</u>
Total	\$ 81.4m	\$ 86.3m	\$ 91.5m	\$ 97.0m	\$102.8m

There are actuarial gains within the System to do this increase without additional appropriations.

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.6% COLA to be .97% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$455,900	\$486,081	\$518,259	\$552,568	\$589,148

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.6% COLA to be .93% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$477,100	\$466,036	\$496,888	\$529,782	\$564,853

There are actuarial gains within the System to do this increase without additional appropriations.

Legislative Retirement System

Retirement System Actuary: Charles Dunn estimates the cost of the 3.6% COLA to be 1.66% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$59,760	\$59,760	\$59,760	\$59,760	\$59,760

General Assembly Actuary: Hartman & Associates estimates the cost of the 3.6% COLA to be 1.79% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$64,440	\$64,440	\$64,440	\$64,440	\$64,440

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the formula increase and the 3.8% COLA to be .55% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
Local Funds	\$18.1m	\$19.3m	\$20.5m	\$21.8m	\$23.2m

General Assembly Actuary: Hartman & Associates estimates the cost of the formula increase and the 3.8% COLA to be .51% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
Local Funds	\$16.8m	\$17.9m	\$19.0m	\$20.2m	\$21.6m

There are actuarial gains within the System to do this increase without additional appropriations.

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, 1998 actuarial valuation of the fund. The data included 278,558 active members with an annual payroll of \$7.995 billion and 97,820 retired members in receipt of annual pensions totaling \$1.375 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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, 1998 actuarial valuation of the fund. The data included 478 active members with an annual payroll of \$40.9 million and 343 retired members in receipt of annual pensions totaling \$12.1 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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.

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, 1998 actuarial valuation of the fund. The data included 167 active members with an annual payroll of \$3.6 million and 181 retired members in receipt of annual pensions totaling \$965,102. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 prorate. 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

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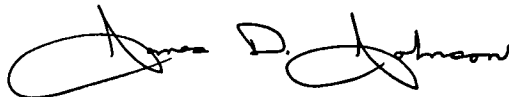
SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
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Legislative System Actuary Charles Dunn

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, 2000 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: James D. Johnson



DATE: May 31, 2000



North Carolina General Assembly
Legislative Services Office

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

William 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

James D. Johnson, 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

May 31, 2000

MEMORANDUM

TO: Representative Michaux

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1672

Re: Teachers' and State Employees' Retirement System- Provides a post-retirement increase of three and six-tenths percent (3.6%) in the benefits of retirees. **Consolidated Judicial Retirement System** - Provides a post-retirement increase of two and six-tenths percent (2.6%) in the benefits of retirees. **Legislative Retirement System** - Provides a post-retirement increase of three and six-tenths percent (3.6%) in the benefits of retirees. **Local Governmental Employees' Retirement System** - Increases the accrual rate for active members from 1.77% to 1.78% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of three and eight-tenths percent (3.8%) 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, May 31, 2000
- (3) Actuarial Note, Hartman & Associates, May 30, 2000

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1672

SHORT TITLE: Change Retirement Benefits

SPONSOR(S): Representative Michaux

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

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BILL SUMMARY: Provides a post-retirement increase of 3.6% in the benefits of retirees of the Teachers' and State Employees' Retirement System, a post-retirement increase of 2.6% in the benefits of retirees of the Consolidated Judicial Retirement System, a post-retirement increase of 3.6% in the benefits of retirees of the Legislative Retirement System, a post-retirement increase of 3.8% in the benefits of retirees of the Local Governmental Employees' Retirement System and increases the formula in Local Governmental Employees' Retirement System from 1.77% for each year of service to 1.78% and grants an adjusting increase of 0.6% to local retirees.

EFFECTIVE DATE: July 1, 2000

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Retirement System Actuary: Buck Consultants estimates the cost of the 3.6% COLA to be 0.94% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$ 63.8m	\$ 67.7m	\$ 71.7m	\$ 76.0m	\$ 80.6m
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Legislative System Actuary Charles Dunn

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(919) 733-4910

PREPARED BY: Stanley Moore 

APPROVED BY: James D. Johnson

DATE: May 31, 2000

BUCK CONSULTANTS

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

May 31, 2000

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

House Bill 1672

Dear Mr. Pruitt:

We have received your letter of May 24 regarding House Bill 1672 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 of the Teachers' and State Employees' Retirement System equal to 3.6% for those who commenced retirement on and before July 1, 1999, and a prorated portion of the 3.6% post-retirement increase for those who commenced retirement after July 1, 1999 and before June 30, 2000, with all increases payable effective July 1, 2000.

This legislation also appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Consolidated Judicial Retirement System, equal to 2.6% for those who commenced retirement on and before July 1, 1999 and a prorated portion of the 2.6% post-retirement increase for those who commenced retirement after July 1, 1999 and before June 30, 2000, with all increases payable effective July 1, 2000.

This legislation also appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Local Governmental Employees' Retirement System, equal to 3.8% for those who commenced retirement on and before July 1, 1999 and a prorated portion of the 3.8% post-retirement increase for those who commenced retirement after July 1, 1999 and before June 30, 2000, with all increases payable effective July 1, 2000.

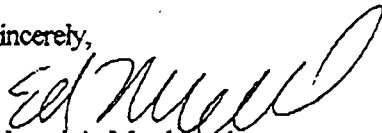
This legislation also appears to grant an increase in the defined benefit formula accrual rate, in the Local Governmental Employees' Retirement System, from 1.77% to 1.78%, effective as of July 1, 2000 with a corresponding adjustment in the monthly allowances of existing retirees equal to 0.6% of the retirement allowances in effect on June 1, 2000, payable effective July 1, 2000.

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.

Mr. Jack Pruitt
May 31, 2000
Page 2

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

Sincerely,

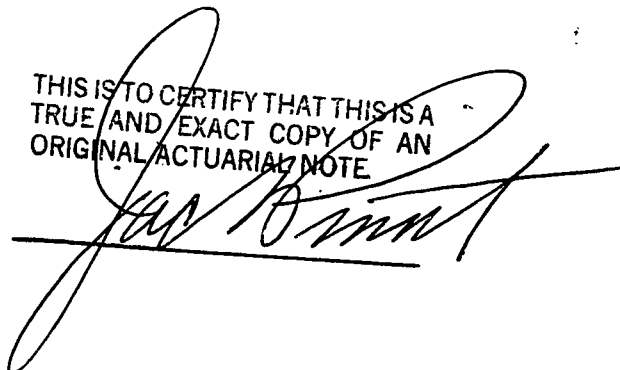


Edward A. Macdonald
Principal and Consulting Actuary

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



HOUSE BILL 1672

SYSTEM	<u>GAINS</u>			<u>HOUSE BILL 1672</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	0.95%	\$64,505,000	\$5,026,000	0.94%	\$63,826,000	\$4,973,000	0.01%	\$679,000	\$53,000
Consolidated Judicial Retirement System	0.99%	\$ 465,000	N/A	0.97%	\$ 456,000	N/A	0.02%	\$ 9,000	N/A
Local Governmental Employees' Retirement System	0.55%	\$18,095,000*	N/A	0.55%	\$18,095,000*	NA	0.00%	\$ 0*	N/A

* Equivalent local funding

May 31, 2000

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

May 30, 2000

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

Re: House Bill 1672: An Act to Enhance Benefits Payable from
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 retirement allowances 3.6% for all beneficiaries who retired on or before July 1, 1999, with a prorated increase for retirements between July 1, 1999 and June 30, 2000.
2. In the CJRS, the bill would increase the retirement allowances 2.6% for all beneficiaries who retired on or before July 1, 1999, with a prorated increase for retirements between July 1, 1999 and June 30, 2000.
3. In the LRS, the bill would provide a 3.6% increase in the retirement allowances payable to beneficiaries whose retirement began on or before January 1, 2000, with a prorated increase for retirements after January 1, 2000 and before June 30, 2000.
4. In the LGERS, the bill would
 - increase the annual accrual rate from 1.77% to 1.78% for members retiring on or after July 1, 2000

Mr. Stanley Moore
May 30, 2000

Page 2

- increase the retirement allowance by 0.6% for all beneficiaries on the retirement rolls as of June 1, 2000
- increase the retirement allowance an additional 3.8% for all beneficiaries who retired on or before July 1, 1999, with a prorated increase for retirements between July 1, 1999 and June 30, 2000.

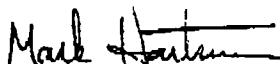
All provisions of this act are effective July 1, 2000. The estimated cost of this act for the fiscal year beginning July 1, 2000, expressed as a percent of payroll, is shown below. The cost is shown separately for the retiree COLA provisions and the formula accrual rate adjustments (including adjustments to current beneficiaries).

<u>System</u>	<u>Retiree COLA</u>	<u>Increase in Accrual Rate</u>	<u>Amort. Period for Unfunded Liability</u>
TSERS	0.89%	n/a	9 years
CJRS	0.93	n/a	9 years
LRE	1.79	n/a	5 years
LGERS	0.32	0.19%	n/a

These estimates are based on information contained in the most recent actuarial valuations prepared as of December 31, 1998.

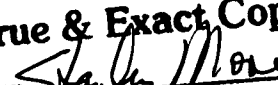
If you have any questions, let me know.

Sincerely,



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

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By  Date: 6-1-00
Legislative Fiscal Research

CHARLES W. DUNN

CONSULTING ACTUARY

Phone/Fax: (919) 787-8989

2008 Nancy Ann Drive
Raleigh, NC 27607

May 5, 2000

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

RE: COLA to provide a 1.0% increase to retirees of the Legislative Retirement System

Dear Mr. Moore:

This COLA would provide an increase of 1.0% in the retirement allowance for beneficiaries of the Legislative Retirement System who retired on or before January 1, 2000. A prorated amount of the 1.0% increase would be provided for the beneficiaries who retired after January 1, 2000, but before July 1, 2000. The increase would be effective July 1, 2000.

The estimated cost of this increase as a percent of payroll is 0.46%.

Sincerely,

Charles W. Dunn

Charles W. Dunn, FSA, MAAA

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By *John M. [Signature]* Date: 6-1-00
Legislative Fiscal Research

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 1673*

Short Title: Increase Retirement Benefits.

(Public)

Sponsors: Representatives Michaux; Thompson, Warner, Wainwright, Hunter, and Arnold.

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

May 24, 2000

1 A BILL TO BE ENTITLED

2 AN ACT TO ENHANCE THE BENEFITS PAYABLE FROM THE TEACHERS'
3 AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED
4 JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT
5 SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES'
6 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, 2000.~~ -- Upon retirement from service in accordance
11 with subsection (a) or (a1) above, on or after July 1, 1997, but before July 1, 2000, 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.

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 ($\frac{1}{3}$ 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 this 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

- 1 the month the member would have attained his 60th
2 birthday, plus one-quarter of one percent (1/4 of 1%)
3 thereof for each month by which his 60th birthday
4 precedes the first day of the month coincident with or
5 next following his 65th birthday; or
6 2. The service retirement allowance as computed under
7 G.S. 135-5(b17)(2)a. reduced by five percent (5%)
8 times the difference between 30 years and his
9 creditable service at retirement; or
10 3. If the member's creditable service commenced prior
11 to July 1, 1994, the service retirement allowance
12 equal to the actuarial equivalent of the allowance
13 payable at the age of 60 years as computed in G.S.
14 135-5(b17)(2)b.
15 d. Notwithstanding the foregoing provisions, any member
16 whose creditable service commenced prior to July 1, 1963,
17 shall not receive less than the benefit provided by G.S. 135-
18 5(b)."

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

20 "(b18) Service Retirement Allowance of Members Retiring on or After July 1,
21 2000. -- Upon retirement from service in accordance with subsection (a) or (a1)
22 above, on or after July 1, 2000, a member shall receive the following service
23 retirement allowance.

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

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

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 30 years of creditable service,
38 his retirement allowance shall be equal to the greater of:

- 39 1. The service retirement allowance payable under G.S.
40 135-5(b18)(1)a. reduced by one-third of one percent
41 (1/3 of 1%) thereof for each month by which his
42 retirement date precedes the first day of the month
43 coincident with or next following the month the
44 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 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

1 equal to the actuarial equivalent of the allowance
2 payable at the age of 60 years as computed in G.S.
3 135-5(b18)(2)b.

- 4 d. Notwithstanding the foregoing provisions, any member
5 whose creditable service commenced prior to July 1, 1963,
6 shall not receive less than the benefit provided by G.S. 135-
7 5(b)."

8 Section 3. G.S. 135-5 is amended by adding two new subsections to read:

9 "(ggg) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2000.
10 -- From and after July 1, 2000, the retirement allowance to or on account of
11 beneficiaries on the retirement rolls as of June 1, 2000, shall be increased by six-
12 tenths percent (0.6%) of the allowance payable on June 1, 2000. This allowance shall
13 be calculated on the allowance payable and in effect on June 30, 2000, so as not to be
14 compounded on any other increase granted by act of the 1999 General Assembly,
15 2000 Regular Session.

16 (hhh) From and after July 1, 2000, the retirement allowance to or on account of
17 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
18 increased by two and one-tenth percent (2.1%) of the allowance payable on June 1,
19 2000, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2000, the
20 retirement allowance to or on account of beneficiaries whose retirement commenced
21 after July 1, 1999, but before June 30, 2000, shall be increased by a prorated amount
22 of two and one-tenth percent (2.1%) of the allowance payable as determined by the
23 Board of Trustees based upon the number of months that a retirement allowance was
24 paid between July 1, 1999, and June 30, 2000."

25 Section 4. G.S. 135-5(m) reads as rewritten:

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

- 32 (1) a. The member had attained such age and/or creditable service
33 to be eligible to commence retirement with an early or
34 service retirement allowance, or
35 b. The member had obtained 20 years of creditable service in
36 which case the retirement allowance shall be computed in
37 accordance with ~~G.S. 135-5(b17)(1)b. or G.S.~~
38 ~~135-5(b17)(2)e.,~~ G.S. 135-5(b18)(1)b. or G.S. 135-5(b18)(2)c.,
39 notwithstanding the requirement of obtaining age 50.
40 (2) The member had designated as the principal beneficiary to receive
41 a return of his accumulated contributions one and only one person
42 who was living at the time of his death.
43 (3) The member had not instructed the Board of Trustees in writing
44 that he did not wish the provisions of this subsection to apply.

1 For the purpose of this benefit, a member is considered to be in service at the date
2 of his death if his death occurs within 180 days from the last day of his actual service.
3 The last day of actual service shall be determined as provided in subsection (1) of this
4 section. Upon the death of a member in service, the surviving spouse may make all
5 purchases for creditable service as provided for under this Chapter for which the
6 member had made application in writing prior to the date of death, provided that the
7 date of death occurred prior to or within 60 days after notification of the cost to
8 make the purchase. The term "in service" as used in this subsection includes a
9 member in receipt of a benefit under the Disability Income Plan as provided in
10 Article 6 of this Chapter."

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

12 "(u) From and after July 1, 2000, the retirement allowance to or on account of
13 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
14 increased by two and six-tenths percent (2.6%) of the allowance payable on June 1,
15 2000. Furthermore, from and after July 1, 2000, the retirement allowance to or on
16 account of beneficiaries whose retirement commenced after July 1, 1999, but before
17 June 30, 2000, shall be increased by a prorated amount of two and six-tenths percent
18 (2.6%) of the allowance payable as determined by the Board of Trustees based upon
19 the number of months that a retirement allowance was paid between July 1, 1999,
20 and June 30, 2000."

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

23 "(o) In accordance with subsection (a) of this section, from and after July 1, 2000,
24 the retirement allowance to or on account of beneficiaries whose retirement
25 commenced on or before January 1, 2000, shall be increased by two and seven-tenths
26 percent (2.7%) of the allowance payable on June 1, 2000. Furthermore, from and
27 after July 1, 2000, the retirement allowance to or on account of beneficiaries whose
28 retirement commenced after January 1, 2000, but before June 30, 2000, shall be
29 increased by a prorated amount of two and seven-tenths percent (2.7%) of the
30 allowance payable as determined by the Board of Trustees based upon the number of
31 months that a retirement allowance was paid between January 1, 2000, and June 30,
32 2000."

33 Section 7. G.S. 128-27(b17) reads as rewritten:

34 "(b17) Service Retirement Allowance of Member Retiring on or After July 1,
35 1998, but Before July 1, 2000. -- Upon retirement from service in accordance
36 with subsection (a) or (a1) above, on or after July 1, 1998, but before July 1, 2000, a
37 member shall receive the following service retirement allowance:

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

41 a. If the member's service retirement date occurs on or after
42 his 55th birthday and completion of five years of creditable
43 service as a law enforcement officer, or after the completion
44 of 30 years of creditable service, the allowance shall be

- 1 equal to one and seventy-seven hundredths percent (1.77%)
2 of his average final compensation, multiplied by the number
3 of years of his creditable service.
- 4 b. If the member's service retirement date occurs on or after
5 his 50th birthday and before his 55th birthday with 15 or
6 more years of creditable service as a law enforcement officer
7 and prior to the completion of 30 years of creditable service,
8 his retirement allowance shall be equal to the greater of:
- 9 1. The service retirement allowance payable under G.S.
10 128-27(b17)(1)a. reduced by one-third of one percent
11 (1/3 of 1%) thereof for each month by which his
12 retirement date precedes the first day of the month
13 coincident with or next following the month the
14 member would have attained his 55th birthday; or
- 15 2. The service retirement allowance as computed under
16 G.S. 128-27(b17)(1)a. reduced by five percent (5%)
17 times the difference between 30 years and his
18 creditable service at retirement.
- 19 (2) A member who is not a law enforcement officer or an eligible
20 former 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 65th birthday upon the completion of five years of
24 creditable service or after the completion of 30 years of
25 creditable service or on or after his 60th birthday upon the
26 completion of 25 years of creditable service, the allowance
27 shall be equal to one and seventy-seven hundredths percent
28 (1.77%) of average final compensation, multiplied by the
29 number of years of creditable service.
- 30 b. If the member's service retirement date occurs after his 60th
31 birthday and before his 65th birthday and prior to his
32 completion of 25 years or more of creditable service, his
33 retirement allowance shall be computed as in G.S. 128-
34 27(b17)(2)a. but shall be reduced by one-quarter of one
35 percent (1/4 of 1%) thereof for each month by which his
36 retirement date precedes the first day of the month
37 coincident with or next following his 65th birthday.
- 38 c. If the member's early service retirement date occurs on or
39 after his 50th birthday and before his 60th birthday and after
40 completion of 20 years of creditable service but prior to the
41 completion of 30 years of creditable service, his early service
42 retirement allowance shall be equal to the greater of:
- 43 1. The service retirement allowance as computed under
44 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 8. G.S. 128-27 is amended by adding a new subsection to read:

"(b18) Service Retirement Allowance of Member Retiring on or After July 1, 2000. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2000, 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-eight hundredths percent (1.78%) 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(b18)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his

- 1 retirement date precedes the first day of the month
2 coincident with or next following the month the
3 member would have attained his 55th birthday; or
4 2. The service retirement allowance as computed under
5 G.S. 128-27(b18)(1)a. reduced by five percent (5%)
6 times the difference between 30 years and his
7 creditable service at retirement.
8 (2) A member who is not a law enforcement officer or an eligible
9 former law enforcement officer shall receive a service retirement
10 allowance computed as follows:
11 a. If the member's service retirement date occurs on or after
12 his 65th birthday upon the completion of five years of
13 creditable service or after the completion of 30 years of
14 creditable service or on or after his 60th birthday upon the
15 completion of 25 years of creditable service, the allowance
16 shall be equal to one and seventy-eight hundredths percent
17 (1.78%) of average final compensation, multiplied by the
18 number of years of creditable service.
19 b. If the member's service retirement date occurs after his 60th
20 birthday and before his 65th birthday and prior to his
21 completion of 25 years or more of creditable service, his
22 retirement allowance shall be computed as in G.S. 128-
23 27(b18)(2)a. but shall be reduced by one-quarter of one
24 percent (1/4 of 1%) thereof for each month by which his
25 retirement date precedes the first day of the month
26 coincident with or next following his 65th birthday.
27 c. If the member's early service retirement date occurs on or
28 after his 50th birthday and before his 60th birthday and after
29 completion of 20 years of creditable service but prior to the
30 completion of 30 years of creditable service, his early service
31 retirement allowance shall be equal to the greater of:
32 1. The service retirement allowance as computed under
33 G.S. 128-27(b18)(2)a. but reduced by the sum of five-
34 twelfths of one percent (5/12 of 1%) thereof for each
35 month by which his retirement date precedes the first
36 day of the month coincident with or next following
37 the month the member would have attained his 60th
38 birthday, plus one-quarter of one percent (1/4 of 1%)
39 thereof for each month by which his 60th birthday
40 precedes the first day of the month coincident with or
41 next following his 65th birthday; or
42 2. The service retirement allowance as computed under
43 G.S. 128-27(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, 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(b18)(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 9. 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 member had retired on the first day of the month following the date of his death, provided that all three of 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. 128-27(b17)(1)b. or G.S. 128-27(b17)(2)c.~~ G.S. 128-27(b18)(1)b. or G.S. 128-27(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 is 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 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."

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

"(xx) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2000. -- From and after July 1, 2000, the retirement allowance to or on account of

1 beneficiaries on the retirement rolls as of June 1, 2000, shall be increased by six-
2 tenths of one percent (0.6%) of the allowance payable on June 1, 2000. This
3 allowance shall be calculated on the allowance payable and in effect on June 30,
4 2000, so as not to be compounded on any other increase payable under subsection (k)
5 of this section or otherwise granted by act of the 1999 General Assembly, 2000
6 Regular Session.

7 (yy) From and after July 1, 2000, the retirement allowance to or on account of
8 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
9 increased by three and eight-tenths percent (3.8%) of the allowance payable on June
10 1, 2000, in accordance with subsection (k) of this section. Furthermore, from and
11 after July 1, 2000, the retirement allowance to or on account of beneficiaries whose
12 retirement commenced after July 1, 1999, but before June 30, 2000, shall be increased
13 by a prorated amount of three and eight-tenths percent (3.8%) of the allowance
14 payable as determined by the Board of Trustees based upon the number of months
15 that a retirement allowance was paid between July 1, 1999, and June 30, 2000."

16 Section 11. This act becomes effective July 1, 2000.



HOUSE BILL 1673: Increase Retirement Benefits

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: June 6, 2000
Version: 1st Edition

Introduced by: Representative Michaux
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 1673 increases retirement benefits for 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*

BILL ANALYSIS:

SECTIONS 1, 2, 3, AND 4 : TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM (TSERS)

Section 1 amends G.S. 135-5(b17) to specify that the benefits outlined under (b17) apply to the service retirement allowance of TSERS members retiring after July 1, 1997 and before July 1, 2000.

Section 2 adds G.S. 135-5 (b18) which outlines the service retirement allowance of TSERS members retiring on or after July 1, 2000. This section increases the accrual rate for active members. Under this section the allowance shall be equal to 1.81% (previously 1.80%) of the average final compensation, multiplied by the years of creditable service.

Section 3 increases the retirement allowance of TSERS beneficiaries on the retirement rolls as of June 1, 2000 by 0.6%. Beneficiaries whose retirement commenced on or before July 1, 1999 shall receive a retirement allowance increase of 2.1%. The allowance of beneficiaries whose retirement commenced after July 1, 1999, but before June 30, 2000, shall be increased by a prorated amount of 2.1%.

Section 4 makes conforming changes to G.S. 135-5(m) regarding the Survivor's Alternate Benefit.

SECTION 5: CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

Section 5 increases the retirement allowance by 2.6% for beneficiaries of the Consolidated Judicial Retirement System whose retirement commenced on or before July 1, 1999. The allowance of beneficiaries whose retirement commenced after July 1, 1999, but before June 30, 2000, shall be increased by a prorated amount of 2.6%.

SECTION 6: LEGISLATIVE RETIREMENT SYSTEM

Section 6 increases the retirement allowance by 2.7% for beneficiaries of the Legislative Retirement System whose retirement commenced on or before January 1, 2000. The allowance of beneficiaries whose retirement commenced after January 1, 2000, but before June 30, 2000 shall be increased by a prorated amount of 2.7%.

HOUSE BILL 1673

Page 2

SECTIONS 7, 8, 9 AND 10: LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM (LGERS)

Section 7 amends G.S. 128-27(b17) to specify that the benefits outlined under (b17) apply to the service retirement allowance of LGERS members retiring after July 1, 1998 and before July 1, 2000.

Section 8 adds G.S. 128-27(b18) which outlines the service retirement allowance of LGERS members retiring on or after July 1, 2000. This section increases the accrual rate for active members. Under this section the allowance shall be equal to 1.78% (previously 1.77%) of the average final compensation, multiplied by the years of creditable service.

Section 9 makes conforming changes to G.S. 128-27(m) regarding the Survivor's Alternate Benefit.

Section 10 increases the retirement allowance of beneficiaries on the Local Governmental Employees' Retirement System rolls as of June 1, 2000 by 0.6%. Beneficiaries whose retirement commenced on or before July 1, 1999 shall receive a retirement allowance increase of 3.8%. The allowance of beneficiaries whose retirement commenced after July 1, 1999, but before June 30, 2000, shall be increased by a prorated amount of 3.8%.

SECTION 11: EFFECTIVE DATE

Section 11 states that this act becomes effective July 1, 2000.



North Carolina General Assembly
Legislative Services Office

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May 31, 2000

MEMORANDUM

TO: Representative Henry M Michaux, Jr.

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1673

Re: **Teachers' and State Employees' Retirement System**- Increases the accrual rate for active members from 1.80% to 1.81% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of two and one-tenths percent (2.1%) in the benefits of retirees. **Consolidated Judicial Retirement System** - Provides a post-retirement increase of two and six-tenths percent (2.6%) in the benefits of retirees. **Legislative Retirement System** - Provides a post-retirement increase of two and seven-tenths percent (2.7%) in the benefits of retirees. **Local Governmental Employees' Retirement System** - Increases the accrual rate for active members from 1.77% to 1.78% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of three and eight-tenths percent (3.8%) 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, May 31, 2000
- (3) Actuarial Note, Hartman & Associates, May 26, 2000

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1673

SHORT TITLE: Increase Retirement Benefits

SPONSOR(S): Representative Michaux

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 1.80% to 1.81% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of two and one-tenths percent (2.1%) in the benefits of retirees. **Consolidated Judicial Retirement System** Provides a post-retirement increase of two and six-tenths percent (2.6%) in the benefits of retirees. **Legislative Retirement System** Provides a post-retirement increase of two and seven-tenths percent (2.7%) in the benefits of retirees. **Local Governmental Employees' Retirement System** Increases the accrual rate for active members from 1.77% to 1.78% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of three and eight-tenths percent (3.8%) in the benefits of retirees.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT ON STATE:

Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the formula increase with adjusting increase to retirees and the 2.1% COLA to be 0.95% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$ 64.5m	\$ 68.4m	\$ 72.5m	\$ 76.8m	\$ 81.5m
Highway Fund	\$ 5.0m	\$ 5.3m	\$ 5.6m	\$ 6.0m	\$ 6.3m
Receipt Funds	<u>\$ 17.4m</u>	<u>\$ 18.4m</u>	<u>\$ 19.5m</u>	<u>\$ 20.7m</u>	<u>\$ 22.0m</u>
Total	\$ 86.9m	\$ 92.1m	\$ 97.6m	\$103.5m	\$109.8m

General Assembly Actuary: Hartman & Associates estimates the cost of the formula increase with adjusting increase to retirees and the 2.1% COLA to be 0.91% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$ 61.8m	\$ 65.5m	\$ 69.4m	\$ 73.6m	\$ 78.0m
Highway Fund	\$ 4.8m	\$ 5.1m	\$ 5.4m	\$ 5.7m	\$ 6.1m
Receipt Funds	<u>\$ 16.6m</u>	<u>\$ 17.7m</u>	<u>\$ 18.7m</u>	<u>\$ 19.8m</u>	<u>\$ 21.0m</u>
Total	\$ 83.2m	\$ 88.3m	\$ 93.5m	\$ 99.1m	\$105.1m

There are actuarial gains within the System to do this increase without additional appropriations.

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.6% COLA to be .97% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$455,900	\$486,081	\$518,259	\$552,568	\$589,148

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.6% COLA to be .93% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$477,100	\$466,036	\$496,888	\$529,782	\$564,853

There are actuarial gains within the System to do this increase without additional appropriations.

Legislative Retirement System

Retirement System Actuary: Charles Dunn estimates the cost of the 2.7% COLA to be 1.24% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$44,640	\$44,640	\$44,640	\$44,640	\$44,640

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.7% COLA to be 1.32% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$47,520	\$47,520	\$47,520	\$47,520	\$47,520

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the formula increase and the 3.8% COLA to be .55% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
Local Funds	\$18.1m	\$19.3m	\$20.5m	\$21.8m	\$23.2m

General Assembly Actuary: Hartman & Associates estimates the cost of the formula increase and the 3.8% COLA to be .51% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
Local Funds	\$16.8m	\$17.9m	\$19.0m	\$20.2m	\$21.6m

There are actuarial gains within the System to do this increase without additional appropriations.

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, 1998 actuarial valuation of the fund. The data included 278,558 active members with an annual payroll of \$7.995 billion and 97,820 retired members in receipt of annual pensions totaling \$1.375 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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, 1998 actuarial valuation of the fund. The data included 478 active members with an annual payroll of \$40.9 million and 343 retired members

in receipt of annual pensions totaling \$12.1 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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.

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, 1998 actuarial valuation of the fund. The data included 167 active members with an annual payroll of \$3.6 million and 181 retired members in receipt of annual pensions totaling \$965,102. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 prorate. 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

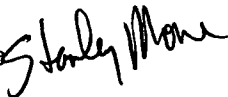
The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1998 actuarial valuation of the fund. The data included 108,904 active members with an annual payroll of \$2.930 billion and 26,975 retired members in receipt of annual pensions totaling \$291.4 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 Charles 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 bases on the salary base as of July 1, 2000 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: James D. Johnson

DATE: May 31, 2000

BUCK CONSULTANTS

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

May 31, 2000

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

House Bill 1673

Dear Mr. Pruitt:

We have received your letter of May 24 regarding House Bill 1673 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 of the Teachers' and State Employees' Retirement System equal to 2.1% for those who commenced retirement on and before July 1, 1999, and a prorated portion of the 2.1% post-retirement increase for those who commenced retirement after July 1, 1999 and before June 30, 2000, with all increases payable effective July 1, 2000.

This legislation also appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Consolidated Judicial Retirement System, equal to 2.6% for those who commenced retirement on and before July 1, 1999 and a prorated portion of the 2.6% post-retirement increase for those who commenced retirement after July 1, 1999 and before June 30, 2000, with all increases payable effective July 1, 2000.

This legislation also appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Local Governmental Employees' Retirement System, equal to 3.8% for those who commenced retirement on and before July 1, 1999 and a prorated portion of the 3.8% post-retirement increase for those who commenced retirement after July 1, 1999 and before June 30, 2000, with all increases payable effective July 1, 2000.

This legislation also appears to grant an increase in the defined benefit formula accrual rate, in the Teachers' and State Employees' Retirement System, from 1.80% to 1.81%, effective as of July 1, 2000 with a corresponding adjustment in the monthly allowances of existing retirees equal to 0.6% of the retirement allowances in effect on June 1, 2000, payable effective July 1, 2000.

This legislation also appears to grant an increase in the defined benefit formula accrual rate, in the Local Governmental Employees' Retirement System, from 1.77% to 1.78%, effective as of July 1, 2000 with a corresponding adjustment in the monthly allowances of existing retirees equal to 0.6% of the retirement allowances in effect on June 1, 2000, payable effective July 1, 2000.

Mr. Jack Pruitt
May 31, 2000
Page 2

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,

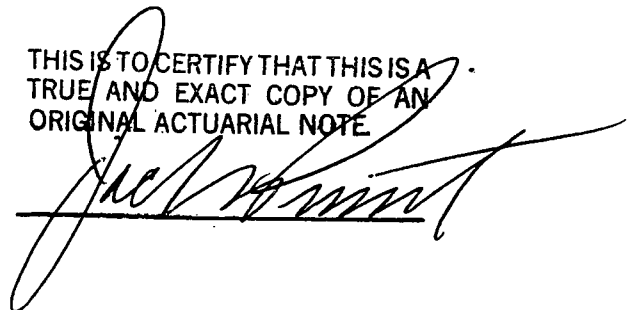


Edward A. Macdonald
Principal and Consulting Actuary

EAM:ws

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



BUCK
CONSULTANTS

HOUSE BILL 1673

SYSTEM	<u>GAINS</u>			<u>HOUSE BILL 1673</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	0.95%	\$64,505,000	\$5,026,000	0.95%	\$64,505,000	\$5,026,000	0.00%	\$ 0	\$ 0
Consolidated Judicial Retirement System	0.99%	\$ 465,000	N/A	0.97%	\$ 456,000	N/A	0.02%	\$ 9,000	N/A
Local Governmental Employees' Retirement System	0.55%	\$18,095,000*	N/A	0.55%	\$18,095,000*	NA	0.00%	\$ 0*	N/A

* Equivalent local funding

May 31, 2000

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

May 30, 2000

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

Re: House Bill 1673: An Act to Enhance Benefits Payable from
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 1.80% to 1.81% for members retiring on or after July 1, 2000
 - increase the retirement allowance by 0.6% for all beneficiaries on the retirement rolls as of June 1, 2000
 - increase the retirement allowance an additional 2.1% for all beneficiaries who retired on or before July 1, 1999, with a prorated increase for retirements between July 1, 1999 and June 30, 2000.
2. In the CJRS, the bill would increase the retirement allowances 2.6% for all beneficiaries who retired on or before July 1, 1999, with a prorated increase for retirements between July 1, 1999 and June 30, 2000.
3. In the LRS, the bill would provide a 2.7% increase in the

Mr. Stanley Moore
May 30, 2000

Page 2

retirement allowances payable to beneficiaries whose retirement began on or before January 1, 2000, with a prorated increase for retirements after January 1, 2000 and before June 30, 2000.

4. In the LGERS, the bill would

- increase the annual accrual rate from 1.77% to 1.78% for members retiring on or after July 1, 2000
- increase the retirement allowance by 0.6% for all beneficiaries on the retirement rolls as of June 1, 2000
- increase the retirement allowance an additional 3.8% for all beneficiaries who retired on or before July 1, 1999, with a prorated increase for retirements between July 1, 1999 and June 30, 2000.

All provisions of this act are effective July 1, 2000. The estimated cost of this act for the fiscal year beginning July 1, 2000, expressed as a percent of payroll, is shown below. The cost is shown separately for the retiree COLA provisions and the formula accrual rate adjustments (including adjustments to current beneficiaries).

<u>System</u>	<u>Retiree COLA</u>	<u>Increase in Accrual Rate</u>	<u>Amort. Period for Unfunded Liability</u>
TSERS	0.52%	0.39%	9 years
CJRS	0.93	n/a	9 years
LRS	1.34	n/a	5 years
LGERS	0.32	0.19	n/a

These estimates are based on information contained in the most recent actuarial valuations prepared as of December 31, 1998.

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 *6-1-00*
Legislative Fiscal Research

CHARLES W. DUNN

CONSULTING ACTUARY

Phone/Fax: (919) 787-8989

2008 Nancy Ann Drive
Raleigh, NC 27607

May 5, 2000

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

RE: COLA to provide a 1.0% increase to retirees of the Legislative Retirement System

Dear Mr. Moore:

This COLA would provide an increase of 1.0% in the retirement allowance for beneficiaries of the Legislative Retirement System who retired on or before January 1, 2000. A prorated amount of the 1.0% increase would be provided for the beneficiaries who retired after January 1, 2000, but before July 1, 2000. The increase would be effective July 1, 2000.

The estimated cost of this increase as a percent of payroll is 0.46%.

Sincerely,

Charles W. Dunn

Charles W. Dunn, FSA, MAAA

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: *Stanley Moore* Date: *6-1-00*
Legislative Fiscal Research



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

May 31, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

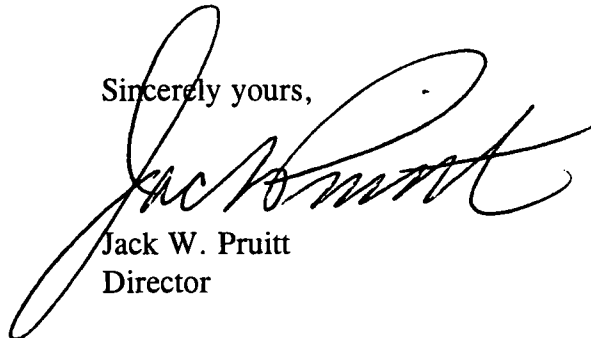
Re: Actuarial Note/House Bill 1673

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1673 which affects the Teachers' and State Employees' Retirement System, the Local Governmental 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,



Jack W. Pruitt
Director

JWP/dsp

Enclosure



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
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300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6660

James D. Johnson, Director
Fiscal Research Division
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300 N. Salisbury St.
Raleigh, NC 27603-5925
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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

MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: May 23, 2000

SUBJECT: Actuarial Note Request House Bill 1673

Re: Teachers' and State Employees' Retirement System- Increases the accrual rate for active members from 1.80% to 1.81% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of two and one-tenths percent (2.1%) in the benefits of retirees. **Consolidated Judicial Retirement System** - Provides a post-retirement increase of two and six-tenths percent (2.6%) in the benefits of retirees. **Legislative Retirement System** - Provides a post-retirement increase of two and seven-tenths percent (2.7%) in the benefits of retirees. **Local Governmental Employees' Retirement System** - Increases the accrual rate for active members from 1.77% to 1.78% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of three and eight-tenths percent (3.8%) 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, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Michaux

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

1078 2365

H

HOUSE BILL 1078

HOUSE DRHA175*-LL181(4.28)

Short Title: Increase Retirement Benefits.

(Public)

Sponsors: Representative Michaux.

Referred to:

- 1 A BILL TO BE ENTITLED
2 AN ACT TO ENHANCE THE BENEFITS PAYABLE FROM THE TEACHERS'
3 AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED
4 JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT
5 SYSTEM, AND THE LOCAL GOVERNMENTAL EMPLOYEES'
6 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, 2000.~~ -- Upon retirement from service in accordance
11 with subsection (a) or (a1) above, on or after July 1, 1997, but before July 1, 2000, 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
25 more years of creditable service as a law enforcement officer

- 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. 135-5(b17)(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, 1994, 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.
11 135-5(b17)(2)b.
12 d. Notwithstanding the foregoing provisions, any member
13 whose creditable service commenced prior to July 1, 1963,
14 shall not receive less than the benefit provided by G.S. 135-
15 5(b)."

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

17 "(b18) Service Retirement Allowance of Members Retiring on or After July 1,
18 2000. -- Upon retirement from service in accordance with subsection (a) or (a1)
19 above, on or after July 1, 2000, 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 30 years of creditable service, the allowance shall be
28 equal to one and eighty-one hundredths percent (1.81%) of
29 his average final compensation, multiplied by the number of
30 years of his creditable service.

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

36 1. The service retirement allowance payable under G.S.
37 135-5(b18)(1)a. reduced by one-third of one percent
38 (1/3 of 1%) thereof for each month by which his
39 retirement date precedes the first day of the month
40 coincident with or next following the month the
41 member would have attained his 55th birthday; or

42 2. The service retirement allowance as computed under
43 G.S. 135-5(b18)(1)a. reduced by five percent (5%)

payable at the age of 60 years as computed in G.S.
135-5(b18)(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 3. G.S. 135-5 is amended by adding two new subsections to read:

"(ggg) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2000.

-- From and after July 1, 2000, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 2000, shall be increased by six-tenths percent (0.6%) of the allowance payable on June 1, 2000. This allowance shall be calculated on the allowance payable and in effect on June 30, 2000, so as not to be compounded on any other increase granted by act of the 1999 General Assembly, 2000 Regular Session.

(hhh) From and after July 1, 2000, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 1999, shall be increased by two and one-tenth percent (2.1%) of the allowance payable on June 1, 2000, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2000, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 1999, but before June 30, 2000, shall be increased by a prorated amount of two and one-tenth percent (2.1%) 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, 1999, and June 30, 2000."

Section 4. G.S. 135-5(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. or G.S. 135-5(b17)(2)c.,~~ G.S. 135-5(b18)(1)b. or 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.

- 1 equal to one and seventy-seven hundredths percent (1.77%)
2 of his average final compensation, multiplied by the number
3 of years of his creditable service.
- 4 b. If the member's service retirement date occurs on or after
5 his 50th birthday and before his 55th birthday with 15 or
6 more years of creditable service as a law enforcement officer
7 and prior to the completion of 30 years of creditable service,
8 his retirement allowance shall be equal to the greater of:
- 9 1. The service retirement allowance payable under G.S.
10 128-27(b17)(1)a. reduced by one-third of one percent
11 (1/3 of 1%) thereof for each month by which his
12 retirement date precedes the first day of the month
13 coincident with or next following the month the
14 member would have attained his 55th birthday; or
- 15 2. The service retirement allowance as computed under
16 G.S. 128-27(b17)(1)a. reduced by five percent (5%)
17 times the difference between 30 years and his
18 creditable service at retirement.
- 19 (2) A member who is not a law enforcement officer or an eligible
20 former 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 65th birthday upon the completion of five years of
24 creditable service or after the completion of 30 years of
25 creditable service or on or after his 60th birthday upon the
26 completion of 25 years of creditable service, the allowance
27 shall be equal to one and seventy-seven hundredths percent
28 (1.77%) of average final compensation, multiplied by the
29 number of years of creditable service.
- 30 b. If the member's service retirement date occurs after his 60th
31 birthday and before his 65th birthday and prior to his
32 completion of 25 years or more of creditable service, his
33 retirement allowance shall be computed as in G.S. 128-
34 27(b17)(2)a. but shall be reduced by one-quarter of one
35 percent (1/4 of 1%) thereof for each month by which his
36 retirement date precedes the first day of the month
37 coincident with or next following his 65th birthday.
- 38 c. If the member's early service retirement date occurs on or
39 after his 50th birthday and before his 60th birthday and after
40 completion of 20 years of creditable service but prior to the
41 completion of 30 years of creditable service, his early service
42 retirement allowance shall be equal to the greater of:
- 43 1. The service retirement allowance as computed under
44 G.S. 128-27(b17)(2)a. but reduced by the sum of five-

- 1 retirement date precedes the first day of the month
2 coincident with or next following the month the
3 member would have attained his 55th birthday; or
4 2. The service retirement allowance as computed under
5 G.S. 128-27(b18)(1)a. reduced by five percent (5%)
6 times the difference between 30 years and his
7 creditable service at retirement.
8 (2) A member who is not a law enforcement officer or an eligible
9 former law enforcement officer shall receive a service retirement
10 allowance computed as follows:
11 a. If the member's service retirement date occurs on or after
12 his 65th birthday upon the completion of five years of
13 creditable service or after the completion of 30 years of
14 creditable service or on or after his 60th birthday upon the
15 completion of 25 years of creditable service, the allowance
16 shall be equal to one and seventy-eight hundredths percent
17 (1.78%) of average final compensation, multiplied by the
18 number of years of creditable service.
19 b. If the member's service retirement date occurs after his 60th
20 birthday and before his 65th birthday and prior to his
21 completion of 25 years or more of creditable service, his
22 retirement allowance shall be computed as in G.S. 128-
23 27(b18)(2)a. but shall be reduced by one-quarter of one
24 percent (1/4 of 1%) thereof for each month by which his
25 retirement date precedes the first day of the month
26 coincident with or next following his 65th birthday.
27 c. If the member's early service retirement date occurs on or
28 after his 50th birthday and before his 60th birthday and after
29 completion of 20 years of creditable service but prior to the
30 completion of 30 years of creditable service, his early service
31 retirement allowance shall be equal to the greater of:
32 1. The service retirement allowance as computed under
33 G.S. 128-27(b18)(2)a. but reduced by the sum of five-
34 twelfths of one percent (5/12 of 1%) thereof for each
35 month by which his retirement date precedes the first
36 day of the month coincident with or next following
37 the month the member would have attained his 60th
38 birthday, plus one-quarter of one percent (1/4 of 1%)
39 thereof for each month by which his 60th birthday
40 precedes the first day of the month coincident with or
41 next following his 65th birthday; or
42 2. The service retirement allowance as computed under
43 G.S. 128-27(b18)(2)a. reduced by five percent (5%)

1 times the difference between 30 years and his
2 creditable service at retirement; or
3 3. If the member's creditable service commenced prior
4 to July 1, 1995, the service retirement allowance
5 equal to the actuarial equivalent of the allowance
6 payable at the age of 60 years as computed in G.S.
7 128-27(b18)(2)b.

8 d. Notwithstanding the foregoing provisions, any member
9 whose creditable service commenced prior to July 1, 1965,
10 shall not receive less than the benefit provided by G.S. 128-
11 27(b)."

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

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

- 19 (1) a. The member had attained such age and/or creditable
20 service to be eligible to commence retirement with an early
21 or service retirement allowance, or
22 b. The member had obtained 20 years of creditable service in
23 which case the retirement allowance shall be computed in
24 accordance with ~~G.S. 128-27(b17)(1)b. or G.S.~~
25 ~~128-27(b17)(2)c.,~~ G.S. 128-27(b18)(1)b. or G.S. 128-
26 27(b18)(2)c., notwithstanding the requirement of obtaining
27 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 10. G.S. 128-27 is amended by adding two new subsections to
42 read:

43 "(xx) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2000.
44 -- From and after July 1, 2000, the retirement allowance to or on account of

- 1 retirement date precedes the first day of the month
2 coincident with or next following the month the
3 member would have attained his 55th birthday; or
4 2. The service retirement allowance as computed under
5 G.S. 128-27(b18)(1)a. reduced by five percent (5%)
6 times the difference between 30 years and his
7 creditable service at retirement.
- 8 (2) A member who is not a law enforcement officer or an eligible
9 former law enforcement officer shall receive a service retirement
10 allowance computed as follows:
- 11 a. If the member's service retirement date occurs on or after
12 his 65th birthday upon the completion of five years of
13 creditable service or after the completion of 30 years of
14 creditable service or on or after his 60th birthday upon the
15 completion of 25 years of creditable service, the allowance
16 shall be equal to one and seventy-eight hundredths percent
17 (1.78%) of average final compensation, multiplied by the
18 number of years of creditable service.
- 19 b. If the member's service retirement date occurs after his 60th
20 birthday and before his 65th birthday and prior to his
21 completion of 25 years or more of creditable service, his
22 retirement allowance shall be computed as in G.S. 128-
23 27(b18)(2)a. but shall be reduced by one-quarter of one
24 percent (1/4 of 1%) thereof for each month by which his
25 retirement date precedes the first day of the month
26 coincident with or next following his 65th birthday.
- 27 c. If the member's early service retirement date occurs on or
28 after his 50th birthday and before his 60th birthday and after
29 completion of 20 years of creditable service but prior to the
30 completion of 30 years of creditable service, his early service
31 retirement allowance shall be equal to the greater of:
- 32 1. The service retirement allowance as computed under
33 G.S. 128-27(b18)(2)a. but reduced by the sum of five-
34 twelfths of one percent (5/12 of 1%) thereof for each
35 month by which his retirement date precedes the first
36 day of the month coincident with or next following
37 the month the member would have attained his 60th
38 birthday, plus one-quarter of one percent (1/4 of 1%)
39 thereof for each month by which his 60th birthday
40 precedes the first day of the month coincident with or
41 next following his 65th birthday; or
42 2. The service retirement allowance as computed under
43 G.S. 128-27(b18)(2)a. reduced by five percent (5%)

1 beneficiaries on the retirement rolls as of June 1, 2000, shall be increased by six-
2 tenths of one percent (0.6%) of the allowance payable on June 1, 2000. This
3 allowance shall be calculated on the allowance payable and in effect on June 30,
4 2000, so as not to be compounded on any other increase payable under subsection (k)
5 of this section or otherwise granted by act of the 1999 General Assembly, 2000
6 Regular Session.

7 (yy) From and after July 1, 2000, the retirement allowance to or on account of
8 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
9 increased by three and eight-tenths percent (3.8%) of the allowance payable on June
10 1, 2000, in accordance with subsection (k) of this section. Furthermore, from and
11 after July 1, 2000, the retirement allowance to or on account of beneficiaries whose
12 retirement commenced after July 1, 1999, but before June 30, 2000, shall be increased
13 by a prorated amount of three and eight-tenths percent (3.8%) of the allowance
14 payable as determined by the Board of Trustees based upon the number of months
15 that a retirement allowance was paid between July 1, 1999, and June 30, 2000."

16 Section 11. This act becomes effective July 1, 2000.

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1673

SHORT TITLE: Increase Retirement Benefits

SPONSOR(S): Representative Michaux

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 1.80% to 1.81% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of two and one-tenths percent (2.1%) in the benefits of retirees. **Consolidated Judicial Retirement System** Provides a post-retirement increase of two and six-tenths percent (2.6%) in the benefits of retirees. **Legislative Retirement System** Provides a post-retirement increase of two and seven-tenths percent (2.7%) in the benefits of retirees. **Local Governmental Employees' Retirement System Increases** the accrual rate for active members from 1.77% to 1.78% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of three and eight-tenths percent (3.8%) in the benefits of retirees.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT ON STATE:

Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the formula increase with adjusting increase to retirees and the 2.1% COLA to be 0.95% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$ 64.5m	\$ 68.4m	\$ 72.5m	\$ 76.8m	\$ 81.5m
Highway Fund	\$ 5.0m	\$ 5.3m	\$ 5.6m	\$ 6.0m	\$ 6.3m
Receipt Funds	<u>\$ 17.4m</u>	<u>\$ 18.4m</u>	<u>\$ 19.5m</u>	<u>\$ 20.7m</u>	<u>\$ 22.0m</u>
Total	\$ 86.9m	\$ 92.1m	\$ 97.6m	\$ 103.5m	
	\$109.8m				

General Assembly Actuary: Hartman & Associates estimates the cost of the formula increase with adjusting increase to retirees and the 2.1% COLA to be 0.91% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$ 61.8m	\$ 65.5m	\$ 69.4m	\$ 73.6m	\$ 78.0m
Highway Fund	\$ 4.8m	\$ 5.1m	\$ 5.4m	\$ 5.7m	\$ 6.1m
Receipt Funds	<u>\$ 16.6m</u>	<u>\$ 17.7m</u>	<u>\$ 18.7m</u>	<u>\$ 19.8m</u>	<u>\$ 21.0m</u>
Total	\$ 83.2m	\$ 88.3m	\$ 93.5m	\$ 99.1m	
	\$105.1m				

There are actuarial gains within the System to do this increase without additional appropriations.

Consolidated Judicial Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the 2.6% COLA to be .97% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$455,900	\$486,081	\$518,259	\$552,568	
	\$589,148				

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.6% COLA to be .93% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$477,100	\$466,036	\$496,888	\$529,782	\$564,853

There are actuarial gains within the System to do this increase without additional appropriations.

Legislative Retirement System

Retirement System Actuary: Charles Dunn estimates the cost of the 2.7% COLA to be 1.24% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$44,640	\$44,640	\$44,640	\$44,640	
	\$44,640				

General Assembly Actuary: Hartman & Associates estimates the cost of the 2.7% COLA to be 1.32% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund	\$47,520	\$47,520	\$47,520	\$47,520	
	\$47,520				

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost of the formula increase and the 3.8% COLA to be .55% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
Local Funds	\$18.1m	\$19.3m	\$20.5m	\$21.8m	\$23.2m

General Assembly Actuary: Hartman & Associates estimates the cost of the formula increase and the 3.8% COLA to be .51% of payroll.

	2000-01	2001-02	2002-03	2003-04	2004-05
Local Funds	\$16.8m	\$17.9m	\$19.0m	\$20.2m	\$21.6m

There are actuarial gains within the System to do this increase without additional appropriations.

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, 1998 actuarial valuation of the fund. The data included 278,558 active members with an annual payroll of \$7.995 billion and 97,820 retired members in receipt of annual pensions totaling \$1.375 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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, 1998 actuarial valuation of the fund. The data included 478 active members with an annual payroll of \$40.9 million and 343 retired members in receipt of annual pensions totaling \$12.1 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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.

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, 1998 actuarial valuation of the fund. The data included 167 active members with an annual payroll of \$3.6 million and 181 retired members in receipt of annual pensions totaling \$965,102. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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, 1998 actuarial valuation of the fund. The data included 108,904 active members with an annual payroll of \$2.930 billion and 26,975 retired members in receipt of annual pensions totaling \$291.4 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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.

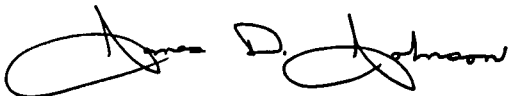
SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates
Legislative System Actuary Charles Dunn

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, 2000 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: James D. Johnson



DATE: June 1, 2000



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

May 31, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

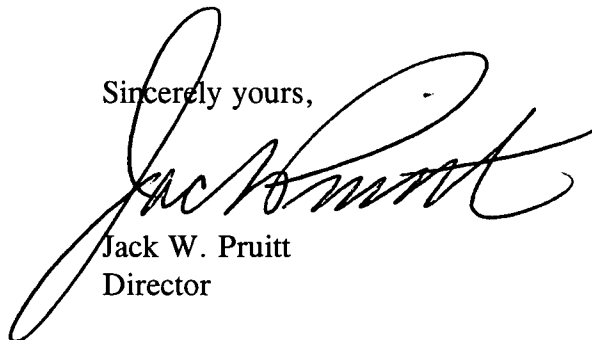
Re: Actuarial Note/House Bill 1673

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1673 which affects the Teachers' and State Employees' Retirement System, the Local Governmental 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,



Jack W. Pruitt
Director

JWP/dsp

Enclosure



North Carolina General Assembly
Legislative Services Office

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(919) 733-2578

MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *SM*
Fiscal Research Division

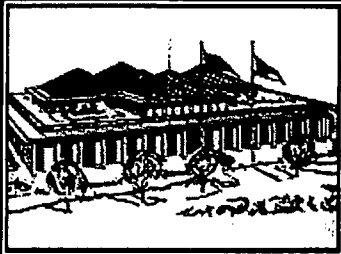
DATE: May 23, 2000

SUBJECT: Actuarial Note Request House Bill 1673

Re: **Teachers' and State Employees' Retirement System**- Increases the accrual rate for active members from 1.80% to 1.81% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of two and one-tenths percent (2.1%) in the benefits of retirees. **Consolidated Judicial Retirement System** - Provides a post-retirement increase of two and six-tenths percent (2.6%) in the benefits of retirees. **Legislative Retirement System** - Provides a post-retirement increase of two and seven-tenths percent (2.7%) in the benefits of retirees. **Local Governmental Employees' Retirement System** - Increases the accrual rate for active members from 1.77% to 1.78% for each year of service, grants an adjusting increase of 0.6% to retirees as a result of the accrual rate change and provides a post-retirement increase of three and eight-tenths percent (3.8%) 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, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Michaux



LEGISLATIVE *update*



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Vol. 17 No. 5

June 8, 2000

Pay Proposal Advances

A creative proposal to grant state employees a 5 percent salary increase – the largest in several years – and for the first time ever establish State-paid 401k supplemental retirement accounts as a significant new benefit, took a major step this week in the General Assembly. The total package, if given full legislative approval, would represent a 6 percent compensation increase for state employees, in effect, fully funding the Comprehensive Compensation System for the first time and also granting state employees a secondary source of retirement income.

The House Pensions and Retirement Committee, chaired by Rep. Mickey Michaux, D-Durham, heard a stirring presentation by Rep. David Redwine, D-Brunswick, House Appropriations co-chairman. Reps. Redwine and Ruth Easterling, D-Mecklenburg, championed this proposal, which was voted without dissent to forward the plan to the House Appropriations Committee.

Rep. Redwine explained to the committee that current accounting methods do not represent the true value of the Teachers' and State Employees' Retirement System, currently estimated at some \$40 billion at market value but with a book value of \$30 billion. Rep. Redwine said that in its calculations, the State recognizes only 72.9 percent of the retirement system's market value, while "most businesses and other states as I understand it recognize about 80 percent of their assets."

Cutting through the technicalities, Redwine said if the State were to reduce its annual allocation of \$540 million to an already healthy retirement system by \$207 million, state employees could realize an additional 2 percent salary increase above and beyond the 3 percent recommended by Governor Hunt. Also, he said, state employees and teachers would benefit with a 401k account funded each year by the State at 1 percent of salary. State employees, if they chose, could supplement the annual 1 percent with contributions of their own.

Redwine commented, "The plan as proposed would reallocate \$207 million of the \$540 million. That still leaves \$335 million that we're going to write a check to the pension fund for the treasurer to invest for the benefit of retirees. What we're doing is going to a system that is undervalued, and we're taking it and diverting it to the benefit of the people...in the retirement system anyway. We are benefiting them now."

He further assured all parties that 1) the reduction in contribution had the endorsement of State Treasurer Harlan Boyles; 2) that the proposal would not jeopardize current or future cost-of-living increases for retirees, and 3) that it included an increase in the retirement accrual rate from 1.80 percent to 1.81 percent, benefiting current and future retirees. Retirees would receive a 4.6 percent cost-of-living adjustment this year under the proposal.

"We could, we should, be doing better for state employees," Redwine said. "This proposal will give them another 2 percent, plus the 401k contribution." Redwine referred to a letter from State Treasurer Harlan Boyles which stated, in part, "...after conferring extensively with our independent consulting actuary, we have concluded that the concept is both palatable and actuarially acceptable." In his correspondence dated June 5 to Rep. Redwine, Boyles further stated, "We see this strategy in the interest of and for the benefit of everyone involved."

Rep. Phil Baddour, D-Wayne, a strong and vocal supporter of the proposed legislation, told the committee, "I would like to speak in favor of this proposal. I think it's been recognized by all members of the General Assembly that we have not followed through on our Comprehensive Pay Plan. It was incumbent upon us, even in a year when times were tight, to try to find a way to do the right thing for state employees. I think that you (Rep. Redwine) have found a way to do something that works."

Rep. Baddour also said that "a lot of people have taken a look at this -- the think tanks, the editorial writers, the people who watch State Government -- and it seems to me that it has uniformly received praise. In addition to the 3 percent funding for the cost-of-living and the 2 percent to move up through the salary range, you're starting something major with this 401k plan."

Members voting in favor of the proposal included Rep. Bobby Barbee, R-Stanly; Rep. Cherie Berry, R-Catawba; Rep. Lyons Gray, R-Forsyth; Rep. Jim Horn, D-Cleveland; Rep. Gene McCombs, R-Rowan; Rep. Jaybird McCrary, D-Davidson; Rep. Pete Oldham, D-Forsyth; Rep. Gene Rogers, D-Martin; Rep. Russell Tucker, D-Duplin; Rep. Edith Warren, D-Pitt; Rep. Gene Wilson, R-Watauga, and Rep. Doug Yongue, D-Scotland.

Rep. Baddour also was responsible for the attendance at the Pensions and Retirement Committee of several key legislators who are ex-officio members of all House committees. They are Rep. Pete Cunningham, D-Mecklenburg; Rep. Andy Dedmon, D-Cleveland; Rep. Beverly Earle, D-Mecklenburg, and Rep. Joe Hackney, D-Orange. All voted with Baddour for the measure.

The proposal, as further explained, reduces the State's contribution toward employee retirement far less than initially thought. The current employer rate toward retirement is 8.15 percent, with an additional 2 percent for health care and .52 percent for disability, for a total health care and retirement contribution of 10.83 percent. The new plan would have the employer contribution formula as follows: 5.61 percent, retirement; 1 percent, 401k plans; 2 percent, retiree health care, and .52 percent, disability, for a total contribution of 9.13 percent.

This represents a total reduction in the employer contribution of only 1.7 percent, yet funds a 5 percent raise and adds the new 401k benefit.

SEANC Executive Director Dana Cope praised Reps. Redwine, Easterling and Baddour for initiating the proposal, and Rep. Baddour and members of the Pensions and Retirement Committee for their support. "They've played a very special role in the future of state employees," he said. Cope added, "Another beauty of this proposed legislation is that it dedicates 100 percent of the funds to employee benefits and not for other State programs."

Cope said SEANC would vigorously pursue the issue in the House and, if successful there, turn to the Senate "which has repeatedly stated that the proposal is too rich for state employees and retirees." Cope added, "Every SEANC member should flood the members of the Senate with telephone calls and e-mails in support of the house proposal."

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LEGISLATIVE update

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HARLAN E. BOYLES
STATE TREASURER

State of North Carolina
Department of the Treasurer

325 NORTH SALISBURY STREET
RALEIGH, NORTH CAROLINA 27603-1385

June 5, 2000

The Honorable David Redwine
NC House of Representatives
Room 635, Legislative Office Building
Raleigh, NC

Dear Representative Redwine:

This correspondence concerns your visit with me last week about the important subject of the Teachers' and State Employees' Retirement System and the possible redesignation of a portion of the System's employer contributions which would then be applied to increased salaries and retirement benefits for the participating members of the System. The heartening news is that the monies to be reallocated or redesignated would remain with those active employees and retirees who look to the Retirement System as a reliable program for deferred compensation.

Your request of us was along the lines of whether the actuarial soundness of the System would be adversely impacted. As the enclosed Memorandum from my colleague, Jack Pruitt, clearly indicates, after conferring extensively with our independent consulting actuary, we have concluded that the concept is both palatable and actuarially acceptable.

A compelling argument for your proposal is that the participating members of the System contribute some 42 cents of each dollar contributed to the System each month, thus it is important that any changes in the allocation of the employer's contributions remain under the umbrella of the benefit package for the participating members. We see this strategy in the interest of and for the benefit of everyone involved.

We promise our assistance in communicating the justification for this proposal to our employees and retirees should you seek to pursue the legislation needed for its implementation.

Sincerely,

Harlan E. Boyles
State Treasurer

Enclosure
cc: Jack Pruitt

a:redwine \05-2000



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

June 5, 2000

MEMORANDUM

To: Treasurer Boyles
From: Jack Pruitt *JP*
Subject: Legislative Discussion Regarding Re-allocation of Portion of Employer Contributions to Teachers' and State Employees' Retirement System for Budget Year 2000-2001

This follows the informal discussions and inquiries that have come to you and me regarding the referenced subject matter. Initially, without having the benefit of a full understanding of the use of the appropriated funds, the thought of reducing the employer contributions to the Teachers' and State Employees' Retirement System was of great concern to us. Unfortunately, you know that there has been a common misconception that the independent consulting actuary for the Retirement System prepares his annual valuations by utilizing only the book value of the System's assets. The truth is that, like other public employee retirement systems, our Board of Trustees has adopted a market related valuation methodology, and since 1996, some \$3.5 billion in assets over and beyond book value have been recognized and used to lower the unfunded liabilities of this particular System.

Fortunately, the Teachers' and State Employees' Retirement System is in very good shape financially and is considered virtually fully funded by the independent actuary. A modest, well structured employer rate reduction for reallocation purposes should, of course, not have a dramatic impact on the System's ability to pay the promised benefits, plus fund reasonable cost-of-living adjustments (COLA's) and other benefit enhancements in the future. However, a permanent employer rate reduction, especially one that is severe, could most definitely impact the General Assembly's ability to grant future COLA's, and other benefit enhancements, from future actuarial gains.

It appears that the proposal under consideration to reduce the State's contributions to the Retirement System carries with it a promise to use the budgetary savings for salary and retirement benefit increases for active and retired members of this particular System. If this be the case, and the decrease in employer contributions is judicious, the idea of using a gradual and deliberate recognition of the market related value of the System's assets should encounter more positive reaction from the membership than negative because, in the financial environment in which we find ourselves today, it does not appear that the membership will be able to enjoy the desired extra salary and pension benefits without a significant portion of the employer contributions being redesignated for employee benefits for both active and retired employees.

a:\budget2\05-2000



**North Carolina General Assembly
Legislative Services Office**

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Room 5, Legislative Building
16 W. Jones Street
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Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

May 31, 2000

MEMORANDUM

TO: Representative Michaux

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1671

Re: Increases the monthly benefit to members and retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$146 to \$151.

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, May 31, 2000
- (3) Actuarial Note, Hartman & Associates, May 25, 2000

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1671

SHORT TITLE: Fire and Rescue Squad Pensions

SPONSOR(S): Representative Michaux

SYSTEM OR PROGRAM AFFECTED: 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 \$146 to \$151.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT ON STATE:	SYSTEM ACTUARY				
	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	2000-01	2001-02	2002-03	2003-04	2004-05
Available gains with four					
year liquidation period	\$2,154,591	\$2,154,591	\$2,154,591	\$2,154,591	\$2,154,591
Benefit Increase	\$2,150,290	\$2,150,290	\$2,150,290	\$2,150,290	\$2,150,290

GENERAL ASSEMBLY ACTUARY	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	2000-01	2001-02	2002-03	2003-04	2004-05
Four Year Funding	\$2,263,710	\$2,150,290	\$2,150,290	\$2,150,290	\$2,150,290
Nine Year Funding	\$1,265,440	\$1,265,440	\$1,265,440	\$1,265,440	\$1,265,440

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, 1999 actuarial valuation of the fund. The data included 28,008 active members and 7,551 retired members in receipt of annual pensions totaling \$13.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 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

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: James D. Johnson

DATE: May 31, 2000

BUCK CONSULTANTS

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

May 31, 2000

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 1671

Dear Mr. Pruitt:

We have received your letter of May 24 regarding House Bill 1671 which affects the Firemen's and Rescue Squad Workers' Pension Fund

This legislation appears to provide, effective on and after July 1, 2000, for a five dollar (\$5.00) increase in the monthly pensions payable to current and future pensioners from this Pension Fund. The current monthly pension payment is \$146.00 to all pensioners. The proposed monthly pension payment would be \$151.00 to all pensioners.

Our cost estimate for this legislation is based on the Fund's valuation as of June 30, 1999, including a funding basis of approximately four years for liquidation of unfunded accrued liabilities. The funding mechanism for this legislation would be to utilize the Pension Fund's unencumbered actuarial gains as of June 30, 1999.

Under the assumption that the current annual contribution amount of \$12,104,780 is continued in the 2000-2001 fiscal year, there is \$2,154,591 available from actuarial gains as of June 30, 1999, to offset the required contributions for benefit improvements. The annual cost of this proposed legislation is \$2,150,290. Therefore, this legislation would require no additional appropriations for the 2000-2001 fiscal year. The following table shows the required annual contribution for this legislation and the offsetting use of gains.

Mr. Jack Pruitt
May 31, 2000
Page 2

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR AN INCREASE IN PENSION FROM \$146 TO \$151
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution for \$5.00 increase:	
Normal	\$ 173,862
Accrued liability	<u>1,976,428</u>
Total	\$ 2,150,290
Available annual contribution due to actuarial gains	
From 6-30-99 valuation	\$ 2,154,591
Additional appropriation required	\$ (4,301)

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:wj
PANCPR2000\DOCS\CORR\HB1671.DOC
JC 1950 rev03 013

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 25, 2000

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

Re: House Bill 1671: An Act to Increase the Monthly Pension for
Members of the FRSW Pension Fund

Dear Mr. Moore:

This bill would rewrite G.S. 58-86-55 to increase the monthly retirement benefit in the Firemen's and Rescue Squad Workers' Pension Fund from \$146 per month to \$151 per month for current and future retirees. This act would become effective July 1, 2000.

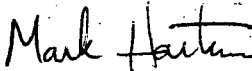
The increase in the retirement benefit amount will increase both the normal cost rate and the unfunded accrued liability. Based on the current actuarial valuation, the amortization period for the unfunded accrued liability is approximately three years. The estimated cost of this Act for the fiscal year beginning July 1, 2000, is shown below for three different amortization periods. The reduction in the current funding requirement which results from increasing the amortization period is also shown for each case.

<u>Amortization Period</u>	<u>Cost of Benefit Increase</u>	<u>Reduction in Current Funding</u>
3 years	\$2,969,190	\$ 0
4 years	\$2,263,710	\$2,136,524
9 years	\$1,265,440	\$5,159,757

These estimates are based on the data contained in the most recent actuarial valuation prepared as of June 30, 1999.

If you have any questions, let me know.

Sincerely,

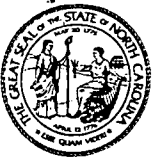


Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original

Certified By: Stanley Moore Date: 6-1-00
Legislative Fiscal Research



North Carolina General Assembly
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MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: May 23, 2000

SUBJECT: Actuarial Note Request House Bill 1671

Re: Increases the monthly benefit to members and retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$146 to \$151.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Michaux

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999 | 67 |

MAY 23 00

H

HOUSE PRINCIPAL CLERK

D

HOUSE DRH5028*-LL175(4.12)

Short Title: Increase Fire and Rescue Pension.

(Public)

Sponsors: Representative Michaux.

Referred to:

- 1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE
3 FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 58-86-55 reads as rewritten:
6 "**§ 58-86-55. Monthly pensions upon retirement.**
7 Any member who has served 20 years as an "eligible fireman" or "eligible rescue
8 squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S.
9 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
10 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
11 ~~forty-six dollars (\$146.00)~~ one hundred fifty-one dollars (\$151.00) per month. Any
12 retired fireman receiving a pension shall, effective July 1, ~~1998~~, 2000, receive a
13 pension of ~~one hundred forty-six dollars (\$146.00)~~ one hundred fifty-one dollars
14 (\$151.00) per month.
15 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35
16 and G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad
17 member" shall receive a pension prior to July 1, 1983. No member shall be entitled to
18 a pension hereunder until the member's official duties as a fireman or rescue squad
19 worker for which the member is paid compensation shall have been terminated and
20 the member shall have retired as such according to standards or rules fixed by the
21 board of trustees.
22 A member who is totally and permanently disabled while in the discharge of the
23 member's official duties as a result of bodily injuries sustained or as a result of
24 extreme exercise or extreme activity experienced in the course and scope of those
25 official duties and who leaves the fire or rescue squad service because of this

1 disability shall be entitled to be paid from the fund a monthly benefit in an amount
2 of ~~one hundred forty six dollars (\$146.00)~~ one hundred fifty-one dollars (\$151.00) per
3 month beginning the first month after the member's fifty-fifth birthday. All
4 applications for disability are subject to the approval of the board who may appoint
5 physicians to examine and evaluate the disabled member prior to approval of the
6 application, and annually thereafter. Any disabled member shall not be required to
7 make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and
8 G.S. 58-86-40.

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

18 A member who, because his residence is annexed by a city under Part 2 or Part 3
19 of Article 4 of Chapter 160A of the General Statutes, or whose department is closed
20 because of an annexation by a city under Part 2 or Part 3 of Article 4 of Chapter
21 160A of the General Statutes, and because of such annexation is unable to perform as
22 a fireman of any status, and if the member has at least 10 years of service with the
23 pension fund, may be permitted to continue making a monthly contribution of ten
24 dollars (\$10.00) to the fund until the member has made contributions for a total of
25 240 months. The member upon attaining the age of 55 years and completion of such
26 contributions shall be entitled to receive a pension as provided by this section. Any
27 application to make monthly contributions under this section shall be subject to a
28 finding of eligibility by the Board of Trustees upon application of the member.

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

33 Section 2. This act becomes effective July 1, 2000.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 1671

Short Title: Increase Fire and Rescue Pension.

(Public)

Sponsors: Representatives Michaux; Grady, Smith, Thompson, Warner, Adams, Arnold, Cox, Davis, Hunter, Morris, Preston, Sherrill, Wainwright, and West.

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

May 24, 2000

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE
3 FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 58-86-55 reads as rewritten:
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18 a pension hereunder until the member's official duties as a fireman or rescue squad
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20 the member shall have retired as such according to standards or rules fixed by the
21 board of trustees.

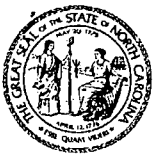
1 A member who is totally and permanently disabled while in the discharge of the
2 member's official duties as a result of bodily injuries sustained or as a result of
3 extreme exercise or extreme activity experienced in the course and scope of those
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10 application, and annually thereafter. Any disabled member shall not be required to
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14 of duty, who leaves the fire or rescue squad service because of this disability and who
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18 the age of 55 years be entitled to receive a pension as provided by this section. All
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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
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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, 2000.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

May 31, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

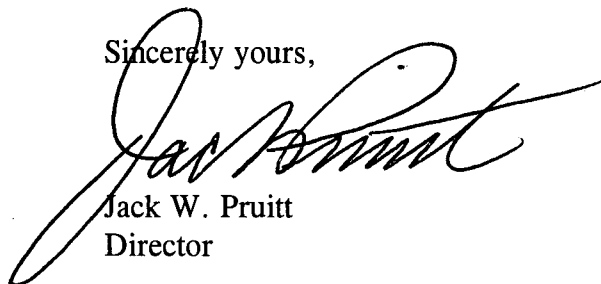
Re: Actuarial Note/House Bill 1671

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1671 which affects the Firemen's and Rescue Squad Workers' Pension Fund.

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 31, 2000

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 1671

Dear Mr. Pruitt:

We have received your letter of May 24 regarding House Bill 1671 which affects the Firemen's and Rescue Squad Workers' Pension Fund

This legislation appears to provide, effective on and after July 1, 2000, for a five dollar (\$5.00) increase in the monthly pensions payable to current and future pensioners from this Pension Fund. The current monthly pension payment is \$146.00 to all pensioners. The proposed monthly pension payment would be \$151.00 to all pensioners.

Our cost estimate for this legislation is based on the Fund's valuation as of June 30, 1999, including a funding basis of approximately four years for liquidation of unfunded accrued liabilities. The funding mechanism for this legislation would be to utilize the Pension Fund's unencumbered actuarial gains as of June 30, 1999.

Under the assumption that the current annual contribution amount of \$12,104,780 is continued in the 2000-2001 fiscal year, there is \$2,154,591 available from actuarial gains as of June 30, 1999, to offset the required contributions for benefit improvements. The annual cost of this proposed legislation is \$2,150,290. Therefore, this legislation would require no additional appropriations for the 2000-2001 fiscal year. The following table shows the required annual contribution for this legislation and the offsetting use of gains.

Mr. Jack Pruitt
May 31, 2000
Page 2

**ADDITIONAL ANNUAL CONTRIBUTIONS PAYABLE BY THE STATE
FOR AN INCREASE IN PENSION FROM \$146 TO \$151
FOR CURRENT AND FUTURE RETIRED MEMBERS**

Additional contribution for \$5.00 increase:	
Normal	\$ 173,862
Accrued liability	<u>1,976,428</u>
Total	\$ 2,150,290
Available annual contribution due to actuarial gains	
From 6-30-99 valuation	\$ 2,154,591
Additional appropriation required	\$ (4,301)

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

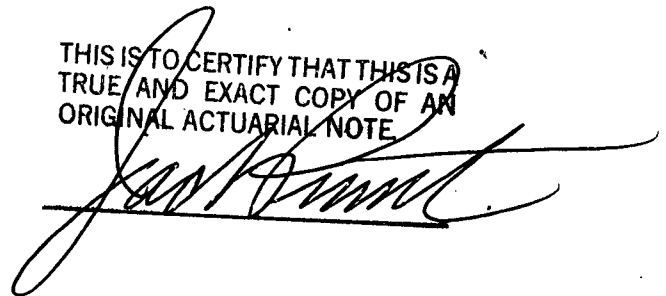
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:wj
PANCER12000\DOCS\CORR\HB1671.DOC
JC 1950 rev03 013

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



NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1671

SHORT TITLE: Fire and Rescue Squad Pensions

SPONSOR(S): Representative Michaux

SYSTEM OR PROGRAM AFFECTED: 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 \$146 to \$151.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT ON STATE:

SYSTEM ACTUARY

	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04	<u>FY</u> 2004-05
Available gains with four					
year liquidation period	\$2,154,591	\$2,154,591	\$2,154,591	\$2,154,591	\$2,154,591
Benefit Increase	\$2,150,290	\$2,150,290	\$2,150,290	\$2,150,290	\$2,150,290

GENERAL ASSEMBLY ACTUARY

	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04	<u>FY</u> 2004-05
Four Year Funding	\$2,263,710	\$2,150,290	\$2,150,290	\$2,150,290	\$2,150,290
Nine Year Funding	\$1,265,440	\$1,265,440	\$1,265,440	\$1,265,440	\$1,265,440

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, 1999 actuarial valuation of the fund. The data included 28,008 active members and 7,551 retired members in receipt of annual pensions totaling \$13.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 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.

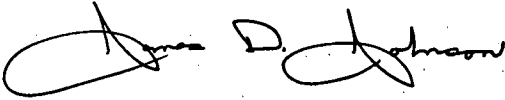
SOURCES OF DATA: System Actuary - Buck Consultant, Inc.

General Assembly Actuary - Hartman & Associates, LLC

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: James D. Johnson

A handwritten signature in black ink, appearing to read "James D. Johnson", is written over the printed name.

DATE: May 31, 2000

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1671

SHORT TITLE: Fire and Rescue Squad Pensions

SPONSOR(S): Representative Michaux

SYSTEM OR PROGRAM AFFECTED: 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 \$146 to \$151.

EFFECTIVE DATE: July 1, 2000

	ESTIMATED IMPACT ON STATE: SYSTEM ACTUARY				
	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	2000-01	2001-02	2002-03	2003-04	2004-05
Available gains with four					
year liquidation period	\$2,154,591	\$2,154,591	\$2,154,591	\$2,154,591	\$2,154,591
Benefit Increase	\$2,150,290	\$2,150,290	\$2,150,290	\$2,150,290	\$2,150,290

	GENERAL ASSEMBLY ACTUARY				
	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	2000-01	2001-02	2002-03	2003-04	2004-05
Four Year Funding	\$2,263,710	\$2,150,290	\$2,150,290	\$2,150,290	\$2,150,290
Nine Year Funding	\$1,265,440	\$1,265,440	\$1,265,440	\$1,265,440	\$1,265,440

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, 1999 actuarial valuation of the fund. The data included 28,008 active members and 7,551 retired members in receipt of annual pensions totaling \$13.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 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.

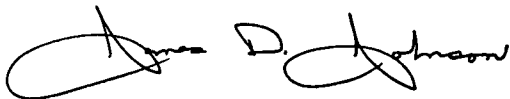
SOURCES OF DATA: System Actuary - Buck Consultant, Inc.

General Assembly Actuary - Hartman & Associates, LLC

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: James D. Johnson

A handwritten signature in black ink, appearing to read "James D. Johnson", with a stylized, cursive script.

DATE: May 31, 2000

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 1805

Short Title: Retirement Withdrawal Service.

(Public)

Sponsors: Representatives Nesbitt; and Wainwright.

Referred to: Pensions and Retirement.

May 25, 2000

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW THE PURCHASE OF WITHDRAWAL SERVICE IN THE
3 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

4 The General Assembly of North Carolina enacts:

5 Section 1. G.S. 135-4(k) reads as rewritten:

6 "(k) Notwithstanding any other provision of this Chapter, any person who
7 withdrew his contributions in accordance with the provisions of G.S. 128-27(f) or
8 G.S. 135-5(f) or the rules and regulations of the the Law-Enforcement Officers'
9 Retirement System and who subsequently returns to service may, upon completion of
10 10 years of membership service, repay in a total lump sum any and all of the
11 accumulated contributions previously withdrawn with sufficient interest added thereto
12 to cover one half of the cost of providing such additional credit plus a fee to cover
13 expense of handling which shall be determined by the Board of Trustees and receive
14 credit for the service forfeited at time of ~~withdrawal(s), provided that he left service~~
15 ~~prior to July 1, 1974. withdrawal(s). Any person who leaves service after June 30,~~
16 ~~1974, and who withdraws his contributions in accordance with G.S. 128-27(f) or G.S.~~
17 ~~135-5(f) or the rules and regulations of the Law Enforcement Officers' Retirement~~
18 ~~System and who subsequently returns to service may, upon completion of 10 years of~~
19 ~~membership service, repay in a total lump sum any and all of the accumulated~~
20 ~~contributions previously withdrawn with sufficient interest added thereto to cover the~~
21 ~~full cost of providing such additional credit plus a fee to cover expense of handling~~
22 ~~which shall be determined by the Board of Trustees and receive credit for the service~~
23 ~~forfeited at time of withdrawal(s).~~ These provisions shall apply equally to retired
24 members who had attained 10 years of membership service prior to retirement. Cost

1 as used in this subsection shall mean the amount of money required to provide
2 additional retirement benefits based on service credit allowed at the time any
3 adjustment to the service credit of a member is made.

4 Notwithstanding any provision to the contrary, a law enforcement officer who was
5 transferred from the Law Enforcement Officers' Retirement System to this
6 Retirement System pursuant to Article 12C of Chapter 143 of the General Statutes
7 and withdrew his accumulated contributions prior to January 1, 1985, in accordance
8 with G.S. 128-27(f) or G.S. 135-5(f) for non-law enforcement service and who has 10
9 years or more of membership service standing to his credit may repay in a total lump
10 sum the accumulated contributions previously withdrawn with sufficient interest
11 added thereto to cover one-half the cost of providing such additional credits plus a
12 fee to cover the expense of handling which shall be determined by the Board of
13 Trustees and receive credit for the creditable service forfeited at the time of
14 withdrawal."

15 Section 2. G.S. 135-4(m) is repealed.

16 Section 3. This act is effective when it becomes law.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

June 7, 2000

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

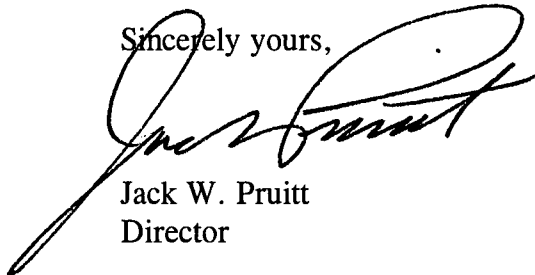
Re: Actuarial Note/House Bill 1805

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1805 which affects the Teachers' and State 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

June 7, 2000

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

House Bill 1805

Dear Mr. Pruitt:

We have received your letter of June 1 regarding House Bill 1805 which affects the Teachers' and State Employees' Retirement System.

Section 1. of this legislation appears to remove the "full cost" of restoring creditable service for withdrawn accounts in the Teachers' and State Employees' Retirement System, during the three year period after the member has returned to membership and completed 10 years of subsequent membership service. This cost is currently applicable only during the window period and is relevant only if the previous period of membership that was withdrawn ended after June 30, 1974.

Section 2. of this legislation repeals G.S.135-4(m), which currently provides that those members who miss the three year window of opportunity to purchase the withdrawn service under the lower cost method must purchase the service under the full actuarial cost method.

Based on the data we received from the Retirement System, the estimated annual cost for Section 1. of this legislation is \$2,700,000. Although we do not have data concerning the members and beneficiaries who may be affected by Section 2. of this legislation, we believe the cost could be significant.

In the event the bill is amended to provide for a refund to members who have previously purchased withdrawn service at "full cost" or full actuarial cost, the cost to the Retirement System could be substantial, since thousands of members and beneficiaries have purchased service credits under these provisions.

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

Sincerely,

Edward A. Macdonald by er
Edward A. Macdonald
Principal and Consulting Actuary

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ORIGINAL ACTUARIAL NOTE





**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

James D. Johnson, 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 11, 2000

MEMORANDUM

TO: Representative Martin Nesbitt

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1805

Re: Changes law relating to the purchase of withdrawn service in the Teachers' and State 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, June 7, 2000
- (3) Actuarial Note, Hartman & Associates, June 6, 2000

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1805

SHORT TITLE: Retirement Withdrawn Service

SPONSOR(S): Representative Nesbitt

SYSTEM AFFECTED: Teachers' and State Employees' Retirement System

BILL SUMMARY: Repeals the law which gives members a three years window of opportunity to purchase withdrawn accounts under the lowest cost calculation and does away with the 'full cost' method of calculating withdrawn service for member who withdrew after July 1, 1974.

EFFECTIVE DATE: When it becomes law

ESTIMATED IMPACT: Buck Consultants estimates the annual cost to be \$2,700,000 to fund cost to do away with the 'full cost' method of calculating withdrawn service. Do data is available for repealing the three window of opportunity but actuary believes the cost would be significant.

Hartman & Associates does not have data to estimates cost but believes the cost of legislation will be substantial.

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 December 31, 1998 actuarial valuation of the fund. The data included 278,558 active members with an annual payroll of \$7.995 billion and 97,820 retired members in receipt of annual pensions totaling \$1.375 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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



APPROVED BY: James D. Johnson

DATE: June 16, 2000

BUCK CONSULTANTS

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

June 7, 2000

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

House Bill 1805

Dear Mr. Pruitt:

We have received your letter of June 1 regarding House Bill 1805 which affects the Teachers' and State Employees' Retirement System.

Section 1. of this legislation appears to remove the "full cost" of restoring creditable service for withdrawn accounts in the Teachers' and State Employees' Retirement System, during the three year period after the member has returned to membership and completed 10 years of subsequent membership service. This cost is currently applicable only during the window period and is relevant only if the previous period of membership that was withdrawn ended after June 30, 1974.

Section 2. of this legislation repeals G.S.135-4(m), which currently provides that those members who miss the three year window of opportunity to purchase the withdrawn service under the lower cost method must purchase the service under the full actuarial cost method.

Based on the data we received from the Retirement System, the estimated annual cost for Section 1. of this legislation is \$2,700,000. Although we do not have data concerning the members and beneficiaries who may be affected by Section 2. of this legislation, we believe the cost could be significant.

In the event the bill is amended to provide for a refund to members who have previously purchased withdrawn service at "full cost" or full actuarial cost, the cost to the Retirement System could be substantial, since thousands of members and beneficiaries have purchased service credits under these provisions.

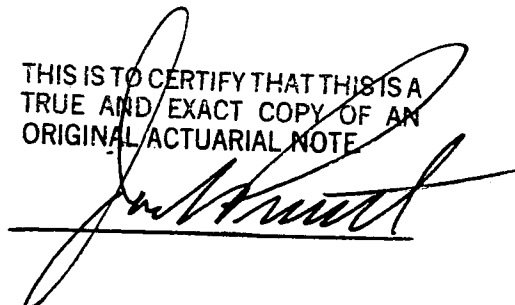
If we can be of further assistance with regard to this legislation, please do not hesitate to contact us.

Sincerely,

Edward A. Macdonald by cr
Edward A. Macdonald
Principal and Consulting Actuary

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THIS IS TO CERTIFY THAT THIS IS A
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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 6, 2000

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

Re: House Bill 1805: An Act to Allow the Purchase of Withdrawal
Service in the TSERS

Dear Mr. Moore:

This bill amends G.S. 135-4(k) to modify the amount required to be paid to purchase credit for previous service in the North Carolina Teachers' and State Employees' Retirement System (TSERS). Currently, any person who left service after June 30, 1974 and withdrew his contributions may, if he returns to service for 10 years, purchase credit for the previous service. The payment required to purchase such credit is equal to the accumulated contributions previously withdrawn plus sufficient interest to cover the full cost of providing the additional credit, plus a handling fee. This bill would reduce the required repayment to the accumulated contributions previously withdrawn plus sufficient interest to cover one-half the cost of providing the additional credit, plus the handling fee. This bill also repeals G.S. 135-4(m) which requires that if an option to purchase prior service credits is not exercised within three years of the date the member becomes eligible for the option, the cost increases to the full actuarial cost. This act becomes effective when it becomes law.

Under current administrative provisions of the plan, interest on repayment of withdrawn contributions under G.S. 135-4(k) is computed at 6.5%. In general, this will produce a repayment less than the full actuarial cost of the benefit being provided. Thus, this bill would reduce the required repayment by one-half for members electing to repurchase service within the three year period following completion of ten years of service, and it would provide a greater reduction for members purchasing service after the three year period.

You have indicated that data is not available to determine the number or demographics of employees who could be affected by the provisions of this bill. Thus, no estimate can be given for the

Mr. Stanley Moore
June 6, 2000

Page 2

overall financial impact of this bill. However, the cost will likely be substantial for each individual who elects to purchase prior service.

In addition, this bill appears to apply retroactively to allow members who left service after June 30, 1974. and later repaid withdrawn contributions at the full cost, to request refunds. The refund would equal one-half the amounts repaid, plus interest, which could also be a substantial amount.

If you have any questions, let me know.

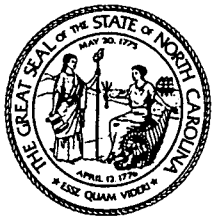
Sincerely,

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: 6-12-00
Legislative Fiscal Research



HOUSE BILL 1689: Mt. Airy Firefighters' Retirement

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: June 6, 2000
Version: 1st Edition

Introduced by: Representative Hiatt
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 1689 amends the Mount Airy Firefighters' Supplementary Pension Fund regarding benefit eligibility.*

BILL ANALYSIS:

Section 1

Section 4 of Chapter 302 of the 1967 Session Laws, as amended by Chapter 12 of the 1969 Session Laws, Chapter 121 of the 1973 Session Laws, and Chapter 165 of the 1995 Session Laws establishes the Mount Airy Firefighters' Supplementary Pension Fund.

House Bill 1689 amends the eligibility for benefits under the Mount Airy Firefighters Supplementary Pension Fund. Previously in order to be eligible to receive retirement benefits from the Supplementary Pension Fund, a member must have attained the age of 55 and served 20 years as a firefighter in the City of Mount Airy Fire Department. House Bill 1689 states that in order to receive retirement benefits from the supplementary Pension Fund, a member retiring from the City of Mount Airy Fire Department must have attained the age of 55 and must have served 20 years as a firefighter in fire departments within the State of North Carolina (previously 20 years as a firefighter in the City of Mount Airy Fire Department). Additionally, the eligibility requirement is changed so that a member is deemed to be retiring if the member is retiring under the statewide Local Governmental Employees' Retirement System (LGERS), or if the member is departing after having served 20 years as a firefighter in the City of Mount Airy Fire Department.

The monthly pension is computed on the basis of a defined amount per month for each year of service in the City of Mount Airy Fire Department. Service in other fire departments will not be considered in computing the monthly pension.

Section 2

This act is effective when it becomes law.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

**June 21, 2000
Room 1228/1327
12:00 P.m.**

AGENDA

1. Opening Remarks

Representative Michaux, Chair

2. Bills To Be Considered

HB 1147 - INCREASE POST RETIREMENT CAP

Sponsor: Representative Michaux

HB 77 - INCREASE LEO RETIREMENT

Sponsor: Representative Fitch

HB 1677 PROFESSIONAL FIRE FIGHTERS' RETIREMENT

HB 1687 - RETIRED TEACHERS/COMPENSATION

Sponsor: Representative Arnold

HB 1726 - TEACHER RETIREMENT ELIGIBILITY

Sponsor: Representative Rogers

HB 1805 - RETIREMENT WITHDRAWAL SERVICE

Sponsor: Representative Nesbitt

HB 1691 – AMENDS DEATH BENEFIT PLAN

Sponsor: Representative Grady

SB 1281 – REPEAL CHERRYVILLE FIRE PENSION

SB 1461 – MT. AIRY FIREFIGHTERS' RETIREMENT

3. ADJOURNMENT

**HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
COMMITTEE MEETING MINUTES
WEDNESDAY, JUNE 21, 2000
12:00 p.m.**

The meeting was called to order by the Chairman, Rep. Michaux. The members present were Rep. Oldham, Rep. Barbee, Rep. Berry, Rep. Horn, Rep. McCombs, Rep. Rogers, Rep. Warren, Rep. G. Wilson, and Rep. Yongue. The Pages assisting the meeting were Amber Story and Dorrian Decker. The Visitor Registration Sheet is attached hereto and is incorporated into the minutes of this meeting.

The bills on the agenda were HB 1147 sponsored by Rep. Michaux; HB 77, sponsored by Rep. Fitch; HB 1677 and 1687, sponsored by Rep. Arnold; HB 1726, sponsored by Rep. Rogers; HB 1805, sponsored by Rep. Nesbitt; HB 1691, sponsored by Rep. Grady; SB 1281 sponsored by Senator Hoyle; and SB 1461, sponsored by Senator East.

Rep. Grady was recognized to explain **HB 1691 (Short Title: Amends Death Benefit Plan). Exhibit A**. Following the discussion of the bill, Rep. McCombs made a motion for a favorable report of HB 1691. The Committee gave the bill a favorable report with the recommendation that the bill be re-referred to the Committee on Appropriations.

Senator Hoyle was recognized to explain **SB 1281 (Short Title: Repeal Cherryville Fire Pension). Exhibit B**. Rep. Horn made a motion for a favorable report of SB 1281. The Committee gave the bill a favorable report.

Rep. Arnold was recognized to explain **HB 1687 (Short Title: Retired Teachers/Compensation). Exhibit C**. Mr. Jack Pruitt was recognized to speak on the bill, and he indicated that he knew of no opposition to the bill. Following the discussion of the bill, Rep. Rogers moved for a favorable report of HB 1687. The Committee gave the bill a favorable report with the recommendation that the bill be re-referred to the Committee on Appropriations.

Rep. Hiatt was recognized to explain **SB 1461 (Short Title: Mt. Airy Firefighters' Retirement). Exhibit D**. Following the discussion of the bill, Rep. Barbee moved for a favorable report of SB 1461. The Committee gave the bill a favorable report with the recommendation that the bill be re-referred to the Committee on Appropriations.

Rep. Rogers was recognized to explain **HB 1726 (Short Title: Teacher Retirement Eligibility). Exhibit E**. Mr. Jack Pruitt was asked to comment on what the actuary had said about the bill. Mr. Pruitt stated that there would be no increase to the employee contribution rate because of this legislation. There were about two thousand people who would be affected by this legislation. Rep. Warren moved for a favorable report of HB 1726. The Committee gave the bill a favorable report with the recommendation that the bill be re-referred to the Committee on Appropriations.

Page 2
Minutes of Pension and Retirement Committee
June 21, 2000

There being no further business before the committee, the meeting was adjourned.

Respectfully submitted,

Anne Peele
Committee Assistant

Rep. H. M. Michaux, Jr., Chair

VISITOR REGISTRATION SHEET

Pensions and Retirement Committee

Date 6-21-00

Visitors: Please sign below and Return to Committee Assistant

Name

Firm or Agency and Address

Robert Partin

Town of Scotland Neck

Richard Anderson

Kannapolis, NC.

Bob Misenheimer

Kannapolis NC 28081

John Auger

NCAAA

Bill Wilson

NCAE

James Hubbard

Rocky Mount

DAVID M. SMITHMAN

TOWN OF ELIZABETHTOWN

KENNETH KORWEGAY

TOWN OF ELIZABETHTOWN

Gundi J. Wright

ABC

Beth Robinson

Johnson Farm Longan Stree

Brett J. Van Nieuwenhuise

City of Elizabeth City - Mayor

Dianne Pierce

Elizabeth City

ANITA HUMMER

ELIZABETH CITY

Carol Williams

City of Washington

VISITOR REGISTRATION SHEET

Pensions and Retirement Committee

Date 6-21-00

Visitors: Please sign below and Return to Committee Assistant

<u>Name</u>	<u>Firm or Agency and Address</u>
<i>Lita Thompson</i>	<i>City of Washington</i>
<i>Paul Miller</i>	<i>N.C. State Firemen's Assoc.</i>
<i>Thompson</i>	<i>Bank & Assoc.</i>
<i>LEE GALLAGHER</i>	<i>TOWN OF WAYNESVILLE</i>
<i>Gary Caldwell</i>	<i>Town of Waynesville</i>
<i>BARRY MOWBRAY</i>	<i>TOWN OF WRIGHTSVILLE BEACH</i>
<i>CALVIN PECK</i>	<i>TOWN OF CAROLINA BEACH</i>
<i>JOE W. OLLISON</i>	<i>TOWN OF MESIC, NC</i>
<i>Barbara Ollison</i>	<i>Town of mesic N.C.</i>
<i>Hazel Smith</i>	<i>Town of Mesic, N.C.</i>
<i>Mahue Smith</i>	<i>Town of Mesic, N.C.</i>
<i>Warren Wood</i>	<i>City of Hickory, NC</i>
<i>Bruce K. Smith</i>	<i>Town of Spring Lake, NC</i>
<i>Walter Newman</i>	<i>Town of Marina</i>

VISITOR REGISTRATION SHEET

Pensions and Retirement Committee

Date 6-21-00

Visitors: Please sign below and Return to Committee Assistant

Name

Firm or Agency and Address

[illegible]

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 1691

Short Title: Payment of Death Benefits.

(Public)

Sponsors: Representatives Grady; Smith, Rayfield, Sherrill, and Preston.

Referred to: Rules, Calendar, and Operations of the House.

May 24, 2000

1 A BILL TO BE ENTITLED

2 AN ACT TO AMEND THE PROVISION FOR PAYMENT OF THE DEATH
3 BENEFIT UNDER THE TEACHERS' AND STATE EMPLOYEES'
4 RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT
5 SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT
6 SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM.

7 The General Assembly of North Carolina enacts:

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

9 "(1) 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 (1) 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 (1) For the purpose of determining eligibility only, in this subsection
2 "calendar year" shall mean any period of 12 consecutive months
3 or, if less, the period covered by an annual contract of
4 employment. For all other purposes in this subsection "calendar
5 year" shall mean the 12 months beginning January 1 and ending
6 December 31.
- 7 (2) Last day of actual service shall be:
8 a. When employment has been terminated, the last day the
9 member actually worked.
10 b. When employment has not been terminated, the date on
11 which an absent member's sick and annual leave expire,
12 unless he is on approved leave of absence and is in service
13 under the provisions of G.S. 135-4(h).
- 14 (3) For a period when a member is on leave of absence, his status with
15 respect to the death benefit will be determined by the provisions of
16 G.S. 135-4(h).
- 17 (4) A member on leave of absence from his position as a teacher or
18 State employee for the purpose of serving as a member or officer
19 of the General Assembly shall be deemed to be in service during
20 sessions of the General Assembly and thereby covered by the
21 provisions of the death benefit. The amount of the death benefit
22 for such member shall be the equivalent of the salary to which the
23 member would have been entitled as a teacher or State employee
24 during the 12-month period immediately prior to the month in
25 which death occurred, not to be less than twenty-five thousand
26 dollars (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

27 The provisions of the Retirement System pertaining to Administration, G.S. 135-6,
28 and management of funds, G.S. 135-7, are hereby made applicable to the Plan.

29 A member who is a beneficiary of the Disability Income Plan provided for in
30 Article 6 of this Chapter shall be eligible for group life insurance benefits as provided
31 in this subsection, notwithstanding that the member is no longer an employee or
32 teacher or that the member's death occurs after the eligibility period after active
33 service. The basis of the death benefit payable hereunder shall be the higher of the
34 death benefit computed as above or a death benefit based on compensation used in
35 computing the benefit payable under G.S. 135-105 and G.S. 135-106, as may be
36 adjusted for percentage post-disability increases, all subject to the maximum dollar
37 limitation as provided above. A member in receipt of benefits from the Disability
38 Income Plan under the provisions of G.S. 135-112 whose right to a benefit accrued
39 under the former Disability Salary Continuation Plan shall not be covered under the
40 provisions of this paragraph.

41 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under
42 this subsection, of the death of a retired member of the Retirement System on or after
43 July 1, 1988, but before January 1, 1999, there shall be paid a death benefit to the
44 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. Payment of this lump-sum
32 amount shall be made to the deceased retired member's surviving spouse or to the
33 member's legal representative if the member is not survived by a spouse, provided
34 the deceased retired member had not, prior to the member's death, instructed the
35 Board of Trustees in writing that the member did not want the lump-sum payment
36 made to the member's surviving spouse, and that payment should be paid to the
37 member's legal representative as if the member were not survived by a spouse."

38 Section 2. G.S. 135-64(h) reads as rewritten:

39 "(h) Upon the death of a retired member on or after January 1, 1999, there shall
40 be paid a death benefit to the surviving spouse of a deceased retired member or to
41 the deceased retired member's legal representative if not survived by a spouse;
42 provided the retired member has elected, when first eligible, to make, and has
43 continuously made, in advance of his death required contributions as determined by
44 the Board of Trustees on a fully contributory basis, through retirement allowance

1 deductions or other methods adopted by the Board of Trustees, to a group death
2 benefit trust fund administered by the Board of Trustees separate and apart from the
3 Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This
4 death benefit shall be a lump-sum payment in the amount of six thousand dollars
5 (\$6,000) upon the completion of 24 months of contributions required under this
6 subsection. Should death occur before the completion of 24 months of contributions
7 required under this subsection, the deceased retired member's surviving spouse or
8 legal representative if not survived by a spouse shall be paid the sum of the retired
9 member's contributions required by this subsection plus interest to be determined by
10 the Board of Trustees. Payment of this lump-sum amount shall be made to the
11 deceased retired member's surviving spouse, or to the member's legal representative
12 if the member is not survived by a spouse provided the deceased retired member had
13 not, prior to the member's death, instructed the Board of Trustees in writing that the
14 member did not want the lump-sum payment made to the member's surviving spouse,
15 and that payment should be paid to the member's legal representative as if the
16 member were not survived by a spouse."

17 Section 3. G.S. 128-27(13) reads as rewritten:

18 "(13) Death Benefit for Retired Members. -- Upon receipt of proof,
19 satisfactory to the Board of Trustees in its capacity under this
20 subsection, of the death of a retired member of the Retirement
21 System on or after January 1, 1999, there shall be paid a death
22 benefit to the surviving spouse of the deceased retired member or
23 to the deceased retired member's legal representative if not
24 survived by a spouse; provided the retired member has elected,
25 when first eligible, to make, and has continuously made, in
26 advance of his death required contributions as determined by the
27 Board of Trustees on a fully contributory basis through retirement
28 allowance deductions or other methods adopted by the Board of
29 Trustees, to a group death benefit trust fund administered by the
30 Board of Trustees separate and apart from the Retirement System's
31 Annuity Savings Fund and Pension Accumulation Fund. This
32 death benefit shall be a lump-sum payment in the amount of six
33 thousand dollars (\$6,000) upon the completion of 24 months of
34 contributions required under this subsection. Should death occur
35 before the completion of 24 months of contributions required
36 under this subsection, the deceased retired member's surviving
37 spouse or legal representative if not survived by a spouse shall be
38 paid the sum of the retired member's contributions required by
39 this subsection plus interest to be determined by the Board of
40 Trustees. Payment of this lump-sum amount shall be made to the
41 deceased retired member's surviving spouse or to the member's
42 legal representative if the member is not survived by a spouse,
43 provided the deceased retired member had not, prior to the
44 member's death, instructed the Board of Trustees in writing that

1 the member did not want the lump-sum payment made to the
2 member's surviving spouse, and that payment should be paid to
3 the member's legal representative as if the member were not
4 survived by a spouse."

5 Section 4. G.S. 120-4.7 reads as rewritten:

6 **"§ 120-4.27. Death benefit.**

7 The designated beneficiary of a member who dies while in service after completing
8 one year of creditable service shall receive a lump-sum payment of an amount equal
9 to the deceased member's highest annual salary, to a maximum of fifteen thousand
10 dollars (\$15,000). For purposes of this death benefit "in service" means currently
11 serving as a member of the North Carolina General Assembly.

12 The death benefit provided by this section shall be designated a group life
13 insurance benefit payable under an employee welfare benefit plan that is separate and
14 apart from the Retirement System but under which the members of the Retirement
15 System shall participate and be eligible for group life insurance benefits. The Board
16 of Trustees is authorized to provide the death benefit in the form of group life
17 insurance either by purchasing a contract or contracts of group life insurance with
18 any life insurance company or companies licensed and authorized to transact business
19 in the State of North Carolina for the purpose of insuring the lives of qualified
20 members in service, or by establishing or affiliating with a separate trust fund
21 qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

22 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a
23 retired member of the Retirement System or Retirement Fund on or after July 1,
24 1988, but before January 1, 1999, there shall be paid a death benefit to the surviving
25 spouse of a deceased retired member, or to the deceased retired member's legal
26 representative if not survived by a spouse; provided the retired member has elected,
27 when first eligible, to make, and has continuously made, in advance of his death
28 required contributions as determined by the Retirement System on a fully
29 contributory basis, through retirement allowance deductions or other methods
30 adopted by the Retirement System, to a group death benefit trust fund administered
31 by the Board of Trustees separate and apart from the Retirement System's Annuity
32 Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-
33 sum payment in the amount of five thousand dollars (\$5,000) upon the completion of
34 twenty-four months of contributions required under this subsection. Should death
35 occur before the completion of twenty-four months of contributions required under
36 this subsection, the deceased retired member's surviving spouse or legal
37 representative if not survived by a spouse shall be paid the sum of the retired
38 member's contributions required by this subsection plus interest to be determined by
39 the Board of Trustees.

40 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a
41 retired member of the Retirement System or Retirement Fund on or after January 1,
42 1999, there shall be paid a death benefit to the surviving spouse of a deceased retired
43 member, or to the deceased retired member's legal representative if not survived by a
44 spouse; provided the retired member has elected, when first eligible, to make, and has

1 continuously made, in advance of his death required contributions as determined by
2 the Retirement System on a fully contributory basis, through retirement allowance
3 deductions or other methods adopted by the Retirement System, to a group death
4 benefit trust fund administered by the Board of Trustees separate and apart from the
5 Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This
6 death benefit shall be a lump-sum payment in the amount of six thousand dollars
7 (\$6,000) upon the completion of 24 months of contributions required under this
8 subsection. Should death occur before the completion of 24 months of contributions
9 required under this subsection, the deceased retired member's surviving spouse or
10 legal 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. Payment of this lump-sum amount shall be made to the
13 deceased retired member's surviving spouse or to the member's legal representative if
14 the member is not survived by a spouse, provided the deceased retired member had
15 not, prior to the member's death, instructed the Board of Trustees in writing that the
16 member did not want the lump-sum payment made to the member's surviving spouse,
17 and that payment should be paid to the member's legal representative as if the
18 member were not survived by a spouse."

19 Section 5. This act becomes effective July 1, 2000.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

June 2, 2000

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

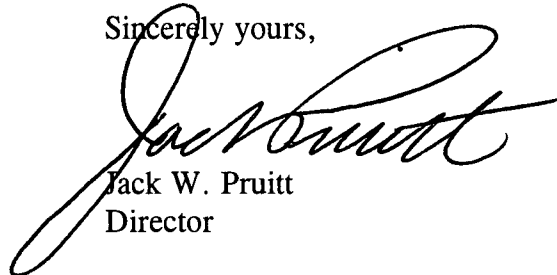
Re: Actuarial Note/House Bill 1691

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1691 which affects the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative 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

June 1, 2000

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

House Bill 1691

Dear Mr. Pruitt:

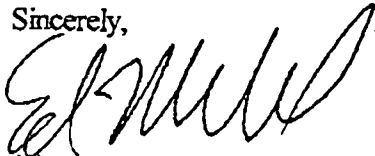
We have received your letter of May 30 regarding House Bill 1691 which affects the Contributory Death Benefit for retired members of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System.

This legislation appears to allow a retired member/insured to designate, in writing, that the death payment be made to his legal representative in lieu of his spouse.

There would be no cost to the affected Retirement Systems for this legislation.

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

Sincerely,

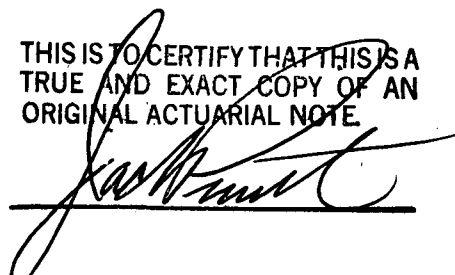


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jg

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3434 RETG013

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





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

James D. Johnson, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

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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, 2000

MEMORANDUM

TO: Representative Grady

FROM: Stanley Moore *sm*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1691

Re: Amends the Death Benefit Plan for retirees of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System to allow the payment to a legal representative of the retiree instead of the spouse.

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 1, 2000
- (3) Actuarial Note, Hartman & Associates, May 31, 2000

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1691

SHORT TITLE: Payment of Death Benefits

SPONSOR(S): Representative Grady

SYSTEM OR PROGRAM AFFECTED: The Retirees' Contributory Death Benefit Plan

BILL SUMMARY: Amends the Death Benefit Plan for retirees of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System to allow the payment to a legal representative of the retiree instead of the spouse.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT ON STATE: The cost would be negligible.

ASSUMPTIONS AND METHODOLOGY:

The Retirees' Contributory Death Benefit Plan: The actuarial valuation of the Retirees' Contributory Death Benefit Plan as of December 31, 1998 shows that the Plan has liabilities of \$69,870,740. The Plan has assets of \$66,901,173. Prospective contributions of participants eligible for benefits (those with two or more years of coverage) have a value of \$46,347,587. The total present and prospective assets amount to \$113,248,760, which exceeds the liability of \$69,870,740 by \$43,378,020. 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.

733-4910

PREPARED BY: Stanley Moore 

APPROVED BY: James D. Johnson

DATE: June 1, 2000

BUCK CONSULTANTS

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

June 1, 2000

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

House Bill 1691

Dear Mr. Pruitt:

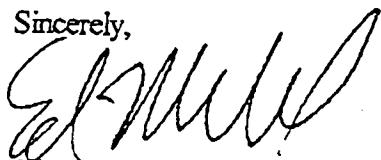
We have received your letter of May 30 regarding House Bill 1691 which affects the Contributory Death Benefit for retired members of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System.

This legislation appears to allow a retired member/insured to designate, in writing, that the death payment be made to his legal representative in lieu of his spouse.

There would be no cost to the affected Retirement Systems for this legislation.

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

Sincerely,

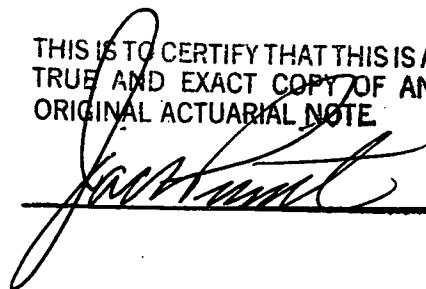


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

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2434 RET03-013

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



k Consultants, Inc.

955-2488 Fax 770-933-8336

00701700 09:33 HARTMAN & ASSOCIATES (910) 731-2583 P. 001

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 31, 2000

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

Re: House Bill 1691: An Act to Amend the Provision for Payment
of the Death Benefit in the TSERS, CJRS, LGERS, and LRS

Dear Mr. Moore:

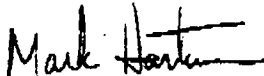
This bill amends G.S. 135-5(1), 135-64(h), 128-27(13), and 120-4.7 to modify the provision for paying the death benefit in the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement System (CJRS), the Local Governmental Employees' Retirement System (LGERS) and the Legislative Retirement System (LRS).

Retired members in these systems may elect to contribute to group death benefit trust fund and be eligible for a \$6,000 death benefit. Under the current provisions, the benefit is paid to the surviving spouse of the member or to the member's legal representative if not survived by a spouse. This bill would allow the member to designate a legal representative to receive the death benefit in lieu of his surviving spouse.

This act becomes effective July 1, 2000. The financial impact in the TSERS, CJRS, LGERS, and LRS is expected to be negligible.

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: 6-2-00
Legislative Fiscal Research



**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
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James D. Johnson, Director
Fiscal Research Division
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MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: May 23, 2000

SUBJECT: Actuarial Note Request House Bill 1691

Re: Amends the Death Benefit Plan for retirees of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System to allow the payment to a legal representative of the retiree instead of the spouse.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Grady
Representative Michaux; Chairman of the House Committee on Pensions and Retirement

GENERAL ASSEMBLY OF NORTH CAROLINA

11.3.1.50

SESSION 1999

1691 MAY 23 00

HOUSE PRINCIPAL CLERK

H

HOUSE DRH2356-LL167(2.22)

Short Title: Payment of Death Benefits.

(Public)

Sponsors: Representative Grady.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE PROVISION FOR PAYMENT OF THE DEATH
3 BENEFIT UNDER THE TEACHERS' AND STATE EMPLOYEES'
4 RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT
5 SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT
6 SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM.

7 The General Assembly of North Carolina enacts:

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

9 "(1) 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
24 (2) The greatest compensation on which contributions were made by
25 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 (1) 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

1 or, if less, the period covered by an annual contract of
2 employment. For all other purposes in this subsection "calendar
3 year" shall mean the 12 months beginning January 1 and ending
4 December 31.

5 (2) Last day of actual service shall be:

6 a. When employment has been terminated, the last day the
7 member actually worked.

8 b. When employment has not been terminated, the date on
9 which an absent member's sick and annual leave expire,
10 unless he is on approved leave of absence and is in service
11 under the provisions of G.S. 135-4(h).

12 (3) For a period when a member is on leave of absence, his status with
13 respect to the death benefit will be determined by the provisions of
14 G.S. 135-4(h).

15 (4) A member on leave of absence from his position as a teacher or
16 State employee for the purpose of serving as a member or officer
17 of the General Assembly shall be deemed to be in service during
18 sessions of the General Assembly and thereby covered by the
19 provisions of the death benefit. The amount of the death benefit
20 for such member shall be the equivalent of the salary to which the
21 member would have been entitled as a teacher or State employee
22 during the 12-month period immediately prior to the month in
23 which death occurred, not to be less than twenty-five thousand
24 dollars (\$25,000) nor to exceed fifty thousand dollars (\$50,000).

25 The provisions of the Retirement System pertaining to Administration, G.S. 135-6,
26 and management of funds, G.S. 135-7, are hereby made applicable to the Plan.

27 A member who is a beneficiary of the Disability Income Plan provided for in
28 Article 6 of this Chapter shall be eligible for group life insurance benefits as provided
29 in this subsection, notwithstanding that the member is no longer an employee or
30 teacher or that the member's death occurs after the eligibility period after active
31 service. The basis of the death benefit payable hereunder shall be the higher of the
32 death benefit computed as above or a death benefit based on compensation used in
33 computing the benefit payable under G.S. 135-105 and G.S. 135-106, as may be
34 adjusted for percentage post-disability increases, all subject to the maximum dollar
35 limitation as provided above. A member in receipt of benefits from the Disability
36 Income Plan under the provisions of G.S. 135-112 whose right to a benefit accrued
37 under the former Disability Salary Continuation Plan shall not be covered under the
38 provisions of this paragraph.

39 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under
40 this subsection, of the death of a retired member of the Retirement System on or after
41 July 1, 1988, but before January 1, 1999, there shall be paid a death benefit to the
42 surviving spouse of the deceased retired member or to the deceased retired member's
43 legal representative if not survived by a spouse; provided the retired member has
44 elected, when first eligible, to make, and has continuously made, in advance of his

1 death required contributions as determined by the Board of Trustees on a fully
2 contributory basis, through retirement allowance deductions or other methods
3 adopted by the Board of Trustees, to a group death benefit trust fund administered by
4 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 of
7 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 in its capacity under
14 this subsection, of the death of a retired member of the Retirement System on or after
15 January 1, 1999, there shall be paid a death benefit to the surviving spouse of the
16 deceased retired member or to the deceased retired member's legal representative if
17 not survived by a spouse; provided the retired member has elected, when first
18 eligible, to make, and has continuously made, in advance of his death required
19 contributions as determined by the Board of Trustees on a fully contributory basis,
20 through retirement allowance deductions or other methods adopted by the Board of
21 Trustees, to a group death benefit trust fund administered by the Board of Trustees
22 separate and apart from the Retirement System's Annuity Savings Fund and Pension
23 Accumulation Fund. This death benefit shall be a lump-sum payment in the amount
24 of six thousand dollars (\$6,000) upon the completion of 24 months of contributions
25 required under this subsection. Should death occur before the completion of 24
26 months of contributions required under this subsection, the deceased retired
27 member's surviving spouse or legal representative if not survived by a spouse shall be
28 paid the sum of the retired member's contributions required by this subsection plus
29 interest to be determined by the Board of Trustees. Payment of this lump-sum
30 amount shall be made to the deceased retired member's surviving spouse or to the
31 member's legal representative if the member is not survived by a spouse, provided
32 the deceased retired member had not, prior to the member's death, instructed the
33 Board of Trustees in writing that the member did not want the lump-sum payment
34 made to the member's surviving spouse, and that payment should be paid to the
35 member's legal representative as if the member were not survived by a spouse."

36 Section 2. G.S. 135-64(h) reads as rewritten:

37 "(h) Upon the death of a retired member on or after January 1, 1999, there shall
38 be paid a death benefit to the surviving spouse of a deceased retired member or to
39 the deceased retired member's legal representative if not survived by a spouse;
40 provided the retired member has elected, when first eligible, to make, and has
41 continuously made, in advance of his death required contributions as determined by
42 the Board of Trustees on a fully contributory basis, through retirement allowance
43 deductions or other methods adopted by the Board of Trustees, to a group death
44 benefit trust fund administered by the Board of Trustees separate and apart from the

1 Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This
2 death benefit shall be a lump-sum payment in the amount of six thousand dollars
3 (\$6,000) upon the completion of 24 months of contributions required under this
4 subsection. Should death occur before the completion of 24 months of contributions
5 required under this subsection, the deceased retired member's surviving spouse or
6 legal representative if not survived by a spouse shall be paid the sum of the retired
7 member's contributions required by this subsection plus interest to be determined by
8 the Board of Trustees. Payment of this lump-sum amount shall be made to the
9 deceased retired member's surviving spouse, or to the member's legal representative
10 if the member is not survived by a spouse provided the deceased retired member had
11 not, prior to the member's death, instructed the Board of Trustees in writing that the
12 member did not want the lump-sum payment made to the member's surviving spouse,
13 and that payment should be paid to the member's legal representative as if the
14 member were not survived by a spouse."

15 Section 3. G.S. 128-27(13) reads as rewritten:

16 "(13) Death Benefit for Retired Members. -- Upon receipt of proof,
17 satisfactory to the Board of Trustees in its capacity under this
18 subsection, of the death of a retired member of the Retirement
19 System on or after January 1, 1999, there shall be paid a death
20 benefit to the surviving spouse of the deceased retired member or
21 to the deceased retired member's legal representative if not
22 survived by a spouse; provided the retired member has elected,
23 when first eligible, to make, and has continuously made, in
24 advance of his death required contributions as determined by the
25 Board of Trustees on a fully contributory basis through retirement
26 allowance deductions or other methods adopted by the Board of
27 Trustees, to a group death benefit trust fund administered by the
28 Board of Trustees separate and apart from the Retirement System's
29 Annuity Savings Fund and Pension Accumulation Fund. This
30 death benefit shall be a lump-sum payment in the amount of six
31 thousand dollars (\$6,000) upon the completion of 24 months of
32 contributions required under this subsection. Should death occur
33 before the completion of 24 months of contributions required
34 under this subsection, the deceased retired member's surviving
35 spouse or legal representative if not survived by a spouse shall be
36 paid the sum of the retired member's contributions required by
37 this subsection plus interest to be determined by the Board of
38 Trustees. Payment of this lump-sum amount shall be made to the
39 deceased retired member's surviving spouse or to the member's
40 legal representative if the member is not survived by a spouse,
41 provided the deceased retired member had not, prior to the
42 member's death, instructed the Board of Trustees in writing that
43 the member did not want the lump-sum payment made to the
44 member's surviving spouse, and that payment should be paid to

1 the member's legal representative as if the member were not
2 survived by a spouse."

3 Section 4. G.S. 120-4.7 reads as rewritten:

4 **"§ 120-4.27. Death benefit.**

5 The designated beneficiary of a member who dies while in service after completing
6 one year of creditable service shall receive a lump-sum payment of an amount equal
7 to the deceased member's highest annual salary, to a maximum of fifteen thousand
8 dollars (\$15,000). For purposes of this death benefit "in service" means currently
9 serving as a member of the North Carolina General Assembly.

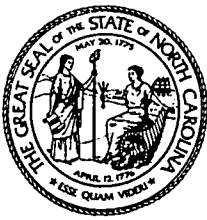
10 The death benefit provided by this section shall be designated a group life
11 insurance benefit payable under an employee welfare benefit plan that is separate and
12 apart from the Retirement System but under which the members of the Retirement
13 System shall participate and be eligible for group life insurance benefits. The Board
14 of Trustees is authorized to provide the death benefit in the form of group life
15 insurance either by purchasing a contract or contracts of group life insurance with
16 any life insurance company or companies licensed and authorized to transact business
17 in the State of North Carolina for the purpose of insuring the lives of qualified
18 members in service, or by establishing or affiliating with a separate trust fund
19 qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

20 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a
21 retired member of the Retirement System or Retirement Fund on or after July 1,
22 1988, but before January 1, 1999, there shall be paid a death benefit to the surviving
23 spouse of a deceased retired member, or to the deceased retired member's legal
24 representative if not survived by a spouse; provided the retired member has elected,
25 when first eligible, to make, and has continuously made, in advance of his death
26 required contributions as determined by the Retirement System on a fully
27 contributory basis, through retirement allowance deductions or other methods
28 adopted by the Retirement System, to a group death benefit trust fund administered
29 by the Board of Trustees separate and apart from the Retirement System's Annuity
30 Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-
31 sum payment in the amount of five thousand dollars (\$5,000) upon the completion of
32 twenty-four months of contributions required under this subsection. Should death
33 occur before the completion of twenty-four months of contributions required under
34 this subsection, the deceased retired member's surviving spouse or legal
35 representative if not survived by a spouse shall be paid the sum of the retired
36 member's contributions required by this subsection plus interest to be determined by
37 the Board of Trustees.

38 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a
39 retired member of the Retirement System or Retirement Fund on or after January 1,
40 1999, there shall be paid a death benefit to the surviving spouse of a deceased retired
41 member, or to the deceased retired member's legal representative if not survived by a
42 spouse; provided the retired member has elected, when first eligible, to make, and has
43 continuously made, in advance of his death required contributions as determined by
44 the Retirement System on a fully contributory basis, through retirement allowance

1 deductions or other methods adopted by the Retirement System, to a group death
2 benefit trust fund administered by the Board of Trustees separate and apart from the
3 Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This
4 death benefit shall be a lump-sum payment in the amount of six thousand dollars
5 (\$6,000) upon the completion of 24 months of contributions required under this
6 subsection. Should death occur before the completion of 24 months of contributions
7 required under this subsection, the deceased retired member's surviving spouse or
8 legal representative if not survived by a spouse shall be paid the sum of the retired
9 member's contributions required by this subsection plus interest to be determined by
10 the Board of Trustees. Payment of this lump-sum amount shall be made to the
11 deceased retired member's surviving spouse or to the member's legal representative if
12 the member is not survived by a spouse, provided the deceased retired member had
13 not, prior to the member's death, instructed the Board of Trustees in writing that the
14 member did not want the lump-sum payment made to the member's surviving spouse,
15 and that payment should be paid to the member's legal representative as if the
16 member were not survived by a spouse."

17 Section 5. This act becomes effective July 1, 2000.



HOUSE BILL 1691: Payment of Death Benefits.

BILL ANALYSIS

Committee: House Pensions and Retirement
Date: June 7, 2000
Version: First Edition

Introduced by: Rep. Grady
Summary by: Karen Cochran Brown
Committee Counsel

SUMMARY:

House Bill 1691 amends the laws governing the death benefit plan for retirees of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System to allow the payment of the death benefit to a legal representative rather than the spouse.

CURRENT LAW:

Under current law, a public retiree can make an election, at retirement, to make contributions, in an amount determined by the Board of Trustees, to a group death benefit trust fund. The benefit payable at the retiree's death is a lump-sum payment of \$6,000, provided the retiree has made the required contributions for 24 months prior to death. The benefit is payable only to the retiree's surviving spouse, unless the retiree is not survived by a spouse, in which case, the benefit is payable to the retiree's legal representative.

BILL ANALYSIS:

This bill amends the law to allow a retiree to instruct the Retirement System to pay the death benefit to the retiree's legal representative, even if the retiree is survived by a spouse. The retiree must instruct the Retirement System, in writing, prior to his or her death, of the desire to have the benefit paid to the legal representative, instead of the spouse.

This act would become effective July 1, 2000.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

SESSION LAW 2000-21
SENATE BILL 1281

AN ACT TO REPEAL THE PROVISIONS REGARDING SUPPLEMENTAL
RETIREMENT FUNDS FOR FIREMEN IN THE CITY OF CHERRYVILLE.

The General Assembly of North Carolina enacts:

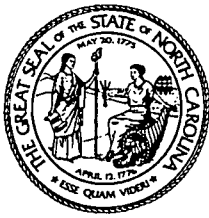
Section 1. Chapter 608 of the 1971 Session Laws and Chapter 320 of the 1973 Session Laws are repealed.

Section 2. This act becomes effective July 1, 2000.

In the General Assembly read three times and ratified this the 27th day of June, 2000.

s/ Dennis A. Wicker
President of the Senate

s/ James B. Black
Speaker of the House of Representatives



SENATE BILL 1281: Repeal Cherryville Fire Pension

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: June 21, 2000
Version: 1st Edition

Introduced by: Senator Hoyle
Summary by: Theresa Matula/Karen
Cochrane-Brown
Committee Staff

SUMMARY: *Senate Bill 1281 repeals the Supplemental Retirement Funds for Firemen in the City of Cherryville.*

BILL ANALYSIS:

Senate Bill 1281 repeals Chapter 608 of the 1971 Session Laws and Chapter 320 of the 1973 Session Laws which provided a Supplemental Retirement Fund for firemen in the City of Cherryville.

This act becomes effective July 1, 2000.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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1

HOUSE BILL 1687

Short Title: Retired Teachers/Compensation.

(Public)

Sponsors: Representatives Arnold; Barefoot, Berry, Brown, Cox, Culp, Davis, Hunter, Morris, Sexton, Thompson, and Warner.

Referred to: Pensions and Retirement.

May 24, 2000

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW RETIRED TEACHERS TO TEACH WITHOUT LOSING
3 THEIR RETIREMENT BENEFITS.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 135-3(8)c., as amended by Section 28.24(a) of S.L. 1998-
6 212, reads as rewritten:
7 "c. Should a beneficiary who retired on an early or service
8 retirement allowance under this Chapter be reemployed, or
9 otherwise engaged to perform services, by an employer
10 participating in the Retirement System on a part-time,
11 temporary, interim, or on a fee-for-service basis, whether
12 contractual or otherwise, and if such beneficiary earns an
13 amount in any calendar year which exceeds fifty percent
14 (50%) of the reported compensation, excluding terminal
15 payments, during the 12 months of service preceding the
16 effective date of retirement, or twenty thousand dollars
17 (\$20,000), whichever is greater, as hereinafter indexed, then
18 the retirement allowance shall be suspended as of the first
19 day of the month following the month in which the
20 reemployment earnings exceed the amount above, for the
21 balance of the calendar year. The retirement allowance of
22 the beneficiary shall be reinstated as of January 1 of each
23 year following suspension. The amount that may be earned

1 before suspension shall be increased on January 1 of each
2 year by the ratio of the Consumer Price Index to the Index
3 one year earlier, calculated to the nearest tenth of a percent
4 (1/10 of 1%).

5 The computation of postretirement earnings of a
6 beneficiary under this sub-subdivision, G.S. 135-3(8)c., who
7 has been retired at least 12 months and has not been
8 employed in any capacity, except as a substitute teacher,
9 with a public school for at least 12 ~~months~~, months
10 immediately preceding the effective date of reemployment,
11 shall not include earnings while:

- 12 1. ~~The beneficiary is employed to teach on a substitute or~~
13 ~~interim basis, and not on a permanent basis, in a public~~
14 ~~school;~~
- 15 2. ~~The beneficiary is employed to teach in the teacher's area of~~
16 ~~certification in a low performing school. As used in this~~
17 ~~sub-subdivision, a low performing school is a public~~
18 ~~elementary or middle school at which forty eight percent~~
19 ~~(48%) or more of the students were below grade level~~
20 ~~during either of the prior two school years or a public high~~
21 ~~school identified by the State Board of Education as~~
22 ~~low performing. If the designation of low performing is~~
23 ~~removed while the beneficiary is employed to teach at the~~
24 ~~school, the provisions of this sub-subdivision apply for the~~
25 ~~next two school years after the designation is removed; or~~
- 26 3. ~~The beneficiary is employed to teach in a public school in~~
27 ~~the teacher's area of certification in a geographical area in~~
28 ~~which the State Board of Education determines that there is~~
29 ~~a shortage of teachers in the beneficiary's area of~~
30 ~~certification. while the beneficiary is employed to teach in a~~
31 ~~public school or is employed to teach on a substitute or~~
32 ~~interim basis in a public school.~~

33 The Department of Public Instruction shall certify to the
34 Retirement System that a beneficiary is employed to teach
35 by a local school administrative unit under the provisions of
36 this sub-subdivision and as a retired teacher as the term is
37 defined under the provisions of G.S. 115C-325(a)(5a).

38 Beneficiaries employed under this sub-subdivision are not
39 entitled to any benefits otherwise provided under this
40 Chapter as a result of this period of employment."

41 Section 2. G.S. 115C-325(a)(5a), as enacted by Section 28.24(c) of S.L.
42 1998-212, reads as rewritten:

43 "(5a) "Retired teacher" means a beneficiary of the Teachers' and State
44 Employees' Retirement System of North Carolina who has been

1 retired at least 12 months, has not been employed in any capacity,
2 other than as a substitute teacher, with a local board of education
3 for at least 12 ~~months~~, months immediately preceding the effective
4 date of reemployment, is determined by a local board of education
5 to have had satisfactory performance during the last year of
6 employment by a local board of education, and who is employed
7 to teach as provided in G.S. 135-3(8)c. A retired teacher shall be
8 treated the same as a probationary teacher except that a retired
9 teacher is not eligible for career status."
10 Section 3. This act becomes effective July 1, 2000. Sections 1 and 2
11 apply to school years beginning with the 2000-2001 school year.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

June 6, 2000

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

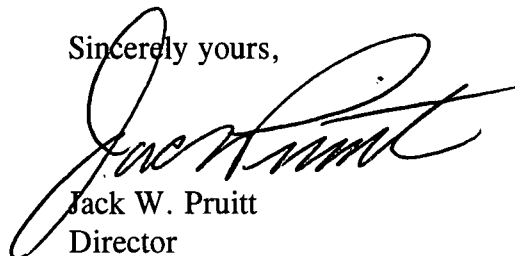
Re: Actuarial Note/House Bill 1687

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1687 which affects the Teachers' and State 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

June 6, 2000

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

House Bill 1687

Dear Mr. Pruitt:

We have received your letter of May 25 regarding House Bill 1687 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to amend the impermanent statutory provisions that exempt the earnings of a reemployed beneficiary under Chapter 135 from inclusion in the amount of "post-retirement earnings" allowable under GS 135-3(8)c, if that beneficiary becomes employed to teach in any public school. This exemption appears to apply only to the earnings of a beneficiary, who "has not been employed in any capacity, except as a substitute teacher, with a public school for at least twelve months immediately preceding the effective date of reemployment."

The cost to the Retirement System is the loss of savings that would otherwise occur. Although we do not have data concerning the members who may be affected by this legislation, we believe the cost could be significant. There is the further possibility that such legislation could be extended to school administrators, or even to State employees, at substantial cost to the System.

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

Sincerely,

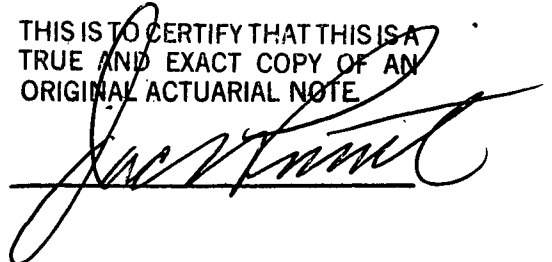
Edward A. Macdonald by *ET*

Edward A. Macdonald
Principal and Consulting Actuary

EAM:ws

P:\NCTE\2000\DOCS\CORR\HB1687.DOC

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





**North Carolina General Assembly
Legislative Services Office**

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300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

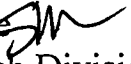
Tony C. Goldman, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
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Terrence D. Sullivan, Director
Research Division
Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

June 6, 2000

MEMORANDUM

TO: Representative Arnold

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1687

Re: Allows retired teachers to return to work as teachers without losing retirement 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: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, June 6, 2000
- (3) Actuarial Note. Hartman & Associates, May 31, 2000

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: House Bill 1687

SHORT TITLE: Retired Teachers/Compensation

SPONSOR(S): Representative Arnold

SYSTEM AFFECTED: Teachers' and State Employees' Retirement System

BILL SUMMARY: Under the present law, a retiree is allowed to earn in any calendar year, 50% of the salary earned during the 12 months of service prior to retirement or \$22,480, whichever is greater. The present law also allows a retiree to return: (1) as a substitute or interim teacher in the public schools, (2) to teach in a public school that identified by the State Board of Education as a low-performing school, (3) to teach in a subject area or geographical area in which there is a shortage of teachers. This bill will remove all reemployment earnings restrictions for any retiree who returns as a teacher, who has not been employed in any capacity, other than as a substitute, with a public school for the twelve months immediately preceding the date of reemployment.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT: Buck Consultants and Hartman & Associates state that the cost to the Teachers' and State Employees' Retirement System will be the loss of savings that would otherwise occur when a member has reached the limit before the retirement benefit is suspended for the remainder of the calendar year. They do not have data on how many retirees this legislation would effect but believe the cost would be significant.

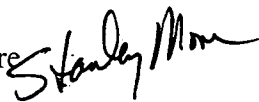
ASSUMPTIONS AND METHODOLOGY: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1998 actuarial valuation of the fund. The data included 278,558 active members with an annual payroll of \$7.995 billion and 97,820 retired members in receipt of annual pensions totaling \$1.375 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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



APPROVED BY: James D. Johnson

DATE: June 6, 2000

BUCK CONSULTANTS

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

June 6, 2000

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

House Bill 1687

Dear Mr. Pruitt:

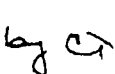
We have received your letter of May 25 regarding House Bill 1687 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to amend the impermanent statutory provisions that exempt the earnings of a reemployed beneficiary under Chapter 135 from inclusion in the amount of "post-retirement earnings" allowable under GS 135-3(8)c, if that beneficiary becomes employed to teach in any public school. This exemption appears to apply only to the earnings of a beneficiary, who "has not been employed in any capacity, except as a substitute teacher, with a public school for at least twelve months immediately preceding the effective date of reemployment."

The cost to the Retirement System is the loss of savings that would otherwise occur. Although we do not have data concerning the members who may be affected by this legislation, we believe the cost could be significant. There is the further possibility that such legislation could be extended to school administrators, or even to State employees, at substantial cost to the System.

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

Sincerely,

Edward A. Macdonald by 

Edward A. Macdonald
Principal and Consulting Actuary

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

06/01/00 09:33 HARTMAN & ASSOCIATES (336) 731-2583 FAX 001
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 31, 2000

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

Re: House Bill 1687: An Act to Allow Retired Teachers to Teach
Without Losing Retirement Benefits

Dear Mr. Moore:

This bill amends G.S. 135-3(8)c to allow retired teachers to return to work under certain conditions without losing retirement benefits.


Currently, if a member retires on an early or service retirement allowance and is later reemployed by an employer participating in the retirement system, his retirement benefit is reduced in any calendar year in which his earnings exceed the greater of 50% of his compensation prior to retirement or \$20,000, as indexed. However, postretirement earnings do not include amounts earned after being retired at least 12 months while employed to teach (i) on a substitute or interim basis, (ii) in a low-performing school, or (iii) in a geographic area where there has been determined to be a shortage of teachers in the beneficiary's area of certification.

This bill deletes the three conditions listed above for excluding earnings from the postretirement earnings test. This bill would exclude all earnings a beneficiary receives while employed to teach in a public school, provided the beneficiary was not employed except as a substitute teacher for 12 months immediately preceding reemployment.

This bill may produce a cost to the retirement system by allowing benefits to be paid to reemployed members that would not otherwise be payable. However, data is not available to indicate the number of positions and current retirement allowances for retired teachers who may seek reemployment, so no estimate is given for the overall financial impact of this bill.

If you have any questions, please let me know.

Sincerely,



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

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By Stanley Moore Date: 6-6-00
Legislative Fiscal Research

MVH/jj



**North Carolina General Assembly
Legislative Services Office**

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

William W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
Raleigh, NC 27603-5925
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Terrence D. Sullivan, Director
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300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *sm*
Fiscal Research Division

DATE: May 23, 2000

SUBJECT: Actuarial Note Request for House Bill 1687

Re: Allows retired teachers to return to work as teachers without losing retirement benefits.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Arnold
Representative Michaux; Chairman of the House Committee on Pensions and Retirement

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

FILED
1687
MAY 23 00
HOUSE PRINCIPAL CLERK D

H

HOUSE DRHA221-RC009(5.1)

Short Title: Retired Teachers/Compensation.

(Public)

Sponsors: Representative Arnold.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW RETIRED TEACHERS TO TEACH WITHOUT LOSING
3 THEIR RETIREMENT BENEFITS.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 135-3(8)c., as amended by Section 28.24(a) of S.L. 1998-
6 212, reads as rewritten:
7 "c. Should a beneficiary who retired on an early or service
8 retirement allowance under this Chapter be reemployed, or
9 otherwise engaged to perform services, by an employer
10 participating in the Retirement System on a part-time,
11 temporary, interim, or on a fee-for-service basis, whether
12 contractual or otherwise, and if such beneficiary earns an
13 amount in any calendar year which exceeds fifty percent
14 (50%) of the reported compensation, excluding terminal
15 payments, during the 12 months of service preceding the
16 effective date of retirement, or twenty thousand dollars
17 (\$20,000), whichever is greater, as hereinafter indexed, then
18 the retirement allowance shall be suspended as of the first
19 day of the month following the month in which the
20 reemployment earnings exceed the amount above, for the
21 balance of the calendar year. The retirement allowance of
22 the beneficiary shall be reinstated as of January 1 of each
23 year following suspension. The amount that may be earned
24 before suspension shall be increased on January 1 of each
25 year by the ratio of the Consumer Price Index to the Index

one year earlier, calculated to the nearest tenth of a percent (1/10 of 1%).

The computation of postretirement earnings of a beneficiary under this sub-subdivision, G.S. 135-3(8)c., who has been retired at least 12 months and has not been employed in any capacity, except as a substitute teacher, with a public school for at least 12 ~~months~~, months immediately preceding the effective date of reemployment, shall not include earnings while:

1. ~~The beneficiary is employed to teach on a substitute or interim basis, and not on a permanent basis, in a public school;~~
2. ~~The beneficiary is employed to teach in the teacher's area of certification in a low-performing school. As used in this sub-subdivision, a low-performing school is a public elementary or middle school at which forty-eight percent (48%) or more of the students were below grade level during either of the prior two school years or a public high school identified by the State Board of Education as low-performing. If the designation of low-performing is removed while the beneficiary is employed to teach at the school, the provisions of this sub-subdivision apply for the next two school years after the designation is removed; or~~
3. ~~The beneficiary is employed to teach in a public school in the teacher's area of certification in a geographical area in which the State Board of Education determines that there is a shortage of teachers in the beneficiary's area of certification. while the beneficiary is employed to teach in a public school or is employed to teach on a substitute or interim basis in a public school.~~

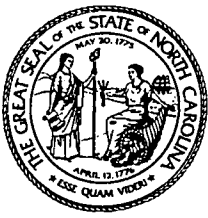
The Department of Public Instruction shall certify to the Retirement System that a beneficiary is employed to teach by a local school administrative unit under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a).

Beneficiaries employed under this sub-subdivision are not entitled to any benefits otherwise provided under this Chapter as a result of this period of employment."

Section 2. G.S. 115C-325(a)(5a), as enacted by Section 28.24(c) of S.L. 1998-212, reads as rewritten:

"(5a) "Retired teacher" means a beneficiary of the Teachers' and State Employees' Retirement System of North Carolina who has been retired at least 12 months, has not been employed in any capacity, other than as a substitute teacher, with a local board of education

1 for at least 12 ~~months~~, months immediately preceding the effective
2 date of reemployment, is determined by a local board of education
3 to have had satisfactory performance during the last year of
4 employment by a local board of education, and who is employed
5 to teach as provided in G.S. 135-3(8)c. A retired teacher shall be
6 treated the same as a probationary teacher except that a retired
7 teacher is not eligible for career status."
8 Section 3. This act becomes effective July 1, 2000. Sections 1 and 2
9 apply to school years beginning with the 2000-2001 school year.



HOUSE BILL 1687: Retired Teachers/Compensation

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: June 21, 2000
Version: 1st Edition

Introduced by: Representative Arnold
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 1687 expands the opportunities of Teachers and State Employees Retirement System (TSERS) beneficiaries for reemployment in public schools.*

CURRENT LAW:

G.S. 135-3(8)c allows a beneficiary who retires to be reemployed by the State on a part-time, temporary, interim or fee-for-service basis, whether contractual or otherwise, and earn up to 50% or \$20,000 (whichever is greater) of the compensation reported during the 12 months of service preceding the effective date of retirement. If they earn more than 50% or \$20,000, then the retirement allowance shall be suspended of the first day of the month following the month in which the reemployment earnings exceed the amount above, for the balance of the calendar year.

Session Law 1998-212 amended G.S. 135-3(8) c so that *effective January 1, 1999 until July 1, 2003*, a beneficiary who has been retired at least 12 months and has not been employed in any capacity, except as a substitute teacher, with a public school for at least 12 months, shall *exclude compensation from the limit earnings* while employed to:

- teach on a *substitute* or interim basis, and not on a permanent basis in a public school
- teach in the teacher's area of certification in a *low-performing school* (low-performing school is a public elementary or middle school at which 48% or more of the students were below grade level during either of the prior two school years or a public high school identified by the State Board of Education as low-performing)
- teach in a public school in the teacher's area of certification in a *geographical area* in which the State Board of Education determines that there is a *shortage of the teachers in the beneficiary's area of certification*.

BILL ANALYSIS:

SECTIONS 1 AND 2

Section 1 amends G.S. 135-3(8)c., as amended by Section 28.24(a) of S.L. 1998-212 to allow reemployment of a beneficiary who has been retired for at least twelve months and has not been employed in any capacity, except as a substitute teacher with a public school for at least twelve months immediately preceding the effective date of reemployment (*currently the twelve months does not need to be immediately preceding the effective date of reemployment*).

HOUSE BILL 1687

Page 2

House Bill 1687 also expands the provision allowing a beneficiary to exclude earnings from teaching in a public school or from teaching on a substitute or interim basis in a public school (*currently only teaching on a substitute or interim basis, or in a low-performing school, or in a geographical area with a shortage of teachers in the teacher's certification area qualified*).

Section 2 makes a conforming change to G.S. 115C-325(a)(5a) regarding reemployment.

SECTION 3: EFFECTIVE DATE

Section 3 states that this act becomes effective July 1, 2000, Sections 1 and 2 apply to school years beginning with the 2000-2001 school year.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

SESSION LAW 2000-22
SENATE BILL 1461

AN ACT TO AMEND THE LAW ESTABLISHING THE MOUNT AIRY
FIREFIGHTERS' SUPPLEMENTARY PENSION FUND.

The General Assembly of North Carolina enacts:

Section 1. Section 4 of Chapter 302 of the 1967 Session Laws, as amended by Chapter 12 of the 1969 Session Laws, Chapter 121 of the 1973 Session Laws, and Chapter 165 of the 1995 Session Laws, reads as rewritten:

"Sec. 4. ~~Any member who has served 20 years as a firefighter in the City of Mount Airy Fire Department and has attained the age of 55 years, shall be entitled to receive retirement benefits from the Supplementary Pension Fund; this~~ Any member retiring from the City of Mount Airy Fire Department who has served 20 years as a firefighter in fire departments within the State of North Carolina and has attained the age of 55 years shall be entitled to receive retirement benefits from the Supplementary Pension Fund. For purposes of this provision, a member shall be deemed to be retiring if that member is retiring under the statewide Local Governmental Employees' Retirement System or is departing after having served 20 years as a firefighter in the City of Mount Airy Fire Department. Other terminations or departures from the City of Mount Airy Fire Department are not considered to be retirements and do not result in eligibility for benefits under this plan.

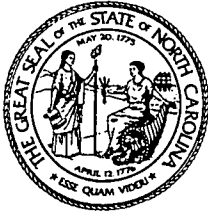
"Sec. 4A. The monthly pension shall be computed on the basis of a defined amount per month for each year of service in the department. City of Mount Airy Fire Department. Service in other fire departments within the State of North Carolina shall not be considered in computing the amount of the monthly pension. The Board of Trustees shall define the amount used as the basis for the monthly pension, and may adjust the amount when the board determines it appropriate, necessary, or imperative to keep or maintain the Supplementary Pension Fund on a good, solid financial basis, while providing a level of benefits consistent with funding. Any adjustments made are effective for firefighters not currently receiving a benefit as well as retired firefighters currently receiving a benefit."

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

In the General Assembly read three times and ratified this the 27th day of June, 2000.

s/ Dennis A. Wicker
President of the Senate

s/ James B. Black
Speaker of the House of Representatives



SENATE BILL 1461: Mt. Airy Firefighters' Retirement

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: June 21, 2000
Version: 1st Edition

Introduced by: Senator East
Summary by: Theresa Matula
Committee Staff

SUMMARY: *Senate Bill 1461 amends the Mount Airy Firefighters' Supplementary Pension Fund regarding benefit eligibility.*

BILL ANALYSIS:

Section 1

Section 4 of Chapter 302 of the 1967 Session Laws, as amended by Chapter 12 of the 1969 Session Laws, Chapter 121 of the 1973 Session Laws, and Chapter 165 of the 1995 Session Laws establishes the Mount Airy Firefighters' Supplementary Pension Fund.

Senate Bill 1461 amends the eligibility for benefits under the Mount Airy Firefighters Supplementary Pension Fund. Previously in order to be eligible to receive retirement benefits from the Supplementary Pension Fund, a member must have attained the age of 55 and served 20 years as a firefighter in the City of Mount Airy Fire Department. Senate Bill 1461 states that in order to receive retirement benefits from the supplementary Pension Fund, a member retiring from the City of Mount Airy Fire Department must have attained the age of 55 and must have served 20 years as a firefighter in fire departments within the State of North Carolina (previously 20 years as a firefighter in the City of Mount Airy Fire Department). Additionally, the eligibility requirement is changed so that a member is deemed to be retiring if the member is retiring under the statewide Local Governmental Employees' Retirement System (LGERS), or if the member is departing after having served 20 years as a firefighter in the City of Mount Airy Fire Department.

The monthly pension is computed on the basis of a defined amount per month for each year of service in the City of Mount Airy Fire Department. Service in other fire departments will not be considered in computing the monthly pension.

Section 2

This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

H

1

HOUSE BILL 1726

Short Title: Teacher Retirement Eligibility.

(Public)

Sponsors: Representatives Rogers; Wainwright, Womble, Wood, and Russell.

Referred to: Rules, Calendar, and Operations of the House.

May 25, 2000

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE DEFINITION OF THE TERM "TEACHER" FOR
3 PURPOSES OF MEMBERSHIP IN THE TEACHERS' AND STATE
4 EMPLOYEES' RETIREMENT SYSTEM.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 135-1(25) reads as rewritten:
7 "(25) "Teacher" shall mean any teacher, helping teacher, librarian,
8 principal, supervisor, superintendent of public schools or any full-
9 time employee, city or county, superintendent of public instruction,
10 or any full-time employee of Department of Public Instruction,
11 president, dean or teacher, or any full-time employee in any
12 educational institution supported by and under the control of the
13 State: Provided, ~~that that~~, except as otherwise provided in this
14 subdivision, the term "teacher" shall not include any part-time,
15 temporary, or substitute teacher or employee, and shall not include
16 those participating in an optional retirement program provided for
17 in G.S. 135-5.1. In all cases of doubt, the Board of ~~Trustees,~~
18 ~~Trustees hereinafter defined~~, shall determine whether any person is
19 a teacher as defined in this Chapter. The term "teacher" includes
20 teachers who are employed to teach in permanent positions and
21 who work not less than fifty percent (50%) of the time that is
22 required of a person who is employed as a teacher, as that term is
23 defined under the provisions of G.S. 115C-325(6)."
24 Section 2. This act becomes effective July 1, 2000.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

June 6, 2000

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

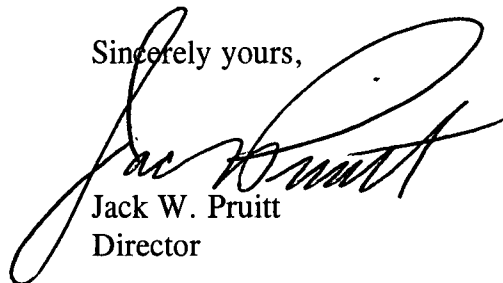
Re: Actuarial Note/House Bill 1726

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1726 which affects the Teachers' and State 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

June 6, 2000

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

House Bill 1726

Dear Mr. Pruitt:

We have received your letter of June 2 regarding House Bill 1726 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to mandate membership in the Retirement System, prospectively, for teachers "who work not less than fifty percent (50%) of the time that is required of a person who is employed as a teacher."

There would be no increase in the employer contribution rates on account of this legislation. It is our understanding that there are about 2,000 persons affected by this legislation. The cost to the State would be equal to the current employer contribution rates applied to the payroll of the affected members.

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

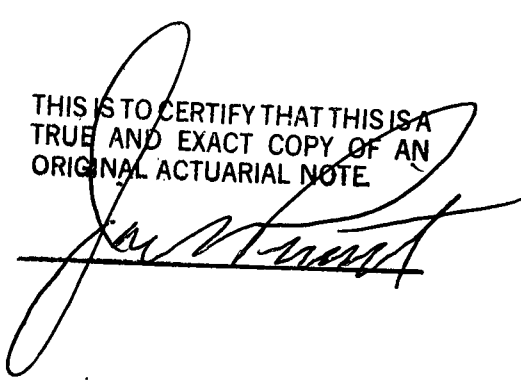
Sincerely,

Edward A. Macdonald *by car*

Edward A. Macdonald
Principal and Consulting Actuary

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





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

June 6, 2000

MEMORANDUM

TO: Representative Rogers

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1726

Re: Allow teachers who work not less than 50% of the time to be required to be a member of the 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: House Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, June 6, 2000
- (3) Actuarial Note, Hartman & Associates, June 6, 2000

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1726

SHORT TITLE: Teachers Retirement Eligibility

SPONSOR(S): Representative Rogers

SYSTEM AFFECTED: Teachers' and State Employees' Retirement System

BILL SUMMARY: Under present law, an employee must work at least 30 hours per week on a recurring basis for nine or more months per year in order to be a member of the Teachers' and State Employees' Retirement System. This bill will allow only teachers who work not less than 50% of the time to be required to be a member of the system.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT: Buck Consultants and Hartman & Associates state that the normal contributions paid on behalf of all members of the System will be adequate to fund the cost of these additional members.

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 December 31, 1998 actuarial valuation of the fund. The data included 278,558 active members with an annual payroll of \$7.995 billion and 97,820 retired members in receipt of annual pensions totaling \$1.375 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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 a 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



APPROVED BY: James D. Johnson

DATE: June 6, 2000

BUCK CONSULTANTS

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

June 6, 2000

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

House Bill 1726

Dear Mr. Pruitt:

We have received your letter of June 2 regarding House Bill 1726 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to mandate membership in the Retirement System, prospectively, for teachers "who work not less than fifty percent (50%) of the time that is required of a person who is employed as a teacher."

There would be no increase in the employer contribution rates on account of this legislation. It is our understanding that there are about 2,000 persons affected by this legislation. The cost to the State would be equal to the current employer contribution rates applied to the payroll of the affected members.

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

Sincerely,

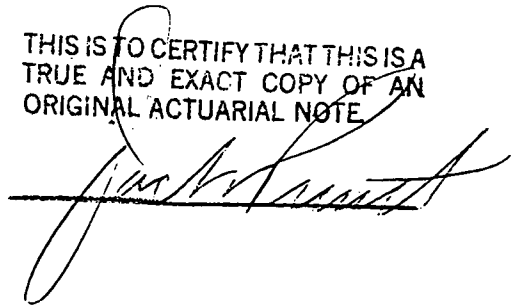
Edward A. Macdonald *by car*

Edward A. Macdonald
Principal and Consulting Actuary

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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 6, 2000

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

Re: House Bill 1726: An Act to Amend the Definition of Teacher
for Purposes of Membership in the TSERS

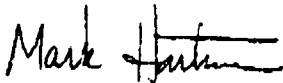
Dear Mr. Moore:

This bill amends G.S. 135-1(25) to expand the definition of teacher for purposes of membership in the North Carolina Teachers' and State Employees' Retirement System (TSERS). Currently, part time teachers are not included in the TSERS, with teachers working less than 75% of the normal schedule considered part-time. This bill would include teachers who are employed to teach in permanent positions and who work not less than 50% of the time that is required of a person who is employed as a teacher. This act becomes effective July 1, 2000.

You have indicated that there are approximately 2,000 employees who would become eligible in the TSERS under the provisions of this bill. Assuming the demographics of these employees are similar to current covered teachers, the estimated cost of providing the retirement, death, disability, and retiree health benefits under this plan would be covered by the current contribution rate of 10.83% of the payroll of the newly eligible employees. This amount does not include the cost of providing health insurance benefits for these employees.

If you have any questions, let me know.

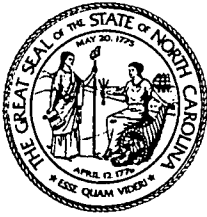
Sincerely,



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

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By: Stanley Moore Date: 6-6-00
Legislative Fiscal Research



HOUSE BILL 1726: Teacher Retirement Eligibility

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: June 21, 2000
Version: 1st Edition

Introduced by: Representative Rogers
Summary by: Theresa Matula
Committee Staff

SUMMARY: *House Bill 1726 amends the definition of the term "teacher" for purposes of membership in the Teachers' and State Employees' Retirement System.*

BILL ANALYSIS:

Section 1

House Bill 1726 amends G.S. 135-1(25) regarding the definition of the term "teacher." This bill specifies that the term "teacher" includes those who are employed to teach in permanent positions and who work not less than 50% of the time that is required of a person who is employed as a teacher under G.S. 115C-325(6).

G.S. 115C-325(6):

"Teacher" means a person who holds at least a current, not provisional or expired, Class A certificate or a regular, not provisional or expired, vocational certificate issued by the Department of Public Instruction; whose major responsibility is to teach or directly supervises teaching or who is classified by the State Board of Education or is paid as a classroom teacher; and who is employed to fill a full-time, permanent position.

Section 2

This act is effective July 1, 2000.

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

**June 28, 2000
Room 1228/1327
12:00 P.M.**

AGENDA

1. Opening Remarks

Representative Michaux, Chair

2. Bills To Be Considered

HB 1147 - INCREASE POST RETIREMENT CAP

Sponsor: Representative Michaux

HB 77 - INCREASE LEO RETIREMENT

Sponsor: Representative Fitch

HB 1677 PROFESSIONAL FIRE FIGHTERS' RETIREMENT

Sponsor: Representative Arnold

HB 1726 - TEACHER RETIREMENT ELIGIBILITY

Sponsor: Representative Rogers

HB 1691 – AMENDS DEATH BENEFIT PLAN

Sponsor: Representative Grady

3. ADJOURNMENT

**HOUSE COMMITTEE ON PENSIONS AND RETIREMENT
COMMITTEE MEETING MINUTES
WEDNESDAY, JUNE 28, 2000
12:00 P.M.**

The meeting was called to order by the Chairman, Rep. Michaux. The members present were Rep. Oldham, Rep. Barbee, Rep. Berry, Rep. Horn, Rep. McCombs, Rep. McCrary, Rep. Tucker, Rep. Warren, Rep. G. Wilson, and Rep. Yongue. The Pages assisting the meeting were Natasha Hicks and Allison Rose. The Visitor Registration Sheet is attached hereto and is incorporated into the minutes of this meeting.

The bills on the agenda were HB 1147, sponsored by Rep. Michaux; HB 77, sponsored by Rep. Fitch; HB 1677, sponsored by Rep. Arnold; HB 1726, sponsored by Rep. Rogers; and HB 1691, sponsored by Rep. Grady.

Rep. Michaux reminded the committee that HB 1691 and HB 1726 had been reported out of the committee at the June 21, 2000 meeting. HB 1147 would not be considered at this time.

Rep. Arnold was recognized for **HB 1677 (Short Title: Professional Fire Fighters' Retirement). Exhibit A**. The purpose of the bill is to get firemen on the same level of coverage for retirement pension as policemen. A printout of what municipalities are currently paying into pension plans was passed out to the committee members. (See **Exhibit B**). Staff Attorney, Stan Fox, was also recognized to explain the bill. Mr. Ellis Hankins, Executive Director of the League of Municipalities, spoke in opposition to the bill. Mr. Richard O'Brien of the Professional Firefighters and Paramedics of North Carolina (PFFPNC) was recognized to speak on the bill. Mr. O'Brien stated that the PFFPNC as a whole had not taken a position on the bill. The organization felt that the bill would benefit the younger firefighters, but would do little for the firefighters who had been in the profession for more than twenty years. Mr. O'Brien felt that the organization would support a bill that was trying to help them. Following the discussion of the bill, Rep. Oldham made a motion that the bill be reported without prejudice and recommendation that the bill be re-referred to the Committee on Appropriations. The Committee approved the motion for a report without prejudice and recommendation that the bill be re-referred to the Committee on Appropriations.

Staff Attorney, Stan Fox, was recognized to explain **HB 77 (Short Title: Increase LEO Retirement). Exhibit C**. The Bill Analysis (Exhibit **D**) was passed out to the Committee Members. Mr. Ellis Hankins spoke in opposition to the bill. The Chairman indicated that there was a committee substitute that the bill sponsor had. He was not present, and the bill would need to be heard at another time.

Pensions and Retirement Committee Meeting
June 28, 2000
Page 2

There being no further business before the committee, the meeting was adjourned.

Respectfully submitted,

Anne Peele
Committee Assistant

Rep. H. M. Michaux, Jr., Chairman

VISITOR REGISTRATION SHEET

Pensions and Retirement Committee

Date 6/28/00

Visitors: Please sign below and Return to Committee Assistant

Name

Firm or Agency and Address

Daniel Arnold	SEANC
BRANDON THOMAS	SEANC
Charles WILKINS	NCACP
Russ Eubank	Admin. Office of the Courts
Stuart Albright	Lt. Governor's office
Bernie Richardson	Johnson Harris Vignea & Gen
Paul Miller	N.C. State Firemen's Assoc.
Roger Bone	Bone & Assoc
Bill Wilson	NCAE
John Lynn	NLASH
ELLIS HANKINS	NCLM
Boyd Canble	City of Charlotte
Frank Lewis	BSBM
Richard O'Brien	PFFPNC

VISITOR REGISTRATION SHEET

Pensions and Retirement Committee

Date 6/28/00

Visitors: Please sign below and Return to Committee Assistant

Name

Firm or Agency and Address

Leigh Hammond

NC Ret Govt Emp Assn

Harry Presnell

NC Ret School Personnel

A. C. Dawson

11 11 11 11

Tim Bryan

State Treasurer / Ref: 1000

Jack Pruitt

11 11

Marshall Barnes

11 11

Patricia Smith

Freedom News

Fred Mills

MCT



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

June 7, 2000

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1325 of the State Legislative Building
Raleigh, North Carolina

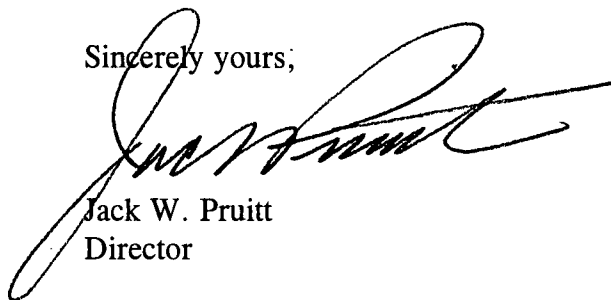
Re: Actuarial Note/House Bill 1677

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 1677 which affects 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

June 5, 2000

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 1677

Dear Mr. Pruitt:

We have received your letter of May 25 regarding House Bill 1677 which affects the Local Governmental Employees' Retirement System.

The proposed legislation appears to create a definition for a "professional firefighter" and to provide professional firefighters with the same retirement structure as law enforcement officers, except that no court cost receipts provided for in G.S. 143-166.50(d) and (e) are to be paid either to the Retirement System or to individual 401(k) accounts on behalf of professional firefighters. Nor will professional firefighters be entitled to the Special Separation Allowance under the provisions of G.S. 143-166.42.

We have calculated that the employers' normal contribution rate under this legislation for firemen members would be 5.33% of covered payroll. The increase from the current employer normal rate of 4.80% would be 0.53%, which would require additional annual normal contributions in perpetuity of approximately \$774,000. The additional unfunded accrued liability created on account of this legislation is \$10,848,000, which would require additional accrued liability contributions of approximately \$935,000 based on 15 year amortization of the additional unfunded accrued liability. The combined annual additional normal and accrued liability contributions required by the employer are approximately \$1,709,000.

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

Sincerely,

Edward A. Macdonald

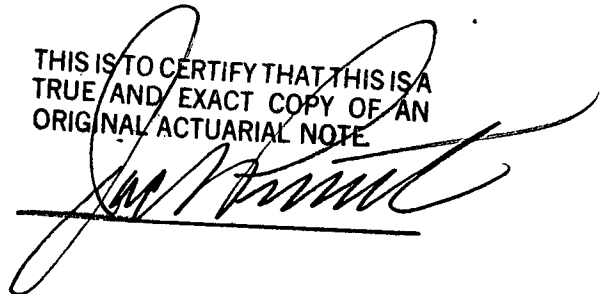
Edward A. Macdonald
Principal and Consulting Actuary

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Enclosure

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



North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1677

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
90111	BURLINGTON, CITY OF.....	75	2,525,985	15,004,813	0.06%	13,388	9,003	22,391
90121	GRAHAM, CITY OF.....	9	283,886	2,911,684	0.17%	1,505	4,950	6,455
90131	ELON COLLEGE, TOWN OF.....	6	191,604	922,659	0.29%	1,016	2,676	3,692
90141	HAW RIVER, TOWN OF.....	3	90,586	478,134	0.35%	480	1,673	2,153
90411	WADESBORO, TOWN OF.....	1	37,631	1,470,874	0.00%	199	0	199
90711	WASHINGTON, CITY OF.....	22	718,986	5,916,985	0.14%	3,811	8,284	12,095
90812	WINDSOR, TOWN OF.....	1	21,887	652,194	0.01%	116	65	181
90911	ELIZABETHTOWN, TOWN OF.....	1	38,978	932,185	0.07%	207	653	860
91091	VILLAGE OF BALD HEAD ISLAND.....	2	50,075	544,914	0.03%	265	163	428
91120	WEST BUNCOMBE FIRE DEPARTMENT.....	4	126,874	130,259	1.20%	672	1,563	2,235
91121	ASHEVILLE, CITY OF.....	163	6,348,177	28,528,711	0.17%	33,645	48,499	82,144
91138	SKYLAND VOLUNTEER FIRE DEPARTMENT.....	15	408,018	526,283	0.39%	2,162	2,053	4,215
91141	WEAVERVILLE, TOWN OF.....	9	262,286	1,151,747	0.00%	1,390	0	1,390
91151	BLACK MOUNTAIN, TOWN OF.....	8	201,820	1,441,180	0.11%	1,070	1,585	2,655
91211	VALDESE, TOWN OF.....	9	233,667	1,836,755	0.07%	1,238	1,286	2,524
91231	MORGANTON, CITY OF.....	1	39,317	7,964,277	0.00%	208	0	208
91311	CONCORD, CITY OF.....	105	3,312,626	18,522,517	0.08%	17,557	14,818	32,375
91331	KANNAPOLIS, TOWN OF.....	4	161,440	5,458,198	0.00%	856	0	856
91411	GRANITE FALLS, TOWN OF.....	6	172,246	1,218,397	0.19%	913	2,315	3,228
91451	CITY OF LENIOR.....	58	1,520,137	5,990,653	0.16%	8,057	9,585	17,642
91611	MOREHEAD CITY, TOWN OF.....	13	415,285	3,059,336	0.08%	2,201	2,447	4,648
91621	NEWPORT, TOWN OF.....	1	27,193	555,465	0.05%	144	278	422
91631	BEAUFORT, TOWN OF.....	10	247,314	1,008,562	0.25%	1,311	2,521	3,832
91651	EMERALD ISLE, TOWN OF.....	11	308,405	1,384,264	0.24%	1,635	3,322	4,957
91811	HICKORY, CITY OF.....	108	3,333,512	16,470,137	0.12%	17,668	19,764	37,432
91821	CLAREMONT, TOWN OF.....	1	29,798	402,972	0.03%	158	121	279
91831	MAIDEN, TOWN OF.....	1	22,505	1,098,780	0.00%	119	0	119
91841	LONG VIEW, TOWN OF.....	4	92,138	940,037	0.15%	488	1,410	1,898
91851	CONOVER, TOWN OF.....	5	120,834	1,972,163	0.02%	640	394	1,034
91871	NEWTON, TOWN OF.....	10	308,769	4,385,380	0.03%	1,636	1,316	2,952
92111	EDENTON, TOWN OF.....	8	252,733	1,836,947	0.05%	1,339	918	2,257
92311	SHELBY, CITY OF.....	40	1,344,129	7,957,333	0.14%	7,124	11,140	18,264
92321	KINGS MOUNTAIN, CITY OF.....	6	175,733	2,970,164	0.11%	931	3,267	4,198

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1677

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
92411	WHITEVILLE, CITY OF.....	11	264,115	1,574,659	0.06%			
92511	NEW BERN, CITY OF.....	31	1,042,697	10,617,125	0.05%	1,400	945	2,345
92531	HAVELOCK, CITY OF.....	2	71,047	2,232,125	0.07%	5,526	5,309	10,835
92602	WESTAREA VOLUNTEER FIRE DEPARTMENT..	4	78,959	115,040	0.17%	377	1,562	1,939
92611	FAYETTEVILLE, CITY OF.....	178	5,607,655	30,345,598	0.11%	418	196	614
92612	LAFAYETTE VILLAGE FIRE DEPARTMENT...	13	343,229	343,229	0.86%	29,721	33,380	63,101
92618	BONNIE DOONE FIRE DISTRICT.....	13	459,379	459,379	1.00%	1,819	2,952	4,771
92620	CUMBERLAND ROAD FIRE DEPARTMENT.....	3	58,526	82,983	0.14%	2,435	4,594	7,029
92631	HOPE MILLS, TOWN OF.....	9	135,515	1,634,420	0.04%	310	116	426
92811	NAGS HEAD, TOWN OF.....	8	265,998	2,880,216	0.10%	718	654	1,372
92821	KILL DEVIL HILLS, TOWN OF.....	16	554,535	3,094,163	0.30%	1,410	2,880	4,290
92851	KITTY HAWK, TOWN OF.....	2	37,396	794,306	0.04%	2,939	9,282	12,221
92911	THOMASVILLE, CITY OF.....	48	1,408,480	6,397,107	0.10%	198	318	516
92931	LEXINGTON, CITY OF.....	47	1,610,109	10,475,547	0.10%	7,465	6,397	13,862
93202	PARKWOOD FIRE DEPARTMENT.....	10	313,852	353,973	0.04%	8,534	10,476	19,010
93208	BETHESDA FIRE DEPARTMENT.....	2	61,670	114,855	0.69%	1,663	142	1,805
93211	DURHAM, CITY OF.....	235	8,579,805	56,695,351	0.16%	327	792	1,119
93311	TARBORO, TOWN OF.....	19	669,161	4,699,946	0.09%	45,473	90,713	136,186
93321	ROCKY MOUNT, CITY OF.....	113	3,876,643	22,207,779	0.10%	3,547	4,230	7,777
93323	ROCKY MOUNT-WILSON AIRPORT AUTHORITY	2	41,757	154,382	0.00%	20,546	22,208	42,754
93411	WINSTON-SALEM, CITY OF.....	255	8,047,203	71,389,547	0.06%	221	0	221
93421	KERNERSVILLE, TOWN OF.....	35	1,000,742	4,526,764	0.12%	42,650	42,834	85,484
93431	RURAL HALL, TOWN OF.....	2	46,834	305,292	0.11%	5,304	5,432	10,736
93442	CLEMMONS FIRE DEPARTMENT.....	6	174,100	224,831	0.70%	248	336	584
93521	LOUISBURG, TOWN OF.....	5	164,396	1,454,647	0.06%	923	1,574	2,497
93611	GASTONIA, CITY OF.....	122	4,327,712	29,350,807	0.06%	871	873	1,744
93621	BELMONT, CITY OF.....	6	166,499	1,849,717	0.00%	22,937	17,610	40,547
93641	CHERRYVILLE, CITY OF.....	6	181,484	1,692,112	0.08%	882	0	882
93691	MT. HOLLY, CITY OF.....	4	118,827	1,949,009	0.04%	962	1,354	2,316
93911	OXFORD, CITY OF.....	6	152,769	2,262,338	0.02%	630	780	1,410
94102	GUIL-RAND FIRE DEPARTMENT.....	20	543,955	597,357	0.64%	810	452	1,262
94107	GUILFORD COLL. COMM. VOL. FIRE ASSOC	11	370,644	456,554	0.91%	2,883	3,823	6,706
94108	PINECROFT-SEDGEFIELD FIRE DISTRICT..	11	355,221	355,221	0.80%	1,964	4,155	6,119
						1,883	2,842	4,725

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1677

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
94109	ALAMANCE COMMUNITY FIRE DIST., INC...	4	121,665	121,665	2.09%	645	2,543	3,188
94110	DEEP RIVER FIRE DEPARTMENT.....	1	33,132	33,410	4.27%	176	1,427	1,603
94111	GREENSBORO, CITY OF.....	361	14,319,841	84,526,716	0.06%	75,895	50,716	126,611
94118	GUILFORD FIRE DISTRICT.....	8	130,040	260,198	0.05%	689	130	819
94121	HIGH POINT, CITY OF.....	176	6,067,421	39,273,032	0.06%	32,157	23,564	55,721
94131	JAMESTOWN, TOWN OF.....	1	47,048	805,921	0.00%	249	0	249
94151	GIBSONVILLE, TOWN OF.....	1	36,164	958,049	0.00%	192	0	192
94168	COLFAX VOLUNTEER FIRE DEPARTMENT....	5	153,698	153,698	1.18%	815	1,814	2,629
94172	SUMMERFIELD FIRE DISTRICT.....	4	115,001	115,001	0.00%	610	0	610
94182	MOUNT HOPE FIRE DEPARTMENT.....	1	24,825	25,042	0.45%	132	113	245
94221	ROANOKE RAPIDS, CITY OF.....	27	849,273	4,095,554	0.17%	4,501	6,962	11,463
94231	WELDON, TOWN OF.....	6	116,509	569,641	0.09%	617	513	1,130
94311	DUNN, TOWN OF.....	2	65,604	2,812,483	0.05%	348	1,406	1,754
94321	LILLINGTON, TOWN OF.....	1	26,523	535,860	0.01%	141	54	195
94411	WAYNESVILLE, TOWN OF.....	7	233,793	3,487,040	0.07%	1,239	2,441	3,680
94431	CANTON, TOWN OF.....	5	128,505	1,947,443	0.04%	681	779	1,460
94511	HENDERSONVILLE, CITY OF.....	16	535,099	2,928,191	0.04%	2,836	1,171	4,007
94532	BLUE RIDGE FIRE DEPARTMENT.....	6	168,867	185,309	1.30%	895	2,409	3,304
94541	FLETCHER, TOWN OF.....	1	4,327	676,299	0.00%	23	0	23
94611	AHOSKIE, TOWN OF.....	5	135,717	1,215,229	0.10%	719	1,215	1,934
94711	RAEFORD, TOWN OF.....	1	35,074	1,203,623	0.00%	186	0	186
94911	STATESVILLE, CITY OF.....	54	1,716,291	8,938,543	0.20%	9,096	17,877	26,973
94921	MOORESVILLE, CITY OF.....	13	457,544	4,870,606	0.11%	2,425	5,358	7,783
95111	SMITHFIELD, TOWN OF.....	4	154,658	3,455,362	0.02%	820	691	1,511
95141	BENSON, TOWN OF.....	1	19,488	1,160,806	0.02%	103	232	335
95311	SANFORD, CITY OF.....	43	1,444,023	8,303,561	0.11%	7,653	9,134	16,787
95411	KINSTON, CITY OF.....	56	1,711,157	10,662,681	0.08%	9,069	8,530	17,599
95511	LINCOLNTON, CITY OF.....	16	571,867	4,070,319	0.09%	3,031	3,663	6,694
95611	FRANKLIN, TOWN OF.....	1	4,268	1,275,247	0.00%	23	0	23
95711	MARS HILL, TOWN OF.....	1	22,279	339,658	0.00%	118	0	118
95721	MARSHALL, TOWN OF.....	1	21,991	166,600	0.00%	117	0	117
95811	WILLIAMSTON, CITY OF.....	16	359,681	1,576,487	0.16%	1,906	2,522	4,428
95851	ROBERSONVILLE, TOWN OF.....	1	32,391	680,858	0.00%	172	0	172

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1677

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
95908	PLEASANT GARDEN FIRE DEPARTMENT.....	2	53,341	80,540	1.52%			
95911	MARION, TOWN OF.....	4	127,278	1,765,692	0.07%	283	1,224	1,507
96011	CHARLOTTE, CITY OF.....	12	429,790	140,003,179	0.01%	675	1,236	1,911
96031	MINT HILL, TOWN OF.....	2	67,460	426,346	0.27%	2,278	14,000	16,278
96311	SOUTHERN PINES, TOWN OF.....	14	362,055	3,050,994	0.07%	358	1,151	1,509
96331	ABERDEEN, TOWN OF.....	4	115,050	1,458,335	0.11%	1,919	2,136	4,055
96351	PINEHURST, VILLAGE OF.....	26	567,288	2,403,407	0.31%	610	1,604	2,214
96361	PINEBLUFF, TOWN OF.....	1	15,639	183,875	0.08%	3,007	7,451	10,458
96421	NASHVILLE, TOWN OF.....	2	37,984	970,257	0.00%	83	147	230
96502	NEW HANOVER AIRPORT AUTHORITY.....	7	184,983	836,824	0.31%	201	0	201
96511	WRIGHTSVILLE BEACH, TOWN OF.....	10	304,890	2,195,420	0.10%	980	2,594	3,574
96531	WILMINGTON, CITY OF.....	124	3,897,121	22,478,108	0.08%	1,616	2,195	3,811
96711	JACKSONVILLE, CITY OF.....	60	1,969,577	10,969,713	0.16%	20,655	17,982	38,637
96811	CHAPEL HILL, TOWN OF.....	49	1,908,532	15,746,835	0.07%	10,439	17,552	27,991
96821	CARRBORO, TOWN OF.....	19	512,120	3,682,889	0.11%	10,115	11,023	21,138
97011	ELIZABETH CITY.....	31	1,033,661	5,433,407	0.09%	2,714	4,051	6,765
97111	BURGAW, TOWN OF.....	1	33,158	680,844	0.03%	5,478	4,890	10,368
97311	ROXBORO, CITY OF.....	13	353,852	3,274,373	0.15%	176	204	380
97411	GREENVILLE, CITY OF.....	108	3,899,987	19,160,229	0.16%	1,875	4,912	6,787
97511	TRYON, TOWN OF.....	1	31,107	891,785	0.00%	20,670	30,656	51,326
97611	ASHEBORO, CITY OF.....	38	1,118,591	6,629,980	0.19%	165	0	165
97621	RANDLEMAN, CITY OF.....	10	245,119	1,048,422	0.20%	5,929	12,597	18,526
97711	ROCKINGHAM, CITY OF.....	16	424,113	2,958,160	0.05%	1,299	2,097	3,396
97721	HAMLET, CITY OF.....	8	183,595	1,914,779	0.09%	2,248	1,479	3,727
97731	ELLERBE, TOWN OF.....	1	26,370	123,304	0.04%	973	1,723	2,696
97811	LUMBERTON, CITY OF.....	49	1,484,704	7,373,295	0.20%	140	49	189
97821	FAIRMONT, TOWN OF.....	1	38,312	809,601	0.14%	7,869	14,747	22,616
97851	PEMBROKE, TOWN OF.....	1	26,039	684,638	0.10%	203	1,133	1,336
97911	REIDSVILLE, TOWN OF.....	29	713,281	4,756,395	0.08%	138	685	823
97951	EDEN, CITY OF.....	16	496,245	5,108,265	0.13%	3,780	3,805	7,585
98011	SALISBURY, CITY OF.....	59	1,926,856	12,111,854	0.14%	2,630	6,641	9,271
98111	FOREST CITY.....	8	295,564	3,061,813	0.07%	10,212	16,957	27,169
98121	SPINDALE, TOWN OF.....	3	95,073	951,177	0.04%	1,566	2,143	3,709
						504	380	884

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1677

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
98141	RUTHERFORDTON, TOWN OF.....	5	103,589	861,347	0.06%	549	517	1,066
98211	CLINTON, CITY OF.....	3	89,031	2,944,653	0.02%	472	589	1,061
98311	LAURINBURG, CITY OF.....	4	138,685	4,376,752	0.06%	735	2,626	3,361
98411	ALBEMARLE, CITY OF.....	41	1,128,846	7,049,748	0.13%	5,983	9,165	15,148
98631	MOUNT AIRY, TOWN OF.....	16	488,322	4,535,418	0.06%	2,588	2,721	5,309
98641	ELKIN, TOWN OF.....	3	81,814	1,265,679	0.17%	434	2,152	2,586
99011	MONROE, CITY OF.....	5	177,354	8,953,804	0.00%	940	0	940
99111	HENDERSON, CITY OF.....	31	903,536	5,196,939	0.13%	4,789	6,756	11,545
99202	HOLLY SPRINGS, TOWN OF.....	4	111,568	2,221,415	0.07%	591	1,555	2,146
99208	BAYLEAF FIRE DEPARTMENT.....	7	169,287	229,949	0.07%	897	161	1,058
99211	RALEIGH, CITY OF.....	382	14,647,789	89,365,408	0.08%	77,633	71,492	149,125
99212	DURHAM HIGHWAY FIRE PROTECTION AGENC	7	161,134	186,922	0.07%	854	131	985
99218	RALEIGH-DURHAM AIRPORT AUTHORITY....	18	705,513	5,350,282	0.06%	3,739	3,210	6,949
99221	CARY, TOWN OF.....	108	3,969,876	20,888,917	0.11%	21,040	22,978	44,018
99241	ZEBULON, TOWN OF.....	3	82,061	1,635,629	0.02%	435	327	762
99252	GARNER FIRE DEPARTMENT.....	12	355,120	355,120	1.15%	1,882	4,084	5,966
99511	BOONE, TOWN OF.....	4	152,936	3,617,211	0.04%	811	1,447	2,258
99521	BLOWING ROCK, TOWN OF.....	1	25,957	991,516	0.06%	138	595	733
99611	GOLDSBORO, CITY OF.....	80	2,254,632	11,596,917	0.17%	11,950	19,715	31,665
99621	MOUNT OLIVE, TOWN OF.....	1	22,608	991,280	0.00%	120	0	120
99711	NORTH WILKESBORO, TOWN OF.....	3	87,809	1,510,251	0.11%	465	1,661	2,126
99811	WILSON, CITY OF.....	75	2,759,663	19,242,993	0.07%	14,626	13,470	28,096
		4,363	146,015,117	1,085,354,355		773,881	935,340	1,709,221



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June 6, 2000

MEMORANDUM

TO: Representative Arnold

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 1677

Re: Defines a "Professional Firefighter" in the Local Governmental Employees' Retirement System and provides for unreduced retirement benefits at any age with 30 years or age 55 with five years of service. Also requires all local employers to contribute 5% of salary to the 401(k) Plan on behalf of all firefighters

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 5, 2000
- (3) Actuarial Note, Hartman & Associates, June 6, 2000

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 1677

SHORT TITLE: Professional Firefighters' Retirement

SPONSOR(S): Representative Arnold

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Government Funds

BILL SUMMARY: Defines a "Professional Firefighter" in the Local Governmental Employees' Retirement System and provides for unreduced retirement benefits at any age with 30 years or age 55 with five years of service. Also requires all local employers to contribute 5% of salary to the 401(k) Plan on behalf of all firefighters.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Retirement System Actuary: Buck Consultants estimates the normal cost will increase from 4.80% of payroll to 5.33% for a net increase of .53% of the payroll of firefighters. Buck Consultants estimates an increase in the unfunded accrued liability of \$10,848,000 and the annual cost to pay the unfunded accrued liability over a 15 year liquidation period will be \$14,075,000 which is expressed as a percent of the total payroll of all employees within each employer.

	2000-01	2001-02	2002-03	2003-04	2004-05
Normal Cost Increase	\$773,880	\$823,873	\$877,095	\$933,755	\$994,076
Accrued Liability	\$935,340	\$995,763	\$1,060,089	\$1,128,571	\$1,201,477
401(k)	\$7,300,756	\$7,772,385	\$8,274,481	\$8,809,012	\$9,378,074
Total Local Funds	\$9,009,976	\$9,592,020	\$10,211,665	\$10,871,338	\$11,573,627

General Assembly Actuary: Hartman & Associates, LLC estimates the normal cost will increase from 4.80% of payroll to 5.45% for a net increase of .65% of the payroll of firefighters. They also estimates an increase in the unfunded accrued liability of \$11,677,000 and the annual cost to pay the unfunded accrued liability over a 15 year liquidation period is expressed as .71% of the payroll for firefighters.

	2000-01	2001-02	2002-03	2003-04	2004-05
Normal Cost Increase	\$ 949,098	\$1,010,410	\$1,075,682	\$1,145,172	\$1,219,150
Accrued Liability	\$1,036,707	\$1,103,679	\$1,174,976	\$1,250,880	\$1,331,687
401(k)	\$7,300,756	\$7,772,385	\$8,274,481	\$8,809,012	\$9,378,074
Total Local Funds	\$9,286,561	\$9,886,473	\$10,525,139	\$11,205,063	\$11,928,911

The cost for the 401(k) contributions are overstated. At present there are 158 cities and towns that contribute to the 401(k) Plan on behalf of all employees.

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, 1998 actuarial valuation of the fund. The data included 108,904 active members with an annual payroll of \$2.930 billion and 26,975 retired members in receipt of annual pensions totaling \$291.4 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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.

The above cost estimates are based on 4,421 employees with an estimated salary base of \$146,015,117 projected at the average annual increase in compensation base of 6.46% for the Local System over the next five years.

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: James D. Johnson

DATE: June 6, 2000

BUCK CONSULTANTS

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

June 5, 2000

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 1677

Dear Mr. Pruitt:

We have received your letter of May 25 regarding House Bill 1677 which affects the Local Governmental Employees' Retirement System.

The proposed legislation appears to create a definition for a "professional firefighter" and to provide professional firefighters with the same retirement structure as law enforcement officers, except that no court cost receipts provided for in G.S. 143-166.50(d) and (e) are to be paid either to the Retirement System or to individual 401(k) accounts on behalf of professional firefighters. Nor will professional firefighters be entitled to the Special Separation Allowance under the provisions of G.S. 143-166.42.

We have calculated that the employers' normal contribution rate under this legislation for firemen members would be 5.33% of covered payroll. The increase from the current employer normal rate of 4.80% would be 0.53%, which would require additional annual normal contributions in perpetuity of approximately \$774,000. The additional unfunded accrued liability created on account of this legislation is \$10,848,000, which would require additional accrued liability contributions of approximately \$935,000 based on 15 year amortization of the additional unfunded accrued liability. The combined annual additional normal and accrued liability contributions required by the employer are approximately \$1,709,000.

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

Sincerely,

Edward A. Macdonald

Edward A. Macdonald
Principal and Consulting Actuary

EAM:ws

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Enclosure

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

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1677

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
90111	BURLINGTON, CITY OF.....	75	2,525,985	15,004,813	0.06%			
90121	GRAHAM, CITY OF.....	9	283,886	2,911,684	0.17%	13,388	9,003	22,391
90131	ELON COLLEGE, TOWN OF.....	6	191,604	922,659	0.29%	1,505	4,950	6,455
90141	HAW RIVER, TOWN OF.....	3	90,586	478,134	0.35%	1,016	2,676	3,692
90411	WADESBORO, TOWN OF.....	1	37,631	1,470,874	0.00%	480	1,673	2,153
90711	WASHINGTON, CITY OF.....	22	718,986	5,916,985	0.14%	199	0	199
90812	WINDSOR, TOWN OF.....	1	21,887	652,194	0.01%	3,811	8,284	12,095
90911	ELIZABETHTOWN, TOWN OF.....	1	38,978	932,185	0.07%	116	65	181
91091	VILLAGE OF BALD HEAD ISLAND.....	2	50,075	544,914	0.03%	207	653	860
91120	WEST BUNCOMBE FIRE DEPARTMENT.....	4	126,874	130,259	1.20%	265	163	428
91121	ASHEVILLE, CITY OF.....	163	6,348,177	28,528,711	0.17%	672	1,563	2,235
91138	SKYLAND VOLUNTEER FIRE DEPARTMENT.....	15	408,018	526,283	0.39%	33,645	48,499	82,144
91141	WEAVERVILLE, TOWN OF.....	9	262,286	1,151,747	0.00%	2,162	2,053	4,215
91151	BLACK MOUNTAIN, TOWN OF.....	8	201,820	1,441,180	0.11%	1,390	0	1,390
91211	VALDESE, TOWN OF.....	9	233,667	1,836,755	0.07%	1,070	1,585	2,655
91231	MORGANTON, CITY OF.....	1	39,317	7,964,277	0.00%	1,238	1,286	2,524
91311	CONCORD, CITY OF.....	105	3,312,626	18,522,517	0.08%	208	0	208
91331	KANNAPOLIS, TOWN OF.....	4	161,440	5,458,198	0.00%	17,557	14,818	32,375
91411	GRANITE FALLS, TOWN OF.....	6	172,246	1,218,397	0.19%	856	0	856
91451	CITY OF LENIOR.....	58	1,520,137	5,990,653	0.16%	913	2,315	3,228
91611	MOREHEAD CITY, TOWN OF.....	13	415,285	3,059,336	0.08%	8,057	9,585	17,642
91621	NEWPORT, TOWN OF.....	1	27,193	555,465	0.05%	2,201	2,447	4,648
91631	BEAUFORT, TOWN OF.....	10	247,314	1,008,562	0.25%	144	278	422
91651	EMERALD ISLE, TOWN OF.....	11	308,405	1,384,264	0.24%	1,311	2,521	3,832
91811	HICKORY, CITY OF.....	108	3,333,512	16,470,137	0.12%	1,635	3,322	4,957
91821	CLAREMONT, TOWN OF.....	1	29,798	402,972	0.03%	17,668	19,764	37,432
91831	MAIDEN, TOWN OF.....	1	22,505	1,098,780	0.00%	158	121	279
91841	LONG VIEW, TOWN OF.....	4	92,138	940,037	0.15%	119	0	119
91851	CONOVER, TOWN OF.....	5	120,834	1,972,163	0.02%	488	1,410	1,898
91871	NEWTON, TOWN OF.....	10	308,769	4,385,380	0.03%	640	394	1,034
92111	EDENTON, TOWN OF.....	8	252,733	1,836,947	0.05%	1,636	1,316	2,952
92311	SHELBY, CITY OF.....	40	1,344,129	7,957,333	0.14%	1,339	918	2,257
92321	KINGS MOUNTAIN, CITY OF.....	6	175,733	2,970,164	0.11%	7,124	11,140	18,264
						931	3,267	4,198

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1677

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
92411	WHITEVILLE, CITY OF.....	11	264,115	1,574,659	0.06%			
92511	NEW BERN, CITY OF.....	31	1,042,697	10,617,125	0.05%	1,400	945	2,345
92531	HAVELOCK, CITY OF.....	2	71,047	2,232,125	0.07%	5,526	5,309	10,835
92602	WESTAREA VOLUNTEER FIRE DEPARTMENT..	4	78,959	115,040	0.17%	377	1,562	1,939
92611	FAYETTEVILLE, CITY OF.....	178	5,607,655	30,345,598	0.11%	418	196	614
92612	LAFAYETTE VILLAGE FIRE DEPARTMENT...	13	343,229	343,229	0.86%	29,721	33,380	63,101
92618	BONNIE DOONE FIRE DISTRICT.....	13	459,379	459,379	1.00%	1,819	2,952	4,771
92620	CUMBERLAND ROAD FIRE DEPARTMENT.....	3	58,526	82,983	0.14%	2,435	4,594	7,029
92631	HOPE MILLS, TOWN OF.....	9	135,515	1,634,420	0.04%	310	116	426
92811	NAGS HEAD, TOWN OF.....	8	265,998	2,880,216	0.10%	718	654	1,372
92821	KILL DEVIL HILLS, TOWN OF.....	16	554,535	3,094,163	0.30%	1,410	2,880	4,290
92851	KITTY HAWK, TOWN OF.....	2	37,396	794,306	0.04%	2,939	9,282	12,221
92911	THOMASVILLE, CITY OF.....	48	1,408,480	6,397,107	0.10%	198	318	516
92931	LEXINGTON, CITY OF.....	47	1,610,109	10,475,547	0.10%	7,465	6,397	13,862
93202	PARKWOOD FIRE DEPARTMENT.....	10	313,852	353,973	0.04%	8,534	10,476	19,010
93208	BETHESDA FIRE DEPARTMENT.....	2	61,670	114,855	0.69%	1,663	142	1,805
93211	DURHAM, CITY OF.....	235	8,579,805	56,695,351	0.16%	327	792	1,119
93311	TARBORO, TOWN OF.....	19	669,161	4,699,946	0.09%	45,473	90,713	136,186
93321	ROCKY MOUNT, CITY OF.....	113	3,876,643	22,207,779	0.10%	3,547	4,230	7,777
93323	ROCKY MOUNT-WILSON AIRPORT AUTHORITY	2	41,757	154,382	0.00%	20,546	22,208	42,754
93411	WINSTON-SALEM, CITY OF.....	255	8,047,203	71,389,547	0.06%	221	0	221
93421	KERNERSVILLE, TOWN OF.....	35	1,000,742	4,526,764	0.12%	42,650	42,834	85,484
93431	RURAL HALL, TOWN OF.....	2	46,834	305,292	0.11%	5,304	5,432	10,736
93442	CLEMMONS FIRE DEPARTMENT.....	6	174,100	224,831	0.70%	248	336	584
93521	LOUISBURG, TOWN OF.....	5	164,396	1,454,647	0.06%	923	1,574	2,497
93611	GASTONIA, CITY OF.....	122	4,327,712	29,350,807	0.06%	871	873	1,744
93621	BELMONT, CITY OF.....	6	166,499	1,849,717	0.00%	22,937	17,610	40,547
93641	CHERRYVILLE, CITY OF.....	6	181,484	1,692,112	0.08%	882	0	882
93691	MT. HOLLY, CITY OF.....	4	118,827	1,949,009	0.04%	962	1,354	2,316
93911	OXFORD, CITY OF.....	6	152,769	2,262,338	0.02%	630	780	1,410
94102	GUIL-RAND FIRE DEPARTMENT.....	20	543,955	597,357	0.64%	810	452	1,262
94107	GUILFORD COLL. COMM. VOL. FIRE ASSOC	11	370,644	456,554	0.91%	2,883	3,823	6,706
94108	PINECROFT-SEDGEFIELD FIRE DISTRICT..	11	355,221	355,221	0.80%	1,964	4,155	6,119
						1,883	2,842	4,725

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1677

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
94109	ALAMANCE COMMUNITY FIRE DIST., INC....	4	121,665	121,665	2.09%			
94110	DEEP RIVER FIRE DEPARTMENT.....	1	33,132	33,410	4.27%	645	2,543	3,188
94111	GREENSBORO, CITY OF.....	361	14,319,841	84,526,716	0.06%	176	1,427	1,603
94118	GUILFORD FIRE DISTRICT.....	8	130,040	260,198	0.05%	75,895	50,716	126,611
94121	HIGH POINT, CITY OF.....	176	6,067,421	39,273,032	0.06%	689	130	819
94131	JAMESTOWN, TOWN OF.....	1	47,048	805,921	0.00%	32,157	23,564	55,721
94151	GIBSONVILLE, TOWN OF.....	1	36,164	958,049	0.00%	249	0	249
94168	COLFAX VOLUNTEER FIRE DEPARTMENT....	5	153,698	153,698	1.18%	192	0	192
94172	SUMMERFIELD FIRE DISTRICT.....	4	115,001	115,001	0.00%	815	1,814	2,629
94182	MOUNT HOPE FIRE DEPARTMENT.....	1	24,825	25,042	0.45%	610	0	610
94221	ROANOKE RAPIDS, CITY OF.....	27	849,273	4,095,554	0.17%	132	113	245
94231	WELDON, TOWN OF.....	6	116,509	569,641	0.09%	4,501	6,962	11,463
94311	DUNN, TOWN OF.....	2	65,604	2,812,483	0.05%	617	513	1,130
94321	LILLINGTON, TOWN OF.....	1	26,523	535,860	0.01%	348	1,406	1,754
94411	WAYNESVILLE, TOWN OF.....	7	233,793	3,487,040	0.07%	141	54	195
94431	CANTON, TOWN OF.....	5	128,505	1,947,443	0.04%	1,239	2,441	3,680
94511	HENDERSONVILLE, CITY OF.....	16	535,099	2,928,191	0.04%	681	779	1,460
94532	BLUE RIDGE FIRE DEPARTMENT.....	6	168,867	185,309	1.30%	2,836	1,171	4,007
94541	FLETCHER, TOWN OF.....	1	4,327	676,299	0.00%	895	2,409	3,304
94611	AHOSKIE, TOWN OF.....	5	135,717	1,215,229	0.10%	23	0	23
94711	RAEFORD, TOWN OF.....	1	35,074	1,203,623	0.00%	719	1,215	1,934
94911	STATESVILLE, CITY OF.....	54	1,716,291	8,938,543	0.20%	186	0	186
94921	MOORESVILLE, CITY OF.....	13	457,544	4,870,606	0.11%	9,096	17,877	26,973
95111	SMITHFIELD, TOWN OF.....	4	154,658	3,455,362	0.02%	2,425	5,358	7,783
95141	BENSON, TOWN OF.....	1	19,488	1,160,806	0.02%	820	691	1,511
95311	SANFORD, CITY OF.....	43	1,444,023	8,303,561	0.11%	103	232	335
95411	KINSTON, CITY OF.....	56	1,711,157	10,662,681	0.08%	7,653	9,134	16,787
95511	LINCOLNTON, CITY OF.....	16	571,867	4,070,319	0.09%	9,069	8,530	17,599
95611	FRANKLIN, TOWN OF.....	1	4,268	1,275,247	0.00%	3,031	3,663	6,694
95711	MARS HILL, TOWN OF.....	1	22,279	339,658	0.00%	23	0	23
95721	MARSHALL, TOWN OF.....	1	21,991	166,600	0.00%	118	0	118
95811	WILLIAMSTON, CITY OF.....	16	359,681	1,576,487	0.16%	117	0	117
95851	ROBERSONVILLE, TOWN OF.....	1	32,391	680,858	0.00%	1,906	2,522	4,428
						172	0	172

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1677

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
95908	PLEASANT GARDEN FIRE DEPARTMENT.....	2	53,341	80,540	1.52%			
95911	MARION, TOWN OF.....	4	127,278	1,765,692	0.07%	283	1,224	1,507
96011	CHARLOTTE, CITY OF.....	12	429,790	140,003,179	0.01%	675	1,236	1,911
96031	MINT HILL, TOWN OF.....	2	67,460	426,346	0.27%	2,278	14,000	16,278
96311	SOUTHERN PINES, TOWN OF.....	14	362,055	3,050,994	0.07%	358	1,151	1,509
96331	ABERDEEN, TOWN OF.....	4	115,050	1,458,335	0.11%	1,919	2,136	4,055
96351	PINEHURST, VILLAGE OF.....	26	567,288	2,403,407	0.31%	610	1,604	2,214
96361	PINEBLUFF, TOWN OF.....	1	15,639	183,875	0.08%	3,007	7,451	10,458
96421	NASHVILLE, TOWN OF.....	2	37,984	970,257	0.00%	83	147	230
96502	NEW HANOVER AIRPORT AUTHORITY.....	7	184,983	836,824	0.31%	201	0	201
96511	WRIGHTSVILLE BEACH, TOWN OF.....	10	304,890	2,195,420	0.10%	980	2,594	3,574
96531	WILMINGTON, CITY OF.....	124	3,897,121	22,478,108	0.08%	1,616	2,195	3,811
96711	JACKSONVILLE, CITY OF.....	60	1,969,577	10,969,713	0.16%	20,655	17,982	38,637
96811	CHAPEL HILL, TOWN OF.....	49	1,908,532	15,746,835	0.07%	10,439	17,552	27,991
96821	CARRBORO, TOWN OF.....	19	512,120	3,682,889	0.11%	10,115	11,023	21,138
97011	ELIZABETH CITY.....	31	1,033,661	5,433,407	0.09%	2,714	4,051	6,765
97111	BURGAW, TOWN OF.....	1	33,158	680,844	0.03%	5,478	4,890	10,368
97311	ROXBORO, CITY OF.....	13	353,852	3,274,373	0.15%	176	204	380
97411	GREENVILLE, CITY OF.....	108	3,899,987	19,160,229	0.16%	1,875	4,912	6,787
97511	TRYON, TOWN OF.....	1	31,107	891,785	0.00%	20,670	30,656	51,326
97611	ASHEBORO, CITY OF.....	38	1,118,591	6,629,980	0.19%	165	0	165
97621	RANDLEMAN, CITY OF.....	10	245,119	1,048,422	0.20%	5,929	12,597	18,526
97711	ROCKINGHAM, CITY OF.....	16	424,113	2,958,160	0.05%	1,299	2,097	3,396
97721	HAMLET, CITY OF.....	8	183,595	1,914,779	0.09%	2,248	1,479	3,727
97731	ELLERBE, TOWN OF.....	1	26,370	123,304	0.04%	973	1,723	2,696
97811	LUMBERTON, CITY OF.....	49	1,484,704	7,373,295	0.20%	140	49	189
97821	FAIRMONT, TOWN OF.....	1	38,312	809,601	0.14%	7,869	14,747	22,616
97851	PEMBROKE, TOWN OF.....	1	26,039	684,638	0.10%	203	1,133	1,336
97911	REIDSVILLE, TOWN OF.....	29	713,281	4,756,395	0.08%	138	685	823
97951	EDEN, CITY OF.....	16	496,245	5,108,265	0.13%	3,780	3,805	7,585
98011	SALISBURY, CITY OF.....	59	1,926,856	12,111,854	0.14%	2,630	6,641	9,271
98111	FOREST CITY.....	8	295,564	3,061,813	0.07%	10,212	16,957	27,169
98121	SPINDALE, TOWN OF.....	3	95,073	951,177	0.04%	1,566	2,143	3,709
						504	380	884

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of House Bill 1677

Local No.	Name	No. Firefighters	Firefighter Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
98141	RUTHERFORDTON, TOWN OF.....	5	103,589	861,347	0.06%	549	517	1,066
98211	CLINTON, CITY OF.....	3	89,031	2,944,653	0.02%	472	589	1,061
98311	LAURINBURG, CITY OF.....	4	138,685	4,376,752	0.06%	735	2,626	3,361
98411	ALBEMARLE, CITY OF.....	41	1,128,846	7,049,748	0.13%	5,983	9,165	15,148
98631	MOUNT AIRY, TOWN OF.....	16	488,322	4,535,418	0.06%	2,588	2,721	5,309
98641	ELKIN, TOWN OF.....	3	81,814	1,265,679	0.17%	434	2,152	2,586
99011	MONROE, CITY OF.....	5	177,354	8,953,804	0.00%	940	0	940
99111	HENDERSON, CITY OF.....	31	903,536	5,196,939	0.13%	4,789	6,756	11,545
99202	HOLLY SPRINGS, TOWN OF.....	4	111,568	2,221,415	0.07%	591	1,555	2,146
99208	BAYLEAF FIRE DEPARTMENT.....	7	169,287	229,949	0.07%	897	161	1,058
99211	RALEIGH, CITY OF.....	382	14,647,789	89,365,408	0.08%	77,633	71,492	149,125
99212	DURHAM HIGHWAY FIRE PROTECTION AGENC	7	161,134	186,922	0.07%	854	131	985
99218	RALEIGH-DURHAM AIRPORT AUTHORITY....	18	705,513	5,350,282	0.06%	3,739	3,210	6,949
99221	CARY, TOWN OF.....	108	3,969,876	20,888,917	0.11%	21,040	22,978	44,018
99241	ZEBULON, TOWN OF.....	3	82,061	1,635,629	0.02%	435	327	762
99252	GARNER FIRE DEPARTMENT.....	12	355,120	355,120	1.15%	1,882	4,084	5,966
99511	BOONE, TOWN OF.....	4	152,936	3,617,211	0.04%	811	1,447	2,258
99521	BLOWING ROCK, TOWN OF.....	1	25,957	991,516	0.06%	138	595	733
99611	GOLDSBORO, CITY OF.....	80	2,254,632	11,596,917	0.17%	11,950	19,715	31,665
99621	MOUNT OLIVE, TOWN OF.....	1	22,608	991,280	0.00%	120	0	120
99711	NORTH WILKESBORO, TOWN OF.....	3	87,809	1,510,251	0.11%	465	1,661	2,126
99811	WILSON, CITY OF.....	75	2,759,663	19,242,993	0.07%	14,626	13,470	28,096
		4,363	146,015,117	1,085,354,355		773,881	935,340	1,709,221

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 6, 2000

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

Re: House Bill 1677: An Act to Provide for Professional
Firefighters' Benefits in the LGERS

Dear Mr. Moore:

This bill would amend G.S. 143-166.50 by adding a new subdivision to define a professional firefighter as a full-time, paid employee of a certified fire department who is actively serving to prevent, detect, and suppress fire. Local government employers of professional firefighters would be required to contribute 5% of their compensation to the Supplemental Retirement Income Plan.

This bill would also add this definition of professional firefighter to G.S. 128-21 and amend G.S. 128-24 and G.S. 128-27 to revise the service requirements for professional firefighters to receive a retirement allowance and modifies the reduction for an early retirement allowance. Under this bill, a professional firefighter may retire with an unreduced allowance upon attainment of age 55 and completion of 5 years of creditable service as a professional firefighter, or at any age upon completion of 30 years of creditable service. A reduced allowance would be available upon attainment of age 50 and completion of 15 years of creditable service as a professional firefighter. The reduction is the smaller of 4% per year of age less than 55 or 5% per year of service less than 30.

This bill becomes effective July 1, 2000 and applies to members retiring on or after that date. The provisions of this bill will increase both the employer's normal contribution rate and the accrued liability contribution. The estimated cost for the fiscal year beginning July 1, 2000, expressed as a percentage of payroll for professional firemen, is an increase in the normal rate of 0.65% and an increase in the accrued liability rate of 0.71%. The accrued liability contribution will liquidate the

Mr. Stanley Moore
June 6, 2000

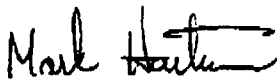
Page 2

increase in the unfunded accrued liability of approximately \$11,677,000 over a fifteen year period.

These cost estimates are based on the most recent actuarial valuation as December 31, 1998 and data provided by you on members meeting the definition of professional firefighter. This data includes 4,421 persons with a total estimated payroll of \$146.3 million. These calculations assume that all prior service included in this data was as a professional firefighter.

If you have any questions, let me know.

Sincerely,



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

MVH/mot

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By: 

Date: 6-6-00

Legislative Fiscal Research

NC 401(k) PLAN EMPLOYER CONTRIBUTIONS - GENERAL EMPLOYEES
March 22, 2000

A-B Tech Comm College \$25/mo

Aberdeen	5%
Ahoskie	5%
Alamance-Caswell Mental Health	3%
Alamance County	2%
Angier	5%
Anson County	2%
Apex	4.5%
Archdale	5%
Ashe County	2%
Asheville	4%
Asheville Reg. Airport	5%
Bald Head Island	5%
Bay Leaf Fire Dept	4%
Beaufort (town)	1%
Beaufort County	0.5%
Belhaven	2%
Belmont	5%
Benson	5%
Bessemer City	2%
Bethel	2%
Beulaville	5%
Billmore Forest	4%
Black Mountain	4%
Blue Ridge Center	3%
Boiling Spring Lakes	5%
Boiling Springs	5%
Brunswick County	2%
Buncombe County	5%
Bunc County Air Pollution	5%
Burke-Catawba Confinement	2%
Burke County	2%
Burke County Dept. Social Services	2%
Burke County Health Dept.	2%

Burlington	5%
Burlington Graham ABC	5%
Cabarrus County	5%
Cabarrus Health Alliance	5%
Cape Fear COG	1%
Carrboro	3%
Carteret County	3%
Carthage	1%
Cary	5%
Caswell Beach	5%
Centralina COG	3%
Chapel Hill	5%
Chatham County	3%
Cherryville	5%
Clarkton	5%
Clayton	2%
Cleveland County	5%
Clinton	1%
Coastal Regional Solid Waste Mgmt.	5%
Columbus (town)	\$10 x 52
Concord	2.5%
Concord ABC	2.5%
Conover	5%
Cornelius	5%
Cramerton	1%
Craven County	3%
Craven County ABC	2%
Craven County Airport Auth.	3%
Craven County Tourism	3%
Creedmoor	4%
Crossroads Behavioral Health	1%
Cumberland County ABC	5%
Currituck County	4.68%
Dallas	2%

Davidson (town)	5%
Davie County	2%
Davie Soil and Water District	2%
Dobson	4%
Dobson ABC	4%
Dunn	2%
Dunn ABC Board	2%
Duplin/Sampson Mental Health	2%
Durham (city)	5%
Durham County	5%
Edenton Housing Authority	2%
Edgecombe County	1%
Edgecombe County ABC	5%
Edge-Nash Mental Health	2.5%
Electri-Cities of N.C., Inc.	2.5%
Elizabeth City	5%
Elizabethtown	2%
Elkin	3%
Elon College	5%
Emerald Isle	3%
Erwin	2.5%
Eureka	5%
Fairmont	2.5%
Faison	2%
Farmville	2.75%
Fletcher	5%
Foxfire Village	5%
Franklin County	3.25%
Fuquay-Varina	3%
Garner	3%
Gaston (town)	2%
Gastonia ABC	1%
Gibsonville	5%
Graham (city)	5%

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Greensboro ABC	5%
Greenville	\$25 x 26
Greenville Housing Authority	\$25 x 26
Greenville Utilities	\$25 x 26
Grover	5%
Guilford College Vol. Fire Dept.	5%
Guilford County	5%
Guilford Fire Dist 13	2%
Halifax County ABC	3%
Harnett County	1%
Havelock	5%
Haw River	4.83%
Henderson (city)	5%
Hertford (town)	3%
High Point ABC	5%
Hillsborough	4.66%
Holly Springs	2.5%
Hope Mills	1%
Hudson	2%
Huntersville	5%
Iredell County	5%
Jamestown	3%
Johnston County	5%
Johnston County ABC	5%
Johnston/Smith Library	5%
Jonesville	4.83%
Kenly	2%
Kerr-Tar COG	2%
Kill Devil Hills	3%
King	5%
Kings Mountain	2%
Kinston	1.5%
Kinston Housing Auth	3%
Knightdale	3%

Laurinburg	5%
Lee County	3%
Lee-Harnett Mental Health	10%
Lenoir County	5%
Lexington	2%
Lillington	5%
Lincolnton Housing Authority	3%
Louisburg	5%
Louisburg ABC	5%
Lowell	2.5%
Madison (town)	3%
Madison-Mayodan Recreation	5%
Manteo	5%
Marion	3.46%
Marshville	3.5%
Matthews	5%
Mayodan	5%
McAdenville	5%
McDowell County	\$10.35 x 24
Mecklenburg County ABC	6%
Metro Sewage Dist	3%
Mid-Carolina COG	2%
Middlesex	3.5%
Mocksville	4%
Monroe	5%
Monroe Housing Authority	5%
Montgomery County	5%
Montreat	5%
Moore County	2.6%
Moore County ABC	2.5%
Moore County Airport Auth	2.6%
Moore Water & Sewer Authority	8.8%
Mooreville	5%
Morehead City	5%

Mount Holly	5%
Mount Olive	4%
Murfreesboro	1.5%
Nags Head	3%
Nash County	5%
Nash County ABC	5%
Nashville	3%
New Bern	6%
New Hanover ABC	5%
NC Assn of County Commissioners	4%
NC Ctr for Applied Tech	1.75%
North Topsail Beach	3%
North Wilkesboro	2.5%
Northwest Piedmont COG	2%
Oak Island	4%
Ocean Isle Beach	5%
Orange County	\$15 X 26
Pamlico County	3%
Parkwood Fire Dept	5%
Person County	3%
Pilot Mountain	5%
Pine Knoll Shores	5%
Pinebluff	3%
Pinecroft-Sedge Fire	2%
Pinehurst	5%
Pineville	5%
Pitt-Greenville Visit/Conv.	\$25 X 26
Pitt County	4.75%
Pitt County ABC	1%
Plymouth	1.50%
Plymouth Housing Auth.	1%
Randleman	5%
Raeford	5%
RDU Airport Authority	2%

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Red Springs	2%
Reidsville	3%
Reidsville ABC	1%
Richmond County	1%
River Bend	5%
Roanoke Rapids	2%
Robbins	3%
Robeson County	3%
Rockingham (city)	2.5%
Rocky Mount	4%
Rowan County	3%
Rutherford County	3%
Salisbury	2%
Sampson County	2.53%
Sanford	4%
Sanford ABC	1.5%
Sawmills	2%
Scotland County	3.75%
Scotland County ABC	3%
Scotland Neck	1.5%
Selma	5%
Shallotte	3%
Simpson	5%
Shelby	5%
Siler City	2.5%
Skyland Fire Dept	3%
Smithfield	4.47%
Smoky Mountain Center	5%
South Brunswick Water & Sewage	5%
Southern Pines	5%
Southern Shores	5%
Southport	5%
Spindale	5%
Spring Hope	5%

Stanley (town)	5%
Star	5%
Statesville ABC	5%
Stedman	5%
Stokes County	1%
Sunset Beach	10%
Sylva	5%
Tabor City	5%
Tarboro	3%
Taylorsville	5%
Tideland Mental Health	\$250 annually
Topsail Beach	5%
Trent Woods	5%
Triangle J COG	3%
Union County	5%
Vance County	1%
Vance County ABC	1%
Vass	5%
Wade	2.2%
Wadesboro	3%
Wake County	5%
Wake County ABC	5%
Wake Forest (town)	3.5%
Wallace	1%
Walnut Cove	2%
Washington (city)	\$10 X 26
Washington County	3%
Watauga County	3%
Water and Sewer of Cabarrus	4%
Wayne County ABC	\$20/mon
Weaverville	5%
Whispering Pines	5%
White Lake	2%
Wilmington	4.5%

Wilmington Int'l Airport	5%
Wilson (city)	5%
Wilson County	2.5%
Wilson County ABC	2.5%
Wilson Economic Dev	2.5%
Windsor	5%
Winterville	5%
Woodfin	5%
Wrightsville Beach	2%
Yadkinville	2.5%
Zebulon	3.52%
TOTAL	283
LOCAL GOV'T EMPLOYERS	281
OTHER	2

47
 111
 158
 cities & towns



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Legislative Services Office**

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MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: May 23, 2000

SUBJECT: Actuarial Note Request House Bill 1677

Re: Defines a "Professional Firefighter" in the Local Governmental Employees' Retirement System and provides for unreduced retirement at age 55 with 5 years of service or any age with 30 years of service. Reduced benefits are available at age 50 with 15 years. Also requires the local employer to pay 5% of salary of each firefighter into the Supplemental Retirement Plan [401(k) Plan]

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Arnold
Representative Michaux; Chairman of the House Committee on Pensions and Retirement

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

1677

MAY 20 1999

H

HOUSE PRINCIPAL CLERK

D

HOUSE DRH2399-LL188(5.9)

Short Title: Professional Firefighters' Retirement.

(Public)

Sponsors: Representative Arnold.

Referred to:

- 1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR PROFESSIONAL FIREFIGHTERS' BENEFITS IN
3 THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.
4 The General Assembly of North Carolina enacts:
5 Section 1. Article 12E of Chapter 143 of the General Statutes reads as
6 rewritten:
7 "ARTICLE 12E.
8 "Retirement Benefits for Local Governmental Law-Enforcement
9 ~~Officers.~~ Officers and Professional Firefighters.
10 "**§ 143-166.50. Retirement benefits for local governmental law-enforcement officers.**
11 **officers and professional firefighters.**
12 (a) Definitions. -- The following words and phrases as used in this Article, unless
13 a different meaning is plainly required by the context, have the following meaning:
14 (1) "Beneficiary" means any person in receipt of a retirement
15 allowance or other benefit from a Retirement System.
16 (2) "Employer" means a county, city, town or other political
17 subdivision of the State.
18 (3) "Law-enforcement officer" means a full-time paid employee of an
19 employer, who possesses the power of arrest, who has taken the
20 law enforcement oath administered under the authority of the State
21 as prescribed by G.S. 11-11, and who is certified as a law
22 enforcement officer under the provisions of Chapter 17C of the
23 General Statutes or certified as a deputy sheriff under the
24 provisions of Chapter 17E of the General Statutes. "Law
25 enforcement officer" also means the sheriff of the county. The

number of paid personnel employed as law enforcement officers by a law enforcement agency may not exceed the number of law enforcement positions approved by the applicable local governing board.

(4) "Law-Enforcement Officers' Retirement System" means the system provided for under Article 12 of Chapter 143 of the General Statutes, as it existed prior to January 1, 1986.

(5) "Local Governmental Employees' Retirement System" means the Local Governmental Employees' Retirement System of North Carolina provided for under Article 3 of Chapter 128 of the General Statutes.

(6) "Member" means an officer or firefighter included in the membership of a retirement system, including former officers or firefighters no longer employed who also elected to leave their accumulated contributions on deposit with a Retirement System.

(7) "Officer" means a "law-enforcement officer."

(7a) "Professional firefighter" means a person (i) who is a full-time paid employee of an employer maintaining a fire department certified by the North Carolina Department of Insurance, and (ii) who is actively serving in a position with assigned primary duties and responsibilities for the prevention, detection, and suppression of fire.

(8) "State" means the State of North Carolina.

(b) Basic Retirement System. -- On and after January 1, 1986, law-enforcement officers employed by an employer shall be members of the Local Government Employees' Retirement System, and beneficiaries who were last employed as officers by an employer, or who are surviving beneficiaries of officers last employed by an employer, are beneficiaries of the Local Governmental Employees' Retirement System and paid in benefit amounts then in effect. All members of the Law-Enforcement Officers' Retirement System last employed and paid by an employer are members of the Local Retirement System.

(c) Rights. -- Notwithstanding any other provisions of law, any accrued or inchoate rights of a member of the Law-Enforcement Officers' Retirement System as of his transfer to the Local Governmental Employees' Retirement System on January 1, 1986, including the rights to a vested deferred retirement allowance and to commence retirement at certain ages with required years of service as a law-enforcement officer, may in no way be diminished; provided, however, in no event may a member commence retirement and continue membership service with the same Retirement System after January 1, 1986.

(d) Court Cost Receipts. -- Of the sum derived from the cost of court provided for in G.S. 7A-304(a)(3), the amount designated for this Article, except for the amount designated for the provisions of G.S. 143-166.50(e), shall be paid over to the pension accumulation fund of the Local Governmental Employees' Retirement System and

1 shall offset, to the extent of these receipts, the employers' normal contribution rate
2 required in G.S. 128-30(d)(2) as it pertains to law enforcement officers.

3 (e) Supplemental Retirement Income Plan for Local Governmental Law-
4 Enforcement ~~Officers~~. Officers and Professional Firefighters. -- As of January 1, 1986,
5 all law-enforcement officers employed by a local government employer, are
6 participating members of the Supplemental Retirement Income Plan as provided by
7 Article 5 of Chapter 135 of the General Statutes. In addition to the contributions
8 transferred from the Law-Enforcement Officers' Retirement System, participants may
9 make voluntary contributions to the Supplemental Retirement Income Plan to be
10 credited to the designated individual accounts of participants; provided, in no
11 instance shall the total contributions by a participant exceed ten percent (10%) of a
12 participant's compensation within any calendar year. From July 1, 1987, until July 1,
13 1988, local government employers of law enforcement officers shall contribute an
14 amount equal to at least two percent (2%) of participating local officers' monthly
15 compensation to the Supplemental Retirement Income Plan to be credited to the
16 designated individual accounts of participating local officers; and on and after July 1,
17 1988, local government employers of law enforcement officers shall contribute an
18 amount equal to five percent (5%) of participating local officers' monthly
19 compensation to the Supplemental Retirement Income Plan to be credited to the
20 designated individual accounts of participating local officers.

21 As of July 1, 2000, all professional firefighters employed by a local government
22 employer are participating members of the Supplemental Retirement Income Plan as
23 provided by Article 5 of Chapter 135 of the General Statutes. Participating
24 firefighters may make voluntary contributions to the Supplemental Retirement
25 Income Plan to be credited to the designated individual accounts of participants;
26 however, in no instance shall the total contributions by a participant exceed ten
27 percent (10%) of a participant's compensation within any calendar year. Local
28 government employers of professional firefighters shall contribute an amount equal to
29 five percent (5%) of participating firefighters' monthly compensation to the
30 Supplemental Retirement Income Plan to be credited to the designated individual
31 accounts of participating firefighters.

32 Additional contributions shall also be made to the individual accounts of all
33 participants law enforcement officers in the Plan, except for Sheriffs, on a per capita
34 equal-share basis from the sum of one dollar and twenty-five cents (\$1.25) for each
35 cost of court collected under G.S. 7A-304.

36 (e1) Rights of Participants under the Uniformed Services Employment and
37 Reemployment Rights Act. -- A participant whose employment is interrupted by
38 reason of service in the Uniformed Services, as that term is defined in section
39 4303(16) of the Uniformed Services Employment and Reemployment Rights Act,
40 Public Law 103-353, hereafter referred to as "USERRA", shall be entitled to all rights
41 and benefits that the participant would have been entitled to under this section had
42 the participant's employment not been interrupted, provided that the participant
43 returns to service as a law enforcement officer while the participant's reemployment
44 rights are protected under the provisions of USERRA."

1 Section 2. G.S. 128-21 is amended by adding a new subdivision to read:

2 "(17a) "Professional firefighter" means a person (i) who is a full-time paid
3 employee of an employer maintaining a fire department certified
4 by the North Carolina Department of Insurance, and (ii) who is
5 actively serving in a position with assigned primary duties and
6 responsibilities for the prevention, detection, and suppression of
7 fire."

8 Section 3. G.S. 128-24(5) reads as rewritten:

9 "(5) The provisions of this subdivision (5) shall apply to any member
10 whose membership is terminated on or after July 1, 1965, and who
11 becomes entitled to benefits hereunder in accordance with the
12 provisions hereof.

13 a. Notwithstanding any other provision of this Chapter, any
14 member who separates from service prior to the attainment
15 of the age of 60 years for any reason other than death or
16 retirement for disability as provided in G.S. 128-27(c), after
17 completing 15 or more years of creditable service, and who
18 leaves his total accumulated contributions in said System
19 shall have the right to retire on a deferred retirement
20 allowance upon attaining the age of 60 years; provided that
21 such member may retire only upon written application to
22 the Board of Trustees setting forth at what time, not less
23 than one day nor more than 90 days subsequent to the
24 execution and filing thereof, he desires to be retired; and
25 further provided that in the case of a member who so
26 separates from service on or after July 1, 1967; the
27 aforesated requirement of 15 or more years of creditable
28 service shall be reduced to 12 or more years of creditable
29 service; and further provided that in the case of a member
30 who so separates from service on or after July 1, 1971, or
31 whose account is active on July 1, 1971, the aforesated
32 requirement of 12 or more years of creditable service shall
33 be reduced to five or more years of creditable service. Such
34 deferred retirement allowance shall be computed in
35 accordance with the service retirement provisions of this
36 Article pertaining to a member who is not a law
37 enforcement officer or eligible former law enforcement
38 officer.

39 b. In lieu of the benefits provided in paragraph a of this
40 subdivision, any member who separates from service prior to
41 the attainment of the age of 60 years, for any reason other
42 than death or retirement for disability as provided in G.S.
43 128-27(c), after completing 20 or more years of creditable
44 service, and who leaves his total accumulated contributions

in said System may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired. Such early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25
55	30
54	35
53	39
52	43
51	46
50	50

- b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer or a professional firefighter at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System, may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement ~~officers~~ officers or professional firefighters.
- b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer or professional firefighter at the time of separation from

1 service prior to the attainment of the age of 55 years, for any
2 reason other than death or disability as provided in this
3 Article, after completing five or more years of creditable
4 service in this capacity immediately prior to separation from
5 service, and who leaves his total accumulated contributions
6 in this System may elect to retire on a deferred service
7 retirement allowance upon attaining the age of 55 years or
8 at any time thereafter; provided, that the member may
9 commence retirement only upon written application to the
10 Board of Trustees setting forth at what time, as of the first
11 day of a calendar month not less than one day nor more
12 than 90 days subsequent to the execution and filing thereof,
13 he desires to commence retirement. The deferred service
14 retirement allowance shall be computed in accordance with
15 the service retirement provisions of this Article pertaining to
16 law enforcement ~~officers~~ officers or professional firefighters.

17 b3. Deferred retirement allowance of members retiring on or
18 after July 1, 1995. -- In lieu of the benefits provided in
19 paragraphs a. and b. of this subdivision, any member who
20 separates from service prior to attainment of age 60 years,
21 after completing 20 or more years of creditable service, and
22 who leaves his total accumulated contributions in said
23 System, may elect to retire on a deferred retirement
24 allowance upon attaining the age of 50 years or any time
25 thereafter; provided that such member may so retire only
26 upon written application to the Board of Trustees setting
27 forth at what time, not less than one day nor more than 90
28 days subsequent to the execution and filing thereof, he
29 desires to be retired. Such deferred retirement allowance
30 shall be computed in accordance with the service retirement
31 provisions of this Article pertaining to a member who is not
32 a law enforcement ~~officer or~~ officer, an eligible former law
33 enforcement ~~officer~~ officer, a professional firefighter, or an
34 eligible former professional firefighter.

35 c. Should a beneficiary who retired on an early or service
36 retirement allowance be reemployed, or otherwise engaged
37 to perform services, by an employer participating in the
38 Retirement System on a part-time, temporary, interim, or on
39 fee-for-service basis, whether contractual or otherwise, and if
40 such beneficiary earns an amount in any calendar year
41 which exceeds fifty percent (50%) of the reported
42 compensation, excluding terminal payments, during the 12
43 months of service preceding the effective date of retirement,
44 or twenty thousand dollars (\$20,000), whichever is greater,

1 as hereinafter indexed, then the retirement allowance shall
2 be suspended as of the first day of the month following the
3 month in which the reemployment earnings exceed the
4 amount above, for the balance of the calendar year. The
5 retirement allowance of the beneficiary shall be reinstated as
6 of January 1 of each year following suspension. The amount
7 that may be earned before suspension shall be increased on
8 January 1 of each year by the ratio of the Consumer Price
9 Index to the Index one year earlier, calculated to the nearest
10 tenth of a percent (1/10 of 1%).

- 11 d. Should a beneficiary who retired on an early or service
12 retirement allowance be restored to service as an employee,
13 then the retirement allowance shall cease as of the first day
14 of the month following the month in which the beneficiary
15 is restored to service and the beneficiary shall become a
16 member of the Retirement System and shall contribute
17 thereafter as allowed by law at the uniform contribution
18 payable by all members.

19 Upon his subsequent retirement, he shall be paid a
20 retirement allowance determined as follows:

- 21 1. For a member who earns at least three years'
22 membership service after restoration to service, the
23 retirement allowance shall be computed on the basis
24 of his compensation and service before and after the
25 period of prior retirement without restriction;
26 provided, that if the prior allowance was based on a
27 social security leveling payment option, the allowance
28 shall be adjusted actuarially for the difference
29 between the amount received under the optional
30 payment and what would have been paid if the
31 retirement allowance had been paid without optional
32 modification.
- 33 2. For a member who does not earn three years'
34 membership service after restoration to service, the
35 retirement allowance shall be equal to the sum of the
36 retirement allowance to which he would have been
37 entitled had he not been restored to service, without
38 modification of the election of an optional allowance
39 previously made, and the retirement allowance that
40 results from service earned since being restored to
41 service; provided, that if the prior retirement
42 allowance was based on a social security leveling
43 payment option, the prior allowance shall be adjusted
44 actuarially for the difference between the amount that

would have been paid for each month had the payment not been suspended and what would have been paid if the retirement allowance had been paid without optional modification."

Section 4. G.S. 128-27(a) reads as rewritten:

"(a) Service Retirement Benefits. --

(1) Any member may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired: Provided, that the said member at the time so specified for his retirement shall have attained the age of 60 years and have at least five years of creditable service or shall have completed 30 years of creditable service, or if a ~~fireman~~, he professional firefighter, the member shall have attained the age of 55 years and have at least five years of creditable service.

(2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s. 1.

(3) Repealed by Session Laws 1971, c. 325, s. 12.

(4) Any member who was in service October 8, 1981, who had attained 60 years of age, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired.

(5) Any member who is a law enforcement ~~officer~~, officer or professional firefighter, and who attains age 50 and completes 15 or more years of creditable service in this capacity or who attains age 55 and completes five or more years of creditable service in this capacity, may retire upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, ~~he~~ the member desires to be retired; provided, also, any member who has met the conditions required by this ~~subdivision~~ section but does not retire, and later becomes an employee other than as a law enforcement ~~officer~~, officer or professional firefighter, continues to have the right to commence retirement."

Section 5. G.S. 128-27(b17) reads as rewritten:

"(b17) Service Retirement Allowance of Member Retiring on or After July 1, ~~1998~~. 1998, but before July 1, 2000. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1998, but before July 1, 2000, a member shall receive the following service retirement allowance:

- 1 (1) A member who is a law enforcement officer or an eligible former
2 law enforcement officer shall receive a service retirement
3 allowance computed as follows:
4 a. If the member's service retirement date occurs on or after
5 his 55th birthday and completion of five years of creditable
6 service as a law enforcement officer, or after the completion
7 of 30 years of creditable service, the allowance shall be
8 equal to one and seventy-seven hundredths percent (1.77%)
9 of his average final compensation, multiplied by the number
10 of years of his creditable service.
11 b. If the member's service retirement date occurs on or after
12 his 50th birthday and before his 55th birthday with 15 or
13 more years of creditable service as a law enforcement officer
14 and prior to the completion of 30 years of creditable service,
15 his retirement allowance shall be equal to the greater of:
16 1. The service retirement allowance payable under G.S.
17 128-27(b17)(1)a. reduced by one-third of one percent
18 (1/3 of 1%) thereof for each month by which his
19 retirement date precedes the first day of the month
20 coincident with or next following the month the
21 member would have attained his 55th birthday; or
22 2. The service retirement allowance as computed under
23 G.S. 128-27(b17)(1)a. reduced by five percent (5%)
24 times the difference between 30 years and his
25 creditable service at retirement.
- 26 (2) A member who is not a law enforcement officer or an eligible
27 former law enforcement officer shall receive a service retirement
28 allowance computed as follows:
29 a. If the member's service retirement date occurs on or after
30 his 65th birthday upon the completion of five years of
31 creditable service or after the completion of 30 years of
32 creditable service or on or after his 60th birthday upon the
33 completion of 25 years of creditable service, the allowance
34 shall be equal to one and seventy-seven hundredths percent
35 (1.77%) of average final compensation, multiplied by the
36 number of years of creditable service.
37 b. If the member's service retirement date occurs after his 60th
38 birthday and before his 65th birthday and prior to his
39 completion of 25 years or more of creditable service, his
40 retirement allowance shall be computed as in G.S. 128-
41 27(b17)(2)a. but shall be reduced by one-quarter of one
42 percent (1/4 of 1%) thereof for each month by which his
43 retirement date precedes the first day of the month
44 coincident with or next following his 65th birthday.

- 1 c. If the member's early service retirement date occurs on or
2 after his 50th birthday and before his 60th birthday and after
3 completion of 20 years of creditable service but prior to the
4 completion of 30 years of creditable service, his early service
5 retirement allowance shall be equal to the greater of:
- 6 1. The service retirement allowance as computed under
7 G.S. 128-27(b17)(2)a. but reduced by the sum of five-
8 twelfths of one percent ($5/12$ of 1%) thereof for each
9 month by which his retirement date precedes the first
10 day of the month coincident with or next following
11 the month the member would have attained his 60th
12 birthday, plus one-quarter of one percent ($1/4$ of 1%)
13 thereof for each month by which his 60th birthday
14 precedes the first day of the month coincident with or
15 next following his 65th birthday; or
 - 16 2. The service retirement allowance as computed under
17 G.S. 128-27(b17)(2)a. reduced by five percent (5%)
18 times the difference between 30 years and his
19 creditable service at retirement; or
 - 20 3. If the member's creditable service commenced prior
21 to July 1, 1995, the service retirement allowance
22 equal to the actuarial equivalent of the allowance
23 payable at the age of 60 years as computed in G.S.
24 128-27(b17)(2)b.
- 25 d. Notwithstanding the foregoing provisions, any member
26 whose creditable service commenced prior to July 1, 1965,
27 shall not receive less than the benefit provided by G.S. 128-
28 27(b)."

29 Section 6. G.S. 128-27 is amended by adding a new subsection to read:

30 "(b18) Service Retirement Allowance of Member Retiring on or After July 1,
31 2000. -- Upon retirement from service in accordance with subsection (a) or (a1)
32 above, on or after July 1, 2000, a member shall receive the following service
33 retirement allowance:

34 (1) A member who is a law enforcement officer, an eligible former law
35 enforcement officer, a professional firefighter, or an eligible former
36 professional firefighter shall receive a service retirement allowance
37 computed as follows:

38 a. If the member's service retirement date occurs on or after
39 his 55th birthday and completion of five years of creditable
40 service as a law enforcement officer or professional
41 firefighter, or after the completion of 30 years of creditable
42 service, the allowance shall be equal to one and seventy-
43 seven hundredths percent (1.77%) of his average final

1 compensation, multiplied by the number of years of his
2 creditable service.

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

9 1. The service retirement allowance payable under G.S.
10 128-27(b18)(1)a. reduced by one-third of one percent
11 (1/3 of 1%) thereof for each month by which his
12 retirement date precedes the first day of the month
13 coincident with or next following the month the
14 member would have attained his 55th birthday; or

15 2. The service retirement allowance as computed under
16 G.S. 128-27(b18)(1)a. reduced by five percent (5%)
17 times the difference between 30 years and his
18 creditable service at retirement.

19 (2) A member who is not a law enforcement officer, an eligible former
20 law enforcement officer, a professional firefighter, or an eligible
21 former professional firefighter shall receive a service retirement
22 allowance computed as follows:

23 a. If the member's service retirement date occurs on or after
24 his 65th birthday upon the completion of five years of
25 creditable service or after the completion of 30 years of
26 creditable service or on or after his 60th birthday upon the
27 completion of 25 years of creditable service, the allowance
28 shall be equal to one and seventy-seven hundredths percent
29 (1.77%) of average final compensation, multiplied by the
30 number of years of creditable service.

31 b. If the member's service retirement date occurs after his 60th
32 birthday and before his 65th birthday and prior to his
33 completion of 25 years or more of creditable service, his
34 retirement allowance shall be computed as in G.S. 128-
35 27(b18)(2)a. but shall be reduced by one-quarter of one
36 percent (1/4 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 his 65th birthday.

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

1. The service retirement allowance as computed under G.S. 128-27(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. 128-27(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, 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(b18)(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(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 member had retired on the first day of the month following the date of his death, provided that all three of 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. 128-27(b17)(1)b. or G.S. 128-27(b17)(2)e.~~ G.S. 128-27(b18)(1)b. or G.S. 128-27(b17)(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 is 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 apply.

1 For the purpose of this benefit, a member is considered to be in service at the date
2 of his death if his death occurs within 180 days from the last day of his actual service.
3 The last day of actual service shall be determined as provided in subsection (1) of this
4 section. Upon the death of a member in service, the surviving spouse may make all
5 purchases for creditable service as provided for under this Chapter for which the
6 member had made application in writing prior to the date of death, provided that the
7 date of death occurred prior to or within 60 days after notification of the cost to
8 make the purchase."

9 Section 8. This act becomes effective July 1, 2000.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 1677

Short Title: Professional Firefighters' Retirement.

(Public)

Sponsors: Representatives Arnold; McComas, Warner, Berry, Brown, Cansler, Capps, Cox, Davis, Eddins, Gardner, Grady, Gulley, Hill, Hunter, Morris, Preston, Rayfield, Russell, Sexton, Sherrill, Thompson, Tolson, Wainwright, and Yongue.

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

May 24, 2000

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR PROFESSIONAL FIREFIGHTERS' BENEFITS IN
3 THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.
4 The General Assembly of North Carolina enacts:
5 Section 1. Article 12E of Chapter 143 of the General Statutes reads as
6 rewritten:
7 "ARTICLE 12E.
8 "Retirement Benefits for Local Governmental Law-Enforcement
9 ~~Officers.~~ Officers and Professional Firefighters.
10 "**§ 143-166.50. Retirement benefits for local governmental law-enforcement officers.**
11 **officers and professional firefighters.**
12 (a) Definitions. -- The following words and phrases as used in this Article, unless
13 a different meaning is plainly required by the context, have the following meaning:
14 (1) "Beneficiary" means any person in receipt of a retirement
15 allowance or other benefit from a Retirement System.
16 (2) "Employer" means a county, city, town or other political
17 subdivision of the State.
18 (3) "Law-enforcement officer" means a full-time paid employee of an
19 employer, who possesses the power of arrest, who has taken the
20 law enforcement oath administered under the authority of the State
21 as prescribed by G.S. 11-11, and who is certified as a law

1 enforcement officer under the provisions of Chapter 17C of the
2 General Statutes or certified as a deputy sheriff under the
3 provisions of Chapter 17E of the General Statutes. "Law
4 enforcement officer" also means the sheriff of the county. The
5 number of paid personnel employed as law enforcement officers by
6 a law enforcement agency may not exceed the number of law
7 enforcement positions approved by the applicable local governing
8 board.

9 (4) "Law-Enforcement Officers' Retirement System" means the system
10 provided for under Article 12 of Chapter 143 of the General
11 Statutes, as it existed prior to January 1, 1986.

12 (5) "Local Governmental Employees' Retirement System" means the
13 Local Governmental Employees' Retirement System of North
14 Carolina provided for under Article 3 of Chapter 128 of the
15 General Statutes.

16 (6) "Member" means an officer or firefighter included in the
17 membership of a retirement system, including former officers or
18 firefighters no longer employed who also elected to leave their
19 accumulated contributions on deposit with a Retirement System.

20 (7) "Officer" means a "law-enforcement officer."

21 (7a) "Professional firefighter" means a person (i) who is a full-time paid
22 employee of an employer maintaining a fire department certified
23 by the North Carolina Department of Insurance, and (ii) who is
24 actively serving in a position with assigned primary duties and
25 responsibilities for the prevention, detection, and suppression of
26 fire.

27 (8) "State" means the State of North Carolina.

28 (b) Basic Retirement System. -- On and after January 1, 1986, law-enforcement
29 officers employed by an employer shall be members of the Local Government
30 Employees' Retirement System, and beneficiaries who were last employed as officers
31 by an employer, or who are surviving beneficiaries of officers last employed by an
32 employer, are beneficiaries of the Local Governmental Employees' Retirement
33 System and paid in benefit amounts then in effect. All members of the Law-
34 Enforcement Officers' Retirement System last employed and paid by an employer are
35 members of the Local Retirement System.

36 (c) Rights. -- Notwithstanding any other provisions of law, any accrued or
37 inchoate rights of a member of the Law-Enforcement Officers' Retirement System as
38 of his transfer to the Local Governmental Employees' Retirement System on January
39 1, 1986, including the rights to a vested deferred retirement allowance and to
40 commence retirement at certain ages with required years of service as a law-
41 enforcement officer, may in no way be diminished; provided, however, in no event
42 may a member commence retirement and continue membership service with the
43 same Retirement System after January 1, 1986.

1 (d) Court Cost Receipts. -- Of the sum derived from the cost of court provided for
2 in G.S. 7A-304(a)(3), the amount designated for this Article, except for the amount
3 designated for the provisions of G.S. 143-166.50(e), shall be paid over to the pension
4 accumulation fund of the Local Governmental Employees' Retirement System and
5 shall offset, to the extent of these receipts, the employers' normal contribution rate
6 required in G.S. 128-30(d)(2) as it pertains to law enforcement officers.

7 (e) Supplemental Retirement Income Plan for Local Governmental Law-
8 Enforcement ~~Officers~~. Officers and Professional Firefighters. -- As of January 1, 1986,
9 all law-enforcement officers employed by a local government employer, are
10 participating members of the Supplemental Retirement Income Plan as provided by
11 Article 5 of Chapter 135 of the General Statutes. In addition to the contributions
12 transferred from the Law-Enforcement Officers' Retirement System, participants may
13 make voluntary contributions to the Supplemental Retirement Income Plan to be
14 credited to the designated individual accounts of participants; provided, in no
15 instance shall the total contributions by a participant exceed ten percent (10%) of a
16 participant's compensation within any calendar year. From July 1, 1987, until July 1,
17 1988, local government employers of law enforcement officers shall contribute an
18 amount equal to at least two percent (2%) of participating local officers' monthly
19 compensation to the Supplemental Retirement Income Plan to be credited to the
20 designated individual accounts of participating local officers; and on and after July 1,
21 1988, local government employers of law enforcement officers shall contribute an
22 amount equal to five percent (5%) of participating local officers' monthly
23 compensation to the Supplemental Retirement Income Plan to be credited to the
24 designated individual accounts of participating local officers.

25 As of July 1, 2000, all professional firefighters employed by a local government
26 employer are participating members of the Supplemental Retirement Income Plan as
27 provided by Article 5 of Chapter 135 of the General Statutes. Participating
28 firefighters may make voluntary contributions to the Supplemental Retirement
29 Income Plan to be credited to the designated individual accounts of participants;
30 however, in no instance shall the total contributions by a participant exceed ten
31 percent (10%) of a participant's compensation within any calendar year. Local
32 government employers of professional firefighters shall contribute an amount equal to
33 five percent (5%) of participating firefighters' monthly compensation to the
34 Supplemental Retirement Income Plan to be credited to the designated individual
35 accounts of participating firefighters.

36 Additional contributions shall also be made to the individual accounts of all
37 ~~participants~~ law enforcement officers in the Plan, except for Sheriffs, on a per capita
38 equal-share basis from the sum of one dollar and twenty-five cents (\$1.25) for each
39 cost of court collected under G.S. 7A-304.

40 (e1) Rights of Participants under the Uniformed Services Employment and
41 Reemployment Rights Act. -- A participant whose employment is interrupted by
42 reason of service in the Uniformed Services, as that term is defined in section
43 4303(16) of the Uniformed Services Employment and Reemployment Rights Act,
44 Public Law 103-353, hereafter referred to as "USERRA", shall be entitled to all rights

1 and benefits that the participant would have been entitled to under this section had
2 the participant's employment not been interrupted, provided that the participant
3 returns to service as a law enforcement officer while the participant's reemployment
4 rights are protected under the provisions of USERRA."

5 Section 2. G.S. 128-21 is amended by adding a new subdivision to read:

6 "(17a) "Professional firefighter" means a person (i) who is a full-time paid
7 employee of an employer maintaining a fire department certified
8 by the North Carolina Department of Insurance, and (ii) who is
9 actively serving in a position with assigned primary duties and
10 responsibilities for the prevention, detection, and suppression of
11 fire."

12 Section 3. G.S. 128-24(5) reads as rewritten:

13 "(5) The provisions of this subdivision (5) shall apply to any member
14 whose membership is terminated on or after July 1, 1965, and who
15 becomes entitled to benefits hereunder in accordance with the
16 provisions hereof.

17 a. Notwithstanding any other provision of this Chapter, any
18 member who separates from service prior to the attainment
19 of the age of 60 years for any reason other than death or
20 retirement for disability as provided in G.S. 128-27(c), after
21 completing 15 or more years of creditable service, and who
22 leaves his total accumulated contributions in said System
23 shall have the right to retire on a deferred retirement
24 allowance upon attaining the age of 60 years; provided that
25 such member may retire only upon written application to
26 the Board of Trustees setting forth at what time, not less
27 than one day nor more than 90 days subsequent to the
28 execution and filing thereof, he desires to be retired; and
29 further provided that in the case of a member who so
30 separates from service on or after July 1, 1967, the
31 aforestated requirement of 15 or more years of creditable
32 service shall be reduced to 12 or more years of creditable
33 service; and further provided that in the case of a member
34 who so separates from service on or after July 1, 1971, or
35 whose account is active on July 1, 1971, the aforestated
36 requirement of 12 or more years of creditable service shall
37 be reduced to five or more years of creditable service. Such
38 deferred retirement allowance shall be computed in
39 accordance with the service retirement provisions of this
40 Article pertaining to a member who is not a law
41 enforcement officer or eligible former law enforcement
42 officer.

43 b. In lieu of the benefits provided in paragraph a of this
44 subdivision, any member who separates from service prior to

the attainment of the age of 60 years, for any reason other than death or retirement for disability as provided in G.S. 128-27(c), after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired. Such early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

Age at Retirement	Percentage Reduction
59	7
58	14
57	20
56	25
55	30
54	35
53	39
52	43
51	46
50	50

- b1. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer or a professional firefighter at the time of separation from service prior to the attainment of the age of 50 years, for any reason other than death or disability as provided in this Article, after completing 15 or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System, may elect to retire on a deferred early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred early retirement allowance shall be computed in accordance with

- the service retirement provisions of this Article pertaining to law enforcement ~~officers~~ officers or professional firefighters.
- b2. In lieu of the benefits provided in paragraphs a and b of this subdivision, any member who is a law enforcement officer or professional firefighter at the time of separation from service prior to the attainment of the age of 55 years, for any reason other than death or disability as provided in this Article, after completing five or more years of creditable service in this capacity immediately prior to separation from service, and who leaves his total accumulated contributions in this System may elect to retire on a deferred service retirement allowance upon attaining the age of 55 years or at any time thereafter; provided, that the member may commence retirement only upon written application to the Board of Trustees setting forth at what time, as of the first day of a calendar month not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to commence retirement. The deferred service retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to law enforcement ~~officers~~ officers or professional firefighters.
- b3. Deferred retirement allowance of members retiring on or after July 1, 1995. -- In lieu of the benefits provided in paragraphs a. and b. of this subdivision, any member who separates from service prior to attainment of age 60 years, after completing 20 or more years of creditable service, and who leaves his total accumulated contributions in said System, may elect to retire on a deferred retirement allowance upon attaining the age of 50 years or any time thereafter; provided that such member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than one day nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired. Such deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement ~~officer or officer~~, an eligible former law enforcement ~~officer~~ officer, a professional firefighter, or an eligible former professional firefighter.
- c. Should a beneficiary who retired on an early or service retirement allowance be reemployed, or otherwise engaged to perform services, by an employer participating in the Retirement System on a part-time, temporary, interim, or on fee-for-service basis, whether contractual or otherwise, and if

1 such beneficiary earns an amount in any calendar year
2 which exceeds fifty percent (50%) of the reported
3 compensation, excluding terminal payments, during the 12
4 months of service preceding the effective date of retirement,
5 or twenty thousand dollars (\$20,000), whichever is greater,
6 as hereinafter indexed, then the retirement allowance shall
7 be suspended as of the first day of the month following the
8 month in which the reemployment earnings exceed the
9 amount above, for the balance of the calendar year. The
10 retirement allowance of the beneficiary shall be reinstated as
11 of January 1 of each year following suspension. The amount
12 that may be earned before suspension shall be increased on
13 January 1 of each year by the ratio of the Consumer Price
14 Index to the Index one year earlier, calculated to the nearest
15 tenth of a percent (1/10 of 1%).

- 16 d. Should a beneficiary who retired on an early or service
17 retirement allowance be restored to service as an employee,
18 then the retirement allowance shall cease as of the first day
19 of the month following the month in which the beneficiary
20 is restored to service and the beneficiary shall become a
21 member of the Retirement System and shall contribute
22 thereafter as allowed by law at the uniform contribution
23 payable by all members.

24 Upon his subsequent retirement, he shall be paid a
25 retirement allowance determined as follows:

- 26 1. For a member who earns at least three years'
27 membership service after restoration to service, the
28 retirement allowance shall be computed on the basis
29 of his compensation and service before and after the
30 period of prior retirement without restriction;
31 provided, that if the prior allowance was based on a
32 social security leveling payment option, the allowance
33 shall be adjusted actuarially for the difference
34 between the amount received under the optional
35 payment and what would have been paid if the
36 retirement allowance had been paid without optional
37 modification.
- 38 2. For a member who does not earn three years'
39 membership service after restoration to service, the
40 retirement allowance shall be equal to the sum of the
41 retirement allowance to which he would have been
42 entitled had he not been restored to service, without
43 modification of the election of an optional allowance
44 previously made, and the retirement allowance that

1 results from service earned since being restored to
2 service; provided, that if the prior retirement
3 allowance was based on a social security leveling
4 payment option, the prior allowance shall be adjusted
5 actuarially for the difference between the amount that
6 would have been paid for each month had the
7 payment not been suspended and what would have
8 been paid if the retirement allowance had been paid
9 without optional modification."

10 Section 4. G.S. 128-27(a) reads as rewritten:

11 "(a) Service Retirement Benefits. --

12 (1) Any member may retire upon written application to the Board of
13 Trustees setting forth at what time, as of the first day of a calendar
14 month, not less than one day nor more than 90 days subsequent to
15 the execution and filing thereof, he desires to be retired: Provided,
16 that the said member at the time so specified for his retirement
17 shall have attained the age of 60 years and have at least five years
18 of creditable service or shall have completed 30 years of creditable
19 service, or if a ~~fireman~~, he professional firefighter, the member
20 shall have attained the age of 55 years and have at least five years
21 of creditable service.

22 (2) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1019, s.
23 1.

24 (3) Repealed by Session Laws 1971, c. 325, s. 12.

25 (4) Any member who was in service October 8, 1981, who had
26 attained 60 years of age, may retire upon written application to the
27 Board of Trustees setting forth at what time, as of the first day of a
28 calendar month, not less than one day nor more than 90 days
29 subsequent to the execution and filing thereof, he desires to be
30 retired.

31 (5) Any member who is a law enforcement ~~officer~~, officer or
32 professional firefighter, and who attains age 50 and completes 15 or
33 more years of creditable service in this capacity or who attains age
34 55 and completes five or more years of creditable service in this
35 capacity, may retire upon written application to the Board of
36 Trustees setting forth at what time, as of the first day of a calendar
37 month, not less than one day nor more than 90 days subsequent to
38 the execution and filing thereof, ~~he~~ the member desires to be
39 retired; provided, also, any member who has met the conditions
40 required by this ~~subdivision~~ section but does not retire, and later
41 becomes an employee other than as a law enforcement ~~officer~~,
42 officer or professional firefighter, continues to have the right to
43 commence retirement."

44 Section 5. G.S. 128-27(b17) reads as rewritten:

1 "(b17) Service Retirement Allowance of Member Retiring on or After July 1,
2 ~~1998- 1998, but before July 1, 2000.~~ -- Upon retirement from service in accordance
3 with subsection (a) or (a1) above, on or after July 1, 1998, but before July 1, 2000, a
4 member shall receive the following service retirement allowance:

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

8 a. If the member's service retirement date occurs on or after
9 his 55th birthday and completion of five years of creditable
10 service as a law enforcement officer, or after the completion
11 of 30 years of creditable service, the allowance shall be
12 equal to one and seventy-seven hundredths percent (1.77%)
13 of his average final compensation, multiplied by the number
14 of years of his creditable service.

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

20 1. The service retirement allowance payable under G.S.
21 128-27(b17)(1)a. reduced by one-third of one percent
22 (1/3 of 1%) thereof for each month by which his
23 retirement date precedes the first day of the month
24 coincident with or next following the month the
25 member would have attained his 55th birthday; or

26 2. The service retirement allowance as computed under
27 G.S. 128-27(b17)(1)a. reduced by five percent (5%)
28 times the difference between 30 years and his
29 creditable service at retirement.

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

33 a. If the member's service retirement date occurs on or after
34 his 65th birthday upon the completion of five years of
35 creditable service or after the completion of 30 years of
36 creditable service or on or after his 60th birthday upon the
37 completion of 25 years of creditable service, the allowance
38 shall be equal to one and seventy-seven hundredths percent
39 (1.77%) of average final compensation, multiplied by the
40 number of years of creditable service.

41 b. If the member's service retirement date occurs after his 60th
42 birthday and before his 65th birthday and prior to his
43 completion of 25 years or more of creditable service, his
44 retirement allowance shall be computed as in G.S. 128-

27(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. 128-27(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%) 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 6. G.S. 128-27 is amended by adding a new subsection to read:

"(b18) Service Retirement Allowance of Member Retiring on or After July 1, 2000. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2000, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer, an eligible former law enforcement officer, a professional firefighter, or an eligible former professional firefighter 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 professional

1 firefighter, or after the completion of 30 years of creditable
2 service, the allowance shall be equal to one and seventy-
3 seven hundredths percent (1.77%) of his average final
4 compensation, multiplied by the number of years of his
5 creditable service.

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

12 1. The service retirement allowance payable under G.S.
13 128-27(b18)(1)a. reduced by one-third of one percent
14 (1/3 of 1%) thereof for each month by which his
15 retirement date precedes the first day of the month
16 coincident with or next following the month the
17 member would have attained his 55th birthday; or

18 2. The service retirement allowance as computed under
19 G.S. 128-27(b18)(1)a. reduced by five percent (5%)
20 times the difference between 30 years and his
21 creditable service at retirement.

22 (2) A member who is not a law enforcement officer, an eligible former
23 law enforcement officer, a professional firefighter, or an eligible
24 former professional firefighter shall receive a service retirement
25 allowance computed as follows:

26 a. If the member's service retirement date occurs on or after
27 his 65th birthday upon the completion of five years of
28 creditable service or after the completion of 30 years of
29 creditable service or on or after his 60th birthday upon the
30 completion of 25 years of creditable service, the allowance
31 shall be equal to one and seventy-seven hundredths percent
32 (1.77%) of average final compensation, multiplied by the
33 number of years of creditable service.

34 b. If the member's service retirement date occurs after his 60th
35 birthday and before his 65th birthday and prior to his
36 completion of 25 years or more of creditable service, his
37 retirement allowance shall be computed as in G.S. 128-
38 27(b18)(2)a. but shall be reduced by one-quarter of one
39 percent (1/4 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 his 65th birthday.

42 c. If the member's early service retirement date occurs on or
43 after his 50th birthday and before his 60th birthday and after
44 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(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. 128-27(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, 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(b18)(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(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 member had retired on the first day of the month following the date of his death, provided that all three of 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. 128-27(b17)(1)b. or G.S. 128-27(b17)(2)c.~~ G.S. 128-27(b18)(1)b. or G.S. 128-27(b17)(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 is living at the time of his death.

1 (3) The member had not instructed the Board of Trustees in writing
2 that he did not wish the provisions of this subsection apply.
3 For the purpose of this benefit, a member is considered to be in service at the date
4 of his death if his death occurs within 180 days from the last day of his actual service.
5 The last day of actual service shall be determined as provided in subsection (1) of this
6 section. Upon the death of a member in service, the surviving spouse may make all
7 purchases for creditable service as provided for under this Chapter for which the
8 member had made application in writing prior to the date of death, provided that the
9 date of death occurred prior to or within 60 days after notification of the cost to
10 make the purchase."
11 Section 8. This act becomes effective July 1, 2000.

NC 401(k) PLAN EMPLOYER CONTRIBUTIONS – GENERAL EMPLOYEES
March 22, 2000

A-B Tech Comm College \$25/month

Aberdeen	5%
Ahoskie	5%
Alamance-Caswell Mental Health	3%
Alamance County	2%
Angier	5%
Anson County	2%
Apex	4.5%
Archdale	5%
Ashe County	2%
Asheville	4%
Asheville Reg. Airport	5%
Bald Head Island	5%
Bay Leaf Fire Dept	4%
Beaufort (town)	1%
Beaufort County	0.5%
Belhaven	2%
Belmont	5%
Benson	5%
Bessemer City	2%
Bethel	2%
Beulaville	5%
Biltmore Forest	4%
Black Mountain	4%
Blue Ridge Center	3%
Boiling Spring Lakes	5%
Boiling Springs	5%
Brunswick County	2%
Buncombe County	5%
Bunc County Air Pollution	5%
Burke-Catawba Confinement	2%
Burke County	2%
Burke County Dept. Social Services	2%
Burke County Health Dept.	2%

Burlington	5%
Burlington Graham ABC	5%
Cabarrus County	5%
Cabarrus Health Alliance	5%
Cape Fear COG	1%
Carrboro	3%
Carteret County	3%
Carthage	1%
Cary	5%
Caswell Beach	5%
Centralina COG	3%
Chapel Hill	5%
Chatham County	3%
Cherryville	5%
Clarkton	5%
Clayton	2%
Cleveland County	5%
Clinton	1%
Coastal Regional Solid Waste Mgmt.	5%
Columbus (town)	\$10 x 52
Concord	2.5%
Concord ABC	2.5%
Conover	5%
Cornelius	5%
Cramerton	1%
Craven County	3%
Craven County ABC	2%
Craven County Airport Auth.	3%
Craven County Tourism	3%
Creedmoor	4%
Crossroads Behavioral Health	1%
Cumberland County ABC	5%
Currituck County	4.68%
Dallas	2%

Davidson (town)	5%
Davie County	2%
Davie Soil and Water District	2%
Dobson	4%
Dobson ABC	4%
Dunn	2%
Dunn ABC Board	2%
Duplin/Sampson Mental Health	2%
Durham (city)	5%
Durham County	5%
Edenton Housing Authority	2%
Edgecombe County	1%
Edgecombe County ABC	5%
Edge-Nash Mental Health	2.5%
Electri-Cities of N.C., Inc.	2.5%
Elizabeth City	5%
Elizabethtown	2%
Elkin	3%
Elon College	5%
Emerald Isle	3%
Erwin	2.5%
Eureka	5%
Fairmont	2.5%
Faison	2%
Farmville	2.75%
Fletcher	5%
Foxfire Village	5%
Franklin County	3.25%
Fuquay-Varina	3%
Garner	3%
Gaston (town)	2%
Gastonia ABC	1%
Gibsonville	5%
Graham (city)	5%

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Exhibit B

10/10/00

Greensboro ABC	5%
Greenville	\$25 x 26
Greenville Housing Authority	\$25 x 26
Greenville Utilities	\$25 x 26
Grover	5%
Guilford College Vol. Fire Dept.	5%
Guilford County	5%
Guilford Fire Dist 13	2%
Halifax County ABC	3%
Harnett County	1%
Havelock	5%
Haw River	4.83%
Henderson (city)	5%
Hertford (town)	3%
High Point ABC	5%
Hillsborough	4.66%
Holly Springs	2.5%
Hope Mills	1%
Hudson	2%
Huntersville	5%
Iredell County	5%
Jamestown	3%
Johnston County	5%
Johnston County ABC	5%
Johnston/Smith Library	5%
Jonesville	4.83%
Kenly	2%
Kerr-Tar COG	2%
Kill Devil Hills	3%
King	5%
Kings Mountain	2%
Kinston	1.5%
Kinston Housing Auth	3%
Knightdale	3%

Laurinburg	5%
Lee County	3%
Lee-Harnett Mental Health	10%
Lenoir County	5%
Lexington	2%
Lillington	5%
Lincolnton Housing Authority	3%
Louisburg	5%
Louisburg ABC	5%
Lowell	2.5%
Madison (town)	3%
Madison-Mayodan Recreation	5%
Manteo	5%
Marion	3.46%
Marshville	3.5%
Matthews	5%
Mayodan	5%
McAdenville	5%
McDowell County	\$10.35 x 24
Mecklenburg County ABC	6%
Metro Sewage Dist	3%
Mid-Carolina COG	2%
Middlesex	3.5%
Mocksville	4%
Monroe	5%
Monroe Housing Authority	5%
Montgomery County	5%
Montreat	5%
Moore County	2.6%
Moore County ABC	2.5%
Moore County Airport Auth	2.6%
Moore Water & Sewer Authority	8.8%
Mooreville	5%
Morehead City	5%

Mount Holly	5%
Mount Olive	4%
Murfreesboro	1.5%
Nags Head	3%
Nash County	5%
Nash County ABC	5%
Nashville	3%
New Bern	6%
New Hanover ABC	5%
NC Assn of County Commissioners	4%
NC Ctr for Applied Tech	1.75%
North Topsail Beach	3%
North Wilkesboro	2.5%
Northwest Piedmont COG	2%
Oak Island	4%
Ocean Isle Beach	5%
Orange County	\$15 X 26
Pamlico County	3%
Parkwood Fire Dept	5%
Person County	3%
Pilot Mountain	5%
Pine Knoll Shores	5%
Pinebluff	3%
Pinecroft-Sedge Fire	2%
Pinehurst	5%
Pineville	5%
Pitt-Greenville Visit/Conv.	\$25 X 26
Pitt County	4.75%
Pitt County ABC	1%
Plymouth	1.50%
Plymouth Housing Auth.	1%
Randleman	5%
Raeford	5%
RDU Airport Authority	2%

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Red Springs	2%
Reidsville	3%
Reidsville ABC	1%
Richmond County	1%
River Bend	5%
Roanoke Rapids	2%
Robbins	3%
Robeson County	3%
Rockingham (city)	2.5%
Rocky Mount	4%
Rowan County	3%
Rutherford County	3%
Salisbury	2%
Sampson County	2.53%
Sanford	4%
Sanford ABC	1.5%
Sawmills	2%
Scotland County	3.75%
Scotland County ABC	3%
Scotland Neck	1.5%
Selma	5%
Shallotte	3%
Simpson	5%
Shelby	5%
Siler City	2.5%
Skyland Fire Dept	3%
Smithfield	4.47%
Smoky Mountain Center	5%
South Brunswick Water & Sewage	5%
Southern Pines	5%
Southern Shores	5%
Southport	5%
Spindale	5%
Spring Hope	5%

Stanley (town)	5%
Star	5%
Statesville ABC	5%
Stedman	5%
Stokes County	1%
Sunset Beach	10%
Sylva	5%
Tabor City	5%
Tarboro	3%
Taylorsville	5%
Tideland Mental Health	\$250 annually
Topsail Beach	5%
Trent Woods	5%
Triangle J COG	3%
Union County	5%
Vance County	1%
Vance County ABC	1%
Vass	5%
Wade	2.2%
Wadesboro	3%
Wake County	5%
Wake County ABC	5%
Wake Forest (town)	3.5%
Wallace	1%
Walnut Cove	2%
Washington (city)	\$10 X 26
Washington County	3%
Watauga County	3%
Water and Sewer of Cabarrus	4%
Wayne County ABC	\$20/mon
Weaverville	5%
Whispering Pines	5%
White Lake	2%
Wilmington	4.5%

Wilmington Int'l Airport	5%
Wilson (city)	5%
Wilson County	2.5%
Wilson County ABC	2.5%
Wilson Economic Dev	2.5%
Windsor	5%
Winterville	5%
Woodfin	5%
Wrightsville Beach	2%
Yadkinville	2.5%
Zebulon	3.52%

TOTAL	283
LOCAL GOV'T EMPLOYERS	281
OTHER	2

47
 111
 158
 cities & towns

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 77

Short Title: Increase LEO Retirement.

(Public)

Sponsors: Representatives Fitch; Adams, Allred, Arnold, Blue, Cansler, Grady, Hensley, Hunter, McAllister, Michaux, Sherrill, and Wainwright.

Referred to: Law Enforcement, if favorable, Pensions & Retirement, if favorable, Appropriations.

February 15, 1999

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~~ section, and who
10 retires on or before December 31, 1999, shall receive, beginning on the last day of the
11 month in which he retires on a basic service retirement under the provisions of G.S.
12 135-5(a) or G.S. 143-166(y), an annual separation allowance equal to eighty-five
13 hundredths percent (0.85%) of the annual equivalent of the base rate of
14 compensation most recently applicable to him for each year of creditable service. The
15 allowance shall be paid in 12 equal installments on the last day of each month. To
16 qualify for the 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, and who retire
12 on or before December 31, 1999, except as may be provided by this section. As to the
13 applicability of the provisions of G.S. 143-166.41 to locally employed officers, the
14 governing body for each unit of local government shall be responsible for making
15 determinations of eligibility for their local officers retired under the provisions of
16 G.S. 128-27(a) and for making payments to their eligible officers under the same
17 terms and conditions, other than the source of payment, as apply to each State
18 department, agency, or institution in payments to State officers according to the
19 provisions of G.S. 143-166.41."

20 Section 3. G.S. 135-5(b17) reads as rewritten:

21 "(b17) Service Retirement Allowance of Members Retiring on or After July 1,
22 ~~1997~~. 1997, but Before January 1, 2000. -- Upon retirement from service in
23 accordance with subsection (a) or (a1) above, on or after July 1, 1997, but before
24 January 1, 2000, 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 30 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 membership 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 birthday and before his 65th birthday and prior to his
20 completion of 25 years or more of creditable service, his
21 retirement allowance shall be computed as in G.S. 135-
22 5(b17)(2)a. but shall be reduced by one-quarter of one
23 percent ($\frac{1}{4}$ of 1%) thereof for each month by which his
24 retirement date precedes the first day of the month
25 coincident with or next 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 30 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, 2000. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after January 1, 2000, 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 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 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(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 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

1 membership 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 birthday and before his 65th birthday and prior to his
9 completion of 25 years or more of creditable service, his
10 retirement allowance shall be computed as in G.S. 135-
11 5(b18)(2)a., but shall be reduced by one-quarter of one
12 percent (1/4 of 1%) thereof for each month by which his
13 retirement date precedes the first day of the month
14 coincident with or next 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 30 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. 135-5(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(b17) reads as rewritten:

"(b17) Service Retirement Allowance of Member Retiring on or After ~~July 1, 1998~~ July 1, 1998, but Before January 1, 2000. -- Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 1998, but before January 1, 2000, 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.

- 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(b17)(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(b17)(1)a. reduced by five percent (5%)
- 14 times the difference between 30 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-seven hundredths percent
- 25 (1.77%) of 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 birthday and before his 65th birthday and prior to his
- 29 completion of 25 years or more of creditable service, his
- 30 retirement allowance shall be computed as in G.S. 128-
- 31 27(b17)(2)a. but shall be reduced by one-quarter of one
- 32 percent (1/4 of 1%) thereof for each month by which his
- 33 retirement date precedes the first day of the month
- 34 coincident with or next 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(b17)(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

- 1 the month the member would have attained his 60th
2 birthday, plus one-quarter of one percent (1/4 of 1%)
3 thereof for each month by which his 60th birthday
4 precedes the first day of the month coincident with or
5 next following his 65th birthday; or
6 2. The service retirement allowance as computed under
7 G.S. 128-27(b17)(2)a. reduced by five percent (5%)
8 times the difference between 30 years and his
9 creditable service at retirement; or
10 3. If the member's creditable service commenced prior
11 to July 1, 1995, the service retirement allowance
12 equal to the actuarial equivalent of the allowance
13 payable at the age of 60 years as computed in G.S.
14 128-27(b17)(2)b.
15 d. Notwithstanding the foregoing provisions, any member
16 whose creditable service commenced prior to July 1, 1965,
17 shall not receive less than the benefit provided by G.S. 128-
18 27(b)."

19 Section 7. G.S. 128-27 is amended by adding a new subsection to read:

20 "(b18) Service Retirement Allowance of Member Retiring on or After January 1,
21 2000. -- Upon retirement from service in accordance with subsection (a) or (a1)
22 above, on or after January 1, 2000, a member shall receive the following service
23 retirement allowance:

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

27 a. If the member's service retirement date occurs on or after
28 his 55th birthday and completion of five years of creditable
29 service as a law enforcement officer, or after the completion
30 of 30 years of creditable service, the allowance shall be
31 equal to two and fifty hundredths percent (2.50%) of his
32 average final compensation, multiplied by the number of
33 years of his creditable service.

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 30 years of creditable service,
38 his retirement allowance shall be equal to the greater of:

39 1. The service retirement allowance payable under G.S.
40 128-27(b18)(1)a., reduced by one-third of one percent
41 (1/3 of 1%) thereof for each month by which his
42 retirement date precedes the first day of the month
43 coincident with or next following the month the
44 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(b18)(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(b17)(1)b.~~ G.S. 128-27(b18)(1)b.
21 or ~~G.S. 128-27(b17)(2)c.,~~ G.S. 128-27(b18)(2)c.,
22 notwithstanding 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 (l) 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, 2000.



Exhibit D

Exhibit D

HOUSE BILL 77: Increase LEO Retirement

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: May 11, 1999
Version: H77-PCS4056-LL

Introduced by: Representative Fitch
Summary by: Theresa Matula
Committee Staff

SUMMARY:

The Proposed Committee Substitute for House Bill 77 (H77-PCS4056-LL) eliminates the separation allowance for Law Enforcement Officers, increases their retirement formula, and allows them to receive unreduced retirement benefits with twenty-five years of service.

BILL ANALYSIS:

Sections 1 and 2 of the Proposed Committee Substitute for House Bill 77 (**H77-PCS4056-LL**) eliminate the separation allowance for Law Enforcement Officers. This bill amends G.S. 143-166.41(a) and G.S. 143-166.42 by eliminating the separation allowance after December 31, 1999. Eligible law-enforcement officers who retire on or before December 31, 1999 will be eligible for the separation allowance.

Section 1 amends G.S. 143-166.41(a) pertains to sworn law-enforcement officers employed by a State department, agency, or institution who qualify under the section.

Section 2 amends G.S. 143-166.42 pertains to eligible law-enforcement who are employed by local government employers.

Sections 3, 4 & 5 of the Proposed Committee Substitute for House Bill 77 (**H77-PCS4056-LL**) amend Chapter 135 of the General Statutes regarding the Teachers' and State Employees' Retirement System (TSERS).

Section 3 amends G.S. 135-5(b17) to specify that the benefits outlined under (b17) apply to the Service Retirement Allowance of Members Retiring *on or After July 1, 1997, but Before January 1, 2000*.

Section 4 adds G.S. 135-5(b18) which outlines the Service Retirement Allowance of Members Retiring *on or After January 1, 2000*. These amendments allow:

members who are law enforcement officers, or eligible former law enforcement officers, to receive an unreduced retirement benefit on or after his 55th birthday and completion of five years creditable service as a law enforcement officer, *or after the completion of 25 years of creditable service* (previously 30 years), and the allowance is increased to 2.50% of average final compensation (previously 1.80%);

members who are law enforcement officers, or eligible former law enforcement officers, whose 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

HOUSE BILL 77

Page 2

completion of *25 years of creditable service* (previously 30 years) to receive a reduced retirement benefit.

Section 5 amends the citations in the Survivor's Alternate Benefit section to reflect the addition of G.S. 135-5(b18).

Sections 6, 7, & 8 of the Proposed Committee Substitute for House Bill 77 (*H77-PCS4056-LL*) amend Chapter 128 of the General Statutes regarding the North Carolina Local Governmental Employee's Retirement System. The amendments to G.S. 128-27(b17) and the addition of G.S. 128-27(b18) are consistent with those made in Sections 3 and 4 of the bill. Consistent with Section 5 above, Section 8 amends the citations in the Survivor's Alternate Benefit section to reflect the addition of G.S. 128-27(b18).

Section 9 states that this act becomes effective January 1, 2000.



HOUSE BILL 77: Increase LEO Retirement

BILL ANALYSIS

Committee: House Pensions & Retirement
Date: May 11, 1999
Version: H77-PCS4056-LL

Introduced by: Representative Fitch
Summary by: Theresa Matula
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Section 1 amends G.S. 143-166.41(a) pertains to sworn law-enforcement officers employed by a State department, agency, or institution who qualify under the section.

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Section 4 adds G.S. 135-5(b18) which outlines the Service Retirement Allowance of Members Retiring *on or After January 1, 2000*. These amendments allow:

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members who are law enforcement officers, or eligible former law enforcement officers, whose 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

HOUSE BILL 77

Page 2

completion of *25 years of creditable service* (previously 30 years) to receive a reduced retirement benefit.

Section 5 amends the citations in the Survivor's Alternate Benefit section to reflect the addition of G.S. 135-5(b18).

Sections 6, 7, & 8 of the Proposed Committee Substitute for House Bill 77 (*H77-PCS4056-LL*) amend Chapter 128 of the General Statutes regarding the North Carolina Local Governmental Employee's Retirement System. The amendments to G.S. 128-27(b17) and the addition of G.S. 128-27(b18) are consistent with those made in Sections 3 and 4 of the bill. Consistent with Section 5 above, Section 8 amends the citations in the Survivor's Alternate Benefit section to reflect the addition of G.S. 128-27(b18).

Section 9 states that this act becomes effective January 1, 2000.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

March 11, 1999

The Honorable Henry M. Michaux, Jr.
Chairman of the House Committee
on Pensions and Retirement
Suite 1409 of the State Legislative Building
Raleigh, North Carolina

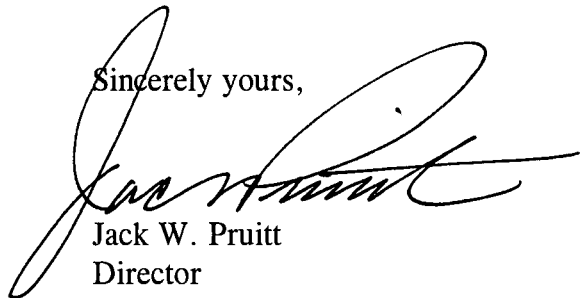
Re: Actuarial Note/House Bill 77

Dear Representative Michaux:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on House Bill 77 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

March 10, 1999

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 77

Dear Mr. Pruitt:

We have received your letter of February 19 regarding House Bill 77 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. For purposes of determining the cost of this legislation, we have assumed that a 25 will be substituted for a 30 on page 4, lines 18, 25 and 35; page 8 lines 27 and 34 and page 9 line 1.

The legislation further appears to provide retirement benefits for members retiring on and after January 1, 2000 equal to 2.50% of average final compensation multiplied by creditable service and would repeal, effective January 1, 2000, 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	.0696%	\$ 5,888,000
Accrued Liability	.2129	<u>18,011,000</u>
Total	.2825%	\$ 23,899,000

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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 11.08% of covered payroll. The increase from the current employer normal rate of 5.27% would be 5.81% in perpetuity, which would require additional annual normal contributions of approximately \$27,677,000 in the first year. The additional unfunded accrued liability created on account of this legislation is \$394,338,000, which would require additional accrued liability contributions of approximately \$33,927,000 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 \$61,604,000. 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, 1999. 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.

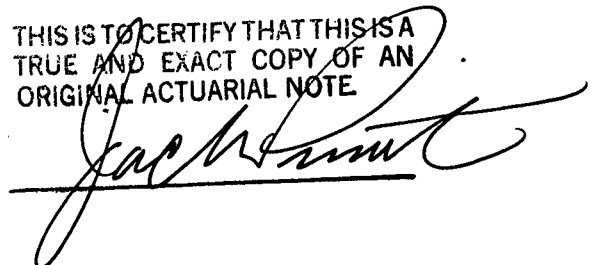
Sincerely,


Edward A. Macdonald
Principal and Consulting Actuary

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Enclosure

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



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MARCH 11 1999

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.....	18	479,165	1,268,219	2.11%	27,839	26,759	54,598
70007	Ahoskie, Town Of.....	18	362,813	1,220,314	2.11%	21,079	25,749	46,828
70020	Alamance County.....	76	2,073,189	15,161,316	0.99%	120,452	150,097	270,549
70030	Albemarle, City Of.....	44	1,277,712	6,428,922	1.77%	74,235	113,792	188,027
70032	Alexander County.....	20	460,842	2,017,555	1.64%	26,775	33,088	59,863
70033	Alexander Mills, Town Of.....	1	4,149	122,466	0.17%	241	208	449
70035	Alleghany County.....	11	196,402	1,531,081	0.63%	11,411	9,646	21,057
70036	Andrews, Town Of.....	3	34,406	222,448	0.53%	1,999	1,179	3,178
70038	Angier, Town Of.....	14	189,061	428,142	1.01%	10,984	4,324	15,308
70040	Anson County.....	23	486,298	4,162,702	0.37%	28,254	15,402	43,656
70050	Apex, Town Of.....	27	818,500	3,261,136	1.77%	47,555	57,722	105,277
70063	Archdale, City Of.....	20	575,688	1,095,897	3.99%	33,447	43,726	77,173
70064	Asheboro, City Of.....	51	1,394,258	6,163,184	1.88%	81,006	115,868	196,874
70065	Ashe County.....	16	339,180	2,668,812	0.73%	19,706	19,482	39,188
70070	Asheville, City Of.....	172	5,515,706	26,616,679	1.70%	320,463	452,484	772,947
70072	Asheville A.B.C. Board.....	2	71,651	1,114,345	0.43%	4,163	4,792	8,955
70074	Asheville Regional Airport Authority	15	477,332	808,102	6.25%	27,733	50,506	78,239
70080	Atlantic Beach, Town Of.....	9	232,855	285,990	3.68%	13,529	10,524	24,053
70082	Aulander, Town Of.....	3	31,871	133,268	0.54%	1,852	720	2,572
70085	Aurora, Town Of.....	2	44,772	130,709	0.63%	2,601	823	3,424
70090	Avery County.....	34	387,859	2,996,257	0.39%	22,535	11,685	34,220
70100	Ayden, Town Of.....	17	364,143	1,455,901	1.31%	21,157	19,072	40,229
70103	Badin, Town Of.....	7	89,631	137,060	0.47%	5,208	644	5,852
70104	Bailey, Town Of.....	4	54,229	113,300	0.42%	3,151	476	3,627
70105	Bakersville, Town Of.....	1	22,573	57,271	3.64%	1,311	2,085	3,396
70107	Village Of Bald Head Island.....	13	191,118	563,321	1.01%	11,104	5,690	16,794
70110	Banner Elk, Town Of.....	6	109,309	259,123	1.99%	6,351	5,157	11,508
70130	Beaufort County.....	44	948,381	6,692,948	0.66%	55,101	44,173	99,274
70145	Beaufort, Town Of.....	13	231,724	1,117,338	0.71%	13,463	7,933	21,396
70146	Beech Mountain, Town Of.....	8	178,908	959,489	0.81%	10,395	7,772	18,167
70147	Belhaven, Town Of.....	14	201,639	718,166	0.74%	11,715	5,314	17,029

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70150	Belmont, City Of.....	24	585,131	1,693,318	1.84%	33,996	31,157	65,153
70155	Bessemer City, City Of.....	12	271,295	1,053,665	1.43%	15,762	15,067	30,829
70157	Bethel, Town Of.....	5	87,667	313,795	0.69%	5,093	2,165	7,258
70160	Beulaville, Town Of.....	3	59,088	215,832	3.04%	3,433	6,561	9,994
70170	Benson, Town Of.....	18	345,087	1,139,719	0.96%	20,050	10,941	30,991
70180	Bertie County.....	14	337,261	3,297,204	0.93%	19,595	30,664	50,259
70190	Biltmore Forest, Town Of.....	9	255,681	611,188	1.49%	14,855	9,107	23,962
70192	Biscoe, Town Of.....	7	157,782	291,009	5.43%	9,167	15,802	24,969
70195	Black Creek, Town Of.....	2	48,300	188,252	1.34%	2,806	2,523	5,329
70200	Black Mountain, Town Of.....	15	373,421	1,287,230	1.97%	21,696	25,358	47,054
70210	Bladen County.....	42	1,110,860	13,187,370	0.52%	64,541	68,574	133,115
70215	Bladenboro, Town Of.....	9	120,082	299,683	0.91%	6,977	2,727	9,704
70220	Blowing Rock, Town Of.....	9	237,807	955,637	1.66%	13,817	15,864	29,681
70225	Boiling Spring Lakes, City Of.....	4	77,466	275,230	1.60%	4,501	4,404	8,905
70230	Boiling Springs, Town Of.....	6	106,131	304,680	1.54%	6,166	4,692	10,858
70235	Bolton, Town Of.....	2	40,331	40,331	0.21%	2,343	85	2,428
70240	Boone, Town Of.....	32	941,964	3,251,423	2.51%	54,728	81,611	136,339
70250	Boonville, Town Of.....	2	47,393	203,519	1.68%	2,754	3,419	6,173
70260	Brevard, City Of.....	21	656,782	2,026,514	2.94%	38,159	59,580	97,739
70265	Broadway, Town Of.....	4	61,198	156,059	0.63%	3,556	983	4,539
70270	Brookford, Town Of.....	1	29,649	83,445	4.81%	1,723	4,014	5,737
70280	Brunswick County.....	67	1,995,666	9,604,973	0.97%	115,948	93,168	209,116
70285	Bryson City, Town Of.....	6	85,233	336,332	0.96%	4,952	3,229	8,181
70290	Buncombe County.....	214	5,636,265	35,565,896	0.72%	327,467	256,074	583,541
70295	Bunn, Town Of.....	6	65,770	126,417	0.70%	3,821	885	4,706
70300	Burgaw, Town Of.....	6	157,955	593,253	1.46%	9,177	8,661	17,838
70310	Burke County.....	80	1,753,036	5,605,000	2.17%	101,851	121,629	223,480
70320	Burlington, City Of.....	108	3,596,905	14,121,031	2.49%	208,980	351,614	560,594
70330	Burnsville, Town Of.....	9	166,496	453,303	1.68%	9,673	7,615	17,288
70340	Cabarrus County.....	137	4,080,029	19,277,524	1.44%	237,050	277,596	514,646
70350	Caldwell County.....	52	1,374,958	11,865,122	0.77%	79,885	91,361	171,246

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70355	Calypso, Town Of.....	2	19,134	32,707	0.00%	1,112	0	1,112
70357	Camden County.....	7	173,903	716,147	0.93%	10,104	6,660	16,764
70360	Candor, Town Of.....	5	67,582	111,392	0.83%	3,927	925	4,852
70362	Canton, Town Of.....	14	401,758	1,784,549	1.43%	23,342	25,519	48,861
70365	Cape Carteret, Town Of.....	5	124,224	163,188	6.69%	7,217	10,917	18,134
70372	Carrboro, Town Of.....	33	1,004,734	3,568,971	1.87%	58,375	66,740	125,115
70375	Carolina Beach, Town Of.....	25	571,281	1,686,022	1.37%	33,191	23,099	56,290
70380	Carteret County.....	33	819,166	7,141,331	0.53%	47,594	37,849	85,443
70385	Carteret County A.B.C. Board.....	1	27,313	496,811	0.25%	1,587	1,242	2,829
70390	Carthage, Town Of.....	11	156,326	355,262	1.52%	9,083	5,400	14,483
70400	Cary, Town Of.....	103	3,271,983	18,862,425	1.09%	190,102	205,600	395,702
70405	Caswell Beach, Town Of.....	4	93,941	146,556	4.36%	5,458	6,390	11,848
70415	Caswell County.....	30	637,253	3,459,058	1.10%	37,024	38,050	75,074
70430	Catawba County.....	103	2,980,401	27,348,944	0.74%	173,161	202,382	375,543
70440	Catawba County A.B.C. Board.....	1	33,849	685,643	0.15%	1,967	1,028	2,995
70450	Chadbourn, Town Of.....	9	167,823	290,261	1.49%	9,751	4,325	14,076
70470	Chapel Hill, Town Of.....	85	3,253,307	14,769,670	1.93%	189,017	285,055	474,072
70480	Charlotte, City Of.....	1,336	52,731,566	129,300,070	3.21%	3,063,704	4,150,532	7,214,236
70490	Chatham County.....	50	1,272,184	8,084,432	1.17%	73,914	94,588	168,502
70500	Cherokee County.....	18	277,331	3,483,506	0.14%	16,113	4,877	20,990
70505	Eastern Band Of Cherokee Indians....	28	808,687	808,687	3.47%	46,985	28,061	75,046
70520	Cherryville, City Of.....	17	347,739	1,677,700	1.11%	20,204	18,622	38,826
70522	China Grove, Town Of.....	9	205,185	393,532	2.81%	11,921	11,058	22,979
70525	Chocowinity, Town Of.....	2	27,905	129,098	1.11%	1,621	1,433	3,054
70530	Chowan County.....	13	385,910	2,299,367	1.41%	22,421	32,421	54,842
70535	Claremont, Town Of.....	11	173,886	384,159	2.47%	10,103	9,489	19,592
70538	Clay County.....	11	227,594	1,513,611	0.79%	13,223	11,958	25,181
70540	Clayton, Town Of.....	23	525,361	2,278,486	1.34%	30,523	30,532	61,055
70550	Cleveland County.....	74	1,997,739	18,255,916	0.75%	116,069	136,919	252,988
70552	Cleveland, Town Of.....	3	63,024	134,114	1.62%	3,662	2,173	5,835
70555	Clinton, City Of.....	29	800,680	2,741,063	1.72%	46,520	47,146	93,666

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70570	Coats, Town Of.....	8	142,770	287,374	3.03%	8,295	8,707	17,002
70580	Columbus County.....	56	1,221,834	9,148,768	0.90%	70,989	82,339	153,328
70581	Columbus, Town Of.....	6	123,543	319,100	2.25%	7,178	7,180	14,358
70590	Concord, City Of.....	104	3,021,152	17,201,493	1.16%	175,529	199,537	375,066
70610	Conover, Town Of.....	21	606,181	1,756,234	2.89%	35,219	50,755	85,974
70620	Conway, Town Of.....	1	26,686	122,923	1.73%	1,550	2,127	3,677
70625	Cornelius, Town Of.....	24	766,302	1,281,875	2.56%	44,522	32,816	77,338
70640	Cramerton, Town Of.....	9	206,969	491,122	4.03%	12,025	19,792	31,817
70650	Craven County.....	54	1,494,657	13,293,212	0.79%	86,840	105,016	191,856
70660	Creedmoor, City Of.....	8	140,568	324,277	3.68%	8,167	11,933	20,100
70680	Cumberland County.....	305	8,805,001	56,221,886	0.73%	511,571	410,420	921,991
70685	Cumberland County A.B.C. Board.....	4	95,189	924,284	0.80%	5,530	7,394	12,924
70700	Currituck County.....	38	853,539	3,914,492	0.84%	49,591	32,882	82,473
70705	Dallas, Town Of.....	9	194,143	906,981	0.82%	11,280	7,437	18,717
70720	Dare County.....	53	1,467,996	14,339,763	0.67%	85,291	96,076	181,367
70721	Dare County A.B.C. Board.....	1	33,871	347,109	0.90%	1,968	3,124	5,092
70723	Davidson County.....	112	3,033,167	20,118,757	0.75%	176,227	150,891	327,118
70724	Davidson, Town Of.....	15	416,857	734,026	2.24%	24,219	16,442	40,661
70725	Davie County.....	29	694,081	5,901,722	0.58%	40,326	34,230	74,556
70730	Denton, Town Of.....	7	172,611	451,996	1.92%	10,029	8,678	18,707
70735	Dobson, Town Of.....	5	127,057	244,523	3.15%	7,382	7,702	15,084
70745	Drexel, Town Of.....	5	140,267	494,126	2.75%	8,150	13,588	21,738
70760	Dunn, Town Of.....	32	834,306	2,593,865	1.79%	48,473	46,430	94,903
70770	Duplin County.....	40	1,034,530	7,833,875	0.94%	60,106	73,638	133,744
70780	Durham, City Of.....	333	12,942,291	55,352,483	2.12%	751,947	1,173,473	1,925,420
70790	Durham County.....	123	3,743,486	39,763,913	0.52%	217,497	206,772	424,269
70800	Durham County A.B.C. Board.....	3	77,677	1,522,043	0.63%	4,513	9,589	14,102
70805	East Bend, Town Of.....	2	38,788	70,014	2.45%	2,254	1,715	3,969
70812	East Spencer, Town Of.....	12	133,335	325,645	0.48%	7,747	1,563	9,310
70815	Eden, City Of.....	52	1,567,904	4,906,208	2.96%	91,095	145,224	236,319
70817	Edenton, Town Of.....	20	487,731	1,771,975	2.30%	28,337	40,755	69,092

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70820	Edgecombe County.....	42	1,169,183	10,868,802	0.87%	67,930	94,559	162,489
70840	Elizabeth City.....	42	1,105,818	5,009,786	1.50%	64,248	75,147	139,395
70850	Elizabethtown, Town Of.....	14	374,792	904,071	2.09%	21,775	18,895	40,670
70855	Elkin, Town Of.....	18	443,587	1,284,589	1.83%	25,772	23,508	49,280
70860	Elk Park, Town Of.....	1	20,289	66,847	3.93%	1,179	2,627	3,806
70865	Ellerbe, Town Of.....	3	49,066	155,510	0.40%	2,851	622	3,473
70870	Elm City, Town Of.....	4	84,464	215,073	0.58%	4,907	1,247	6,154
70880	Elon College, Town Of.....	11	315,568	886,501	2.84%	18,335	25,177	43,512
70890	Emerald Isle, Town Of.....	15	438,359	1,240,755	2.34%	25,469	29,034	54,503
70895	Enfield, Town Of.....	14	156,746	737,127	0.32%	9,107	2,359	11,466
70900	Erwin, Town Of.....	11	251,492	805,458	1.81%	14,612	14,579	29,191
70905	Eureka, Town Of.....	1	18,296	27,175	0.49%	1,063	133	1,196
70908	Fair Bluff, Town Of.....	4	79,172	144,293	1.66%	4,600	2,395	6,995
70910	Fairmont, Town Of.....	16	302,840	720,137	1.84%	17,595	13,251	30,846
70920	Faison, Town Of.....	2	49,245	146,557	4.43%	2,861	6,492	9,353
70930	Farmville, City Of.....	19	482,248	1,762,889	1.41%	28,019	24,857	52,876
70940	Fayetteville, City Of.....	291	9,014,986	28,158,174	2.01%	523,771	565,979	1,089,750
70943	Fletcher, Town Of.....	10	294,097	571,568	1.29%	17,087	7,373	24,460
70950	Forest City.....	30	848,636	2,840,437	1.83%	49,306	51,980	101,286
70951	Forsyth County.....	221	7,796,071	50,719,642	1.34%	452,952	679,643	1,132,595
70953	Foxfire Village.....	2	67,099	93,302	7.15%	3,898	6,671	10,569
70954	Four Oaks, Town Of.....	6	105,602	231,500	1.17%	6,135	2,709	8,844
70955	Franklin, Town Of.....	18	436,248	1,114,643	2.28%	25,346	25,414	50,760
70960	Franklin County.....	32	922,087	7,821,379	0.74%	53,573	57,878	111,451
70970	Franklinton, Town Of.....	9	198,695	498,876	2.34%	11,544	11,674	23,218
70980	Fremont, Town Of.....	3	103,861	497,160	0.84%	6,034	4,176	10,210
70990	Fuquay-Varina, Town Of.....	22	547,450	1,752,764	1.75%	31,807	30,673	62,480
71000	Garland, Town Of.....	2	37,152	107,028	0.85%	2,159	910	3,069
71010	Garner, Town Of.....	42	1,547,259	4,224,245	2.94%	89,896	124,193	214,089
71020	Garysburg, Town Of.....	3	61,076	91,255	4.71%	3,549	4,298	7,847
71030	Gaston County.....	215	7,456,222	31,682,311	1.60%	433,206	506,917	940,123

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
71032	Gaston, Town Of.....	2	39,930	142,634	0.10%	2,320	143	2,463
71040	Gastonia, City Of.....	170	6,028,811	28,176,247	2.04%	350,274	574,795	925,069
71050	Gates County.....	4	39,117	883,731	0.03%	2,273	265	2,538
71060	Gibsonville, Town Of.....	12	309,381	864,615	1.46%	17,975	12,623	30,598
71065	Glen Alpine, Town Of.....	2	47,285	74,919	2.75%	2,747	2,060	4,807
71070	Goldsboro, City Of.....	97	2,821,558	10,817,815	1.74%	163,933	188,230	352,163
71080	Graham, City Of.....	27	659,451	2,886,810	1.36%	38,314	39,261	77,575
71085	Graham County.....	3	25,776	63,187	0.88%	1,498	556	2,054
71090	Granite Falls, Town Of.....	13	288,741	1,148,911	1.85%	16,776	21,255	38,031
71105	Granite Quarry, Town Of.....	5	81,118	118,236	2.49%	4,713	2,944	7,657
71110	Granville County.....	37	760,321	11,026,058	0.44%	44,175	48,515	92,690
71130	Greene County.....	26	479,018	2,885,827	0.53%	27,831	15,295	43,126
71140	Greensboro, City Of.....	466	19,250,543	81,927,981	2.44%	1,118,457	1,999,043	3,117,500
71150	Greensboro A.B.C. Board.....	2	70,394	1,508,365	0.30%	4,090	4,525	8,615
71160	Greenville, City Of.....	147	4,735,327	16,891,777	2.07%	275,122	349,660	624,782
71170	Grifton, Town Of.....	6	139,941	333,474	3.25%	8,131	10,838	18,969
71178	Grover, Town Of.....	1	40,810	78,721	2.59%	2,371	2,039	4,410
71180	Guilford, County Of.....	207	7,503,407	77,260,462	0.83%	435,948	641,262	1,077,210
71200	Halifax County.....	45	1,091,437	13,589,824	0.54%	63,412	73,385	136,797
71220	Hamlet, City Of.....	20	490,287	1,760,594	1.87%	28,486	32,923	61,409
71230	Harnett County.....	64	1,567,979	11,802,531	0.77%	91,100	90,879	181,979
71240	Havelock, City Of.....	24	660,070	2,091,843	2.55%	38,350	53,342	91,692
71245	Haw River, Town Of.....	7	187,639	516,451	3.02%	10,902	15,597	26,499
71250	Haywood County.....	52	992,179	8,548,553	0.55%	57,646	47,017	104,663
71270	Henderson, City Of.....	52	1,270,348	5,079,439	1.60%	73,807	81,271	155,078
71275	Henderson County.....	94	3,169,510	14,557,723	1.47%	184,149	213,999	398,148
71280	Hendersonville, City Of.....	33	1,009,830	2,668,970	2.18%	58,671	58,184	116,855
71300	Hertford, Town Of.....	8	149,799	495,076	1.70%	8,703	8,416	17,119
71310	Hertford County.....	14	282,762	3,142,444	0.34%	16,428	10,684	27,112
71330	Hickory, City Of.....	102	2,920,797	15,508,922	1.31%	169,698	203,167	372,865
71335	Highlands, Town Of.....	11	218,433	1,037,610	1.34%	12,691	13,904	26,595

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
71340	High Point, City Of.....	190	6,811,278	38,258,660	1.59%	395,735	608,313	1,004,048
71360	Hillsborough, Town Of.....	18	545,955	1,795,880	1.95%	31,720	35,020	66,740
71370	Hoke County.....	34	765,010	4,150,229	0.46%	44,447	19,091	63,538
71380	Holly Ridge, Town Of.....	5	94,205	239,024	0.53%	5,473	1,267	6,740
71385	Holly Springs, Town Of.....	13	352,736	1,748,024	0.55%	20,494	9,614	30,108
71390	Hope Mills, Town Of.....	24	527,331	1,641,392	1.31%	30,638	21,502	52,140
71392	Hot Springs, Town Of.....	2	36,360	36,360	1.61%	2,113	585	2,698
71395	Hudson, Town Of.....	11	265,727	604,589	2.71%	15,439	16,384	31,823
71397	Huntersville, Town Of.....	34	909,629	1,305,220	2.29%	52,849	29,890	82,739
71400	Hyde County.....	10	194,943	1,936,159	0.30%	11,326	5,808	17,134
71405	Indian Beach, Town Of.....	4	125,355	153,904	5.32%	7,283	8,188	15,471
71420	Iredell County.....	80	2,247,595	15,136,062	1.00%	130,585	151,361	281,946
71430	Jackson County.....	34	746,962	5,314,280	0.74%	43,398	39,326	82,724
71435	Jackson, Town Of.....	1	31,000	64,959	0.44%	1,801	286	2,087
71440	Jacksonville, City Of.....	101	2,815,962	10,561,937	1.75%	163,607	184,834	348,441
71447	Jefferson, Town Of.....	3	66,138	254,020	2.20%	3,843	5,588	9,431
71460	Johnston County.....	73	1,859,433	30,734,279	0.30%	108,033	92,203	200,236
71465	Jones County.....	8	182,652	1,986,667	0.24%	10,612	4,768	15,380
71467	Jonesville, Town Of.....	11	179,238	359,894	3.29%	10,414	11,841	22,255
71468	Kannapolis, Town Of.....	75	2,614,556	4,553,795	5.22%	151,906	237,708	389,614
71469	Kenansville, Town Of.....	4	64,299	163,195	0.74%	3,736	1,208	4,944
71470	Kernersville, Town Of.....	45	1,158,989	4,006,554	1.91%	67,337	76,525	143,862
71472	Kenly, Town Of.....	12	159,267	298,407	1.08%	9,253	3,223	12,476
71480	Kill Devil Hills, Town Of.....	23	714,037	3,048,843	1.59%	41,486	48,477	89,963
71487	King, Town Of.....	16	379,610	1,176,172	1.36%	22,055	15,996	38,051
71490	Kings Mountain, City Of.....	27	561,172	2,837,111	0.91%	32,604	25,818	58,422
71492	Kingtown, Town Of.....	2	33,670	36,324	0.29%	1,956	105	2,061
71500	Kinston, City Of.....	73	2,107,326	10,532,580	1.25%	122,436	131,657	254,093
71507	Kitty Hawk, Town Of.....	14	430,670	728,731	4.68%	25,022	34,105	59,127
71510	Knightdale, Town Of.....	13	394,337	807,186	2.89%	22,911	23,328	46,239
71515	Kure Beach, Town Of.....	7	188,873	477,123	1.57%	10,974	7,491	18,465

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71517	Lagrange, Town Of.....	8	146,376	578,909	1.44%	8,504	8,336	16,840
71518	Lake Lure, Town Of.....	7	133,877	681,846	0.76%	7,778	5,182	12,960
71519	Lake Woccamaw, Town Of.....	2	48,495	160,700	1.63%	2,818	2,619	5,437
71522	Landis, Town Of.....	7	162,865	594,905	2.50%	9,462	14,873	24,335
71525	Laurel Park, Town Of.....	5	99,367	395,008	0.91%	5,773	3,595	9,368
71530	Laurinburg, City Of.....	32	822,415	3,990,182	1.44%	47,782	57,459	105,241
71532	Lawndale, Town Of.....	1	21,384	32,212	4.21%	1,242	1,356	2,598
71535	Lee County.....	32	897,724	7,689,096	0.86%	52,158	66,126	118,284
71540	Leland, Town Of.....	8	144,781	204,115	3.35%	8,412	6,838	15,250
71550	Lenoir County.....	49	1,275,986	11,229,250	0.98%	74,135	110,047	184,182
71552	City Of Lenior.....	48	1,372,809	5,489,733	1.77%	79,760	97,168	176,928
71570	Lexington, City Of.....	64	1,828,307	9,657,604	1.42%	106,225	137,138	243,363
71582	Liberty, Town Of.....	13	238,451	592,430	2.06%	13,854	12,204	26,058
71584	Lilesville, Town Of.....	1	31,487	54,533	3.38%	1,829	1,843	3,672
71585	Lillington, Town Of.....	8	180,898	621,050	1.25%	10,510	7,763	18,273
71590	Lincoln County.....	66	1,785,721	9,051,079	1.08%	103,750	97,752	201,502
71600	Lincolnton, City Of.....	31	901,642	3,862,731	1.63%	52,385	62,963	115,348
71615	Littleton, Town Of.....	1	32,810	133,507	2.19%	1,906	2,924	4,830
71620	Locust, City Of.....	5	121,300	165,626	3.13%	7,048	5,184	12,232
71630	Long Beach, Town Of.....	19	525,215	1,417,476	1.91%	30,515	27,074	57,589
71640	Long View, Town Of.....	20	406,387	926,870	2.33%	23,611	21,596	45,207
71650	Louisburg, Town Of.....	12	318,172	1,445,911	1.00%	18,486	14,459	32,945
71655	Lowell, Town Of.....	7	152,816	382,627	2.68%	8,879	10,254	19,133
71660	Lucama, Town Of.....	3	57,137	230,169	2.17%	3,320	4,995	8,315
71670	Lumberton, City Of.....	62	1,458,995	7,184,905	1.75%	84,768	125,736	210,504
71680	Macon County.....	34	765,816	5,420,270	0.62%	44,494	33,606	78,100
71683	Madison, Town Of.....	13	316,502	1,007,245	2.22%	18,389	22,361	40,750
71684	Madison County.....	13	209,344	2,972,038	0.18%	12,163	5,350	17,513
71685	Maggie Valley, Town Of.....	6	129,119	218,139	4.46%	7,502	9,729	17,231
71700	Maiden, Town Of.....	16	387,520	1,111,461	2.34%	22,515	26,008	48,523
71705	Manteo, Town Of.....	7	163,990	618,609	1.43%	9,528	8,846	18,374

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						Normal	A.L.	Total
71710	Marion, Town Of.....	19	430,171	1,591,177	1.10%	24,993	17,503	42,496
71711	Marshall, Town Of.....	4	56,313	135,523	2.12%	3,272	2,873	6,145
71718	Mars Hill, Town Of.....	4	71,362	333,464	0.50%	4,146	1,667	5,813
71720	Marshville, Town Of.....	8	196,540	444,770	2.24%	11,419	9,963	21,382
71730	Martin County.....	27	601,904	3,562,528	1.00%	34,971	35,625	70,596
71740	Matthews, Town Of.....	38	1,249,920	2,496,609	2.15%	72,620	53,677	126,297
71745	Maysville, Town Of.....	2	38,812	109,653	0.32%	2,255	351	2,606
71750	Maxton, Town Of.....	13	248,619	248,619	5.33%	14,445	13,251	27,696
71755	Mayodan, Town Of.....	11	304,781	839,412	2.17%	17,708	18,215	35,923
71760	Mcadenville, Town Of.....	4	106,203	136,325	6.17%	6,170	8,411	14,581
71762	Mc Dowell County.....	32	753,275	5,080,312	0.68%	43,765	34,546	78,311
71765	Mebane, Town Of.....	2	55,852	69,034	5.25%	3,245	3,624	6,869
71770	Mecklenburg County.....	347	12,181,927	108,608,880	0.69%	707,770	749,401	1,457,171
71780	Mecklenburg County A.B.C. Board.....	10	501,555	3,486,408	1.32%	29,140	46,021	75,161
71785	Middlesex, Town Of.....	6	105,983	179,041	2.46%	6,158	4,404	10,562
71788	Mitchell County.....	13	232,429	1,985,605	0.58%	13,504	11,517	25,021
71790	Mocksville, Town Of.....	14	311,874	1,095,687	1.97%	18,120	21,585	39,705
71800	Monroe, City Of.....	67	2,279,318	7,961,823	2.23%	132,428	177,549	309,977
71815	Montgomery County.....	26	582,609	3,231,345	1.08%	33,850	34,899	68,749
71820	Montreat, Town Of.....	5	144,721	332,477	3.25%	8,408	10,806	19,214
71830	Moore County.....	59	1,640,770	10,792,657	1.03%	95,329	111,164	206,493
71840	Moore County A.B.C. Board.....	3	65,737	304,266	1.75%	3,819	5,325	9,144
71850	Mooreville, City Of.....	36	975,398	3,851,614	1.39%	56,671	53,537	110,208
71860	Morehead City, Town Of.....	35	945,272	2,874,158	1.80%	54,920	51,735	106,655
71870	Morganton, City Of.....	87	2,423,886	7,787,020	2.77%	140,828	215,700	356,528
71885	Morven, Town Of.....	3	36,720	79,340	1.65%	2,133	1,309	3,442
71910	Mount Airy, Town Of.....	38	1,136,474	4,198,891	1.82%	66,029	76,420	142,449
71920	Mount Gilead, Town Of.....	8	163,417	293,125	3.02%	9,495	8,852	18,347
71930	Mt. Holly, City Of.....	19	478,523	1,853,068	1.38%	27,802	25,572	53,374
71940	Mount Olive, Town Of.....	16	315,830	937,338	1.76%	18,350	16,497	34,847
71970	Murfreesboro, Town Of.....	11	202,521	550,415	1.66%	11,766	9,137	20,903

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71975	Murphy, Town Of.....	8	172,400	637,045	2.80%	10,016	17,837	27,853
71980	Nags Head, Town Of.....	18	609,721	2,675,301	1.47%	35,425	39,327	74,752
71990	Nash County.....	55	1,371,681	12,067,346	0.52%	79,695	62,750	142,445
71995	Nashville, Town Of.....	10	221,741	852,900	1.99%	12,883	16,973	29,856
72000	Nash County A.B.C. Board.....	1	34,536	395,088	1.06%	2,007	4,188	6,195
72020	New Bern, City Of.....	78	2,817,172	9,120,704	1.59%	163,678	145,019	308,697
72024	New Hanover Airport Authority.....	9	284,801	723,831	2.92%	16,547	21,136	37,683
72030	New Hanover County.....	188	6,163,764	32,708,001	1.06%	358,115	346,705	704,820
72032	Newland, Town Of.....	4	42,444	158,464	0.68%	2,466	1,078	3,544
72035	Newport, Town Of.....	5	131,987	443,713	2.59%	7,668	11,492	19,160
72040	Newton, Town Of.....	32	948,131	4,097,489	1.69%	55,086	69,248	124,334
72050	Newton Grove, Town Of.....	3	40,394	102,883	2.68%	2,347	2,757	5,104
72055	Norlina, Town Of.....	6	88,594	143,765	2.20%	5,147	3,163	8,310
72060	Northampton County.....	18	427,308	5,042,897	0.43%	24,827	21,684	46,511
72076	City Of Northwest.....	2	37,263	88,593	0.19%	2,165	168	2,333
72105	North Wilkesboro, Town Of.....	25	495,852	1,435,718	1.83%	28,809	26,274	55,083
72110	Norwood, Town Of.....	5	120,619	430,113	1.39%	7,008	5,979	12,987
72120	Oakboro, Town Of.....	4	99,177	218,006	1.00%	5,762	2,180	7,942
72135	Ocean Isle Beach, Town Of.....	6	202,588	516,187	2.27%	11,770	11,717	23,487
72140	Old Fort, Town Of.....	7	152,415	415,837	1.51%	8,855	6,279	15,134
72150	Onslow County.....	99	2,651,851	22,044,008	0.70%	154,073	154,308	308,381
72170	Orange County.....	100	3,113,676	18,585,388	1.15%	180,905	213,732	394,637
72195	Oriental, Town Of.....	2	56,138	131,816	2.07%	3,262	2,729	5,991
72200	Oxford, City Of.....	30	732,029	2,155,677	2.27%	42,531	48,934	91,465
72210	Pamlico County.....	14	299,326	2,229,847	0.47%	17,391	10,480	27,871
72220	Pasquotank County.....	25	649,983	22,069,514	0.15%	37,764	33,104	70,868
72228	Pembroke, Town Of.....	13	263,840	728,097	2.06%	15,329	14,999	30,328
72235	Pender County.....	38	808,052	5,165,408	0.72%	46,948	37,191	84,139
72245	Perquimans County.....	4	54,737	1,249,616	0.11%	3,180	1,375	4,555
72250	Person County.....	33	814,743	7,166,554	0.82%	47,337	58,766	106,103
72265	Piedmont Triad Airport Authority....	4	72,709	72,709	0.21%	4,224	153	4,377

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72270	Pikeville, Town Of.....	4	54,285	54,285	1.76%	3,154	955	4,109
72280	Pilot Mountain, Town Of.....	8	196,401	442,251	2.99%	11,411	13,223	24,634
72285	Pinebluff, Town Of.....	4	62,041	178,464	0.38%	3,605	678	4,283
72287	Pinehurst, Village Of.....	24	541,496	2,430,358	1.53%	31,461	37,184	68,645
72290	Pine Knoll Shores, Town Of.....	6	126,888	328,927	1.19%	7,372	3,914	11,286
72295	Pine Level, Town Of.....	3	42,148	191,629	1.21%	2,449	2,319	4,768
72296	Pinetops, Town Of.....	6	146,052	447,030	1.13%	8,486	5,051	13,537
72300	Pineville, Town Of.....	28	678,711	1,516,308	1.81%	39,433	27,445	66,878
72310	Pitt County.....	89	2,808,777	25,329,098	0.76%	163,190	192,501	355,691
72320	Pitt County A.B.C. Board.....	1	28,686	503,649	0.49%	1,667	2,468	4,135
72330	Pittsboro, Town Of.....	7	199,780	646,781	2.79%	11,607	18,045	29,652
72335	Plymouth, Town Of.....	15	273,987	410,310	3.32%	15,919	13,622	29,541
72340	Polk County.....	15	323,732	1,917,422	0.87%	18,809	16,682	35,491
72345	Polkton, Town Of.....	1	28,733	42,738	4.37%	1,669	1,868	3,537
72349	Princeton, Town Of.....	4	57,229	146,538	0.62%	3,325	909	4,234
72351	Princeville, Town Of.....	4	62,097	62,097	2.00%	3,608	1,242	4,850
72355	Raeford, Town Of.....	12	305,401	1,189,030	1.02%	17,744	12,128	29,872
72360	Raleigh, City Of.....	538	21,815,342	83,515,724	2.40%	1,267,471	2,004,377	3,271,848
72370	Raleigh-Durham Airport Authority....	22	774,759	5,492,329	0.88%	45,013	48,332	93,345
72375	Ramseur, Town Of.....	7	124,844	344,177	1.18%	7,253	4,061	11,314
72377	Randleman, City Of.....	14	237,400	1,029,494	0.71%	13,793	7,309	21,102
72380	Randolph County.....	100	2,424,972	11,672,485	1.11%	140,891	129,565	270,456
72390	Ranlo, Town Of.....	4	144,118	285,650	1.32%	8,373	3,771	12,144
72400	Reidsville, Town Of.....	41	1,227,913	4,019,098	2.25%	71,342	90,430	161,772
72420	Richlands, Town Of.....	5	101,282	264,469	1.25%	5,884	3,306	9,190
72430	Richmond County.....	38	999,721	6,251,024	1.20%	58,084	75,012	133,096
72432	Rich Square, Town Of.....	1	27,676	61,007	0.98%	1,608	598	2,206
72435	River Bend, Town Of.....	4	105,076	255,583	3.29%	6,105	8,409	14,514
72440	Roanoke Rapids, City Of.....	38	1,094,615	4,008,428	2.44%	63,597	97,806	161,403
72443	Robbins, Town Of.....	7	170,973	557,896	1.79%	9,934	9,986	19,920
72445	Robersonville, Town Of.....	7	151,564	663,694	0.38%	8,806	2,522	11,328

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72450	Robeson County.....	89	2,178,832	19,989,165	0.72%	126,590	143,922	270,512
72460	Rockingham, City Of.....	28	615,481	3,086,396	1.16%	35,759	35,802	71,561
72470	Rockingham County.....	94	2,295,289	18,442,688	0.78%	133,356	143,853	277,209
72480	Rocky Mount, City Of.....	129	4,183,814	20,800,172	1.39%	243,080	289,122	532,202
72485	Rolesville, Town Of.....	5	111,562	165,662	4.66%	6,482	7,720	14,202
72486	Roseboro, Town Of.....	6	91,920	189,539	0.69%	5,341	1,308	6,649
72487	Rose Hill, Town Of.....	4	82,311	288,279	0.73%	4,782	2,104	6,886
72490	Rowan County.....	90	2,416,946	16,190,938	1.15%	140,425	186,196	326,621
72510	Rowland, Town Of.....	8	150,640	333,348	1.91%	8,752	6,367	15,119
72520	Roxboro, City Of.....	30	766,344	2,711,657	1.98%	44,525	53,691	98,216
72530	Rutherford County.....	56	1,649,239	7,276,551	1.32%	95,821	96,050	191,871
72533	Rutherfordton, Town Of.....	12	303,782	751,651	2.59%	17,650	19,468	37,118
72540	St. Pauls, Town Of.....	12	299,816	669,246	2.18%	17,419	14,590	32,009
72547	Salemburg, Town Of.....	1	18,100	55,541	1.29%	1,052	716	1,768
72550	Salisbury, City Of.....	75	2,404,793	11,387,539	1.76%	139,718	200,421	340,139
72560	Saluda, Town Of.....	4	108,280	185,102	1.55%	6,291	2,869	9,160
72563	Sampson County.....	48	1,150,863	7,926,167	0.74%	66,865	58,654	125,519
72565	Sanford, City Of.....	69	2,195,894	7,732,518	2.21%	127,581	170,889	298,470
72580	Scotland County.....	34	959,353	8,624,689	0.87%	55,738	75,035	130,773
72590	Scotland Neck, Town Of.....	7	158,528	894,854	0.55%	9,210	4,922	14,132
72593	Seagrove, Town Of.....	1	25,704	25,704	11.32%	1,493	2,910	4,403
72594	Selma, Town Of.....	22	534,056	1,675,040	1.92%	31,029	32,161	63,190
72595	Severn, Town Of.....	1	30,407	35,504	9.59%	1,767	3,405	5,172
72597	Shallotte, Town Of.....	6	135,122	496,453	1.35%	7,851	6,702	14,553
72600	Sharpsburg, Town Of.....	7	148,291	148,291	1.60%	8,616	2,373	10,989
72610	Shelby, City Of.....	64	1,520,821	7,676,337	1.30%	88,360	99,792	188,152
72625	Siler City, Town Of.....	16	436,236	1,617,373	1.73%	25,345	27,981	53,326
72630	Smithfield, Town Of.....	21	659,750	3,260,497	1.57%	38,331	51,190	89,521
72640	Southern Pines, Town Of.....	30	830,258	2,921,429	2.13%	48,238	62,226	110,464
72645	Southern Shores, Town Of.....	6	218,751	482,368	2.96%	12,709	14,278	26,987
72650	Southport, City Of.....	9	244,931	1,151,539	0.96%	14,230	11,055	25,285

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
72657	Sparta, Town Of.....	3	76,793	76,793	4.30%	4,462	3,302	7,764
72665	Spencer, Town Of.....	10	193,238	624,379	1.36%	11,227	8,492	19,719
72670	Spindale, Town Of.....	9	278,374	870,476	3.31%	16,174	28,813	44,987
72675	Spring Hope, Town Of.....	6	123,832	372,683	2.74%	7,195	10,212	17,407
72678	Spruce Pine, Town Of.....	6	146,448	564,459	2.54%	8,509	14,337	22,846
72680	Stanfield, Town Of.....	5	59,400	62,148	2.40%	3,451	1,492	4,943
72682	Stanley, Town Of.....	10	285,612	626,324	3.32%	16,594	20,794	37,388
72683	Stanly County.....	38	845,950	7,951,273	0.79%	49,150	62,815	111,965
72684	Stantonsburg, Town Of.....	3	85,340	306,614	1.92%	4,958	5,887	10,845
72685	Star, Town Of.....	5	107,774	262,348	4.12%	6,262	10,809	17,071
72700	Statesville, City Of.....	60	1,707,334	9,204,190	1.55%	99,196	142,665	241,861
72710	Statesville A.B.C. Board.....	1	27,390	241,132	0.49%	1,591	1,182	2,773
72715	Stedman, Town Of.....	1	30,388	76,796	4.25%	1,766	3,264	5,030
72720	Stokes County.....	34	688,634	5,969,213	0.72%	40,010	42,978	82,988
72721	Stoneville, Town Of.....	3	56,066	170,925	0.93%	3,257	1,590	4,847
72722	Stovall, Town Of.....	1	17,368	19,868	0.55%	1,009	109	1,118
72723	Sunset Beach, Town Of.....	11	262,696	518,612	2.25%	15,263	11,669	26,932
72725	Surf City.....	10	198,946	487,593	0.82%	11,559	3,998	15,557
72730	Surry County.....	42	1,044,896	11,314,855	0.64%	60,708	72,415	133,123
72740	Swain County.....	9	217,267	1,706,074	0.26%	12,623	4,436	17,059
72745	Swansboro, Town Of.....	6	115,179	383,417	2.26%	6,692	8,665	15,357
72750	Sylva, Town Of.....	12	218,766	540,215	2.94%	12,710	15,882	28,592
72760	Tabor City, Town Of.....	7	92,745	432,987	0.31%	5,388	1,342	6,730
72770	Tarboro, Town Of.....	27	830,142	4,630,452	1.27%	48,231	58,807	107,038
72775	Taylorsville, Town Of.....	11	260,262	532,093	1.69%	15,121	8,992	24,113
72776	Taylortown, Town Of.....	1	24,391	57,230	1.33%	1,417	761	2,178
72780	Thomasville, City Of.....	60	1,441,473	5,747,257	1.76%	83,750	101,152	184,902
72789	North Topsail Beach, Town Of.....	9	194,089	449,448	1.10%	11,277	4,944	16,221
72790	Topsail Beach, Town Of.....	9	178,785	360,351	2.95%	10,387	10,630	21,017
72800	Transylvania County.....	38	1,064,781	6,213,802	1.10%	61,864	68,352	130,216
72810	Trent Woods, Town Of.....	4	143,849	223,402	5.12%	8,358	11,438	19,796

North Carolina Local Governmental Employees Retirement System
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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
72815	Troutman, Town Of.....	2	42,180	42,180	3.77%	2,451	1,590	4,041
72822	Troy, Town Of.....	9	219,660	691,048	1.03%	12,762	7,118	19,880
72823	Tryon, Town Of.....	9	248,701	773,280	1.40%	14,450	10,826	25,276
72825	Tyrrell County.....	8	172,333	798,996	0.91%	10,013	7,271	17,284
72830	Union County.....	114	3,272,451	17,852,307	1.40%	190,129	249,932	440,061
72883	Valdese, Town Of.....	11	285,814	1,809,487	1.03%	16,606	18,638	35,244
72890	Vance County.....	38	767,730	6,029,861	0.67%	44,605	40,400	85,005
72910	Vanceboro, Town Of.....	1	24,907	128,645	0.82%	1,447	1,055	2,502
72920	Vass, Town Of.....	5	104,476	168,047	2.86%	6,070	4,806	10,876
72930	Wadesboro, Town Of.....	19	523,647	1,495,010	2.18%	30,424	32,591	63,015
72935	Wagram, Town Of.....	4	54,474	112,437	0.39%	3,165	439	3,604
72940	Wake County.....	250	8,662,459	80,182,513	1.01%	503,289	809,843	1,313,132
72950	Wake County A.B.C. Board.....	5	199,471	1,999,563	1.15%	11,589	22,995	34,584
72960	Wake Forest, Town Of.....	25	789,537	2,662,409	1.33%	45,872	35,410	81,282
72970	Wallace, Town Of.....	14	259,001	828,804	1.98%	15,048	16,410	31,458
72975	Walnut Cove, Town Of.....	6	119,181	240,213	4.62%	6,924	11,098	18,022
72980	Warren County.....	21	391,013	4,194,271	0.28%	22,718	11,744	34,462
72981	Warsaw, Town Of.....	12	278,563	693,774	1.88%	16,185	13,043	29,228
72983	Watauga County.....	27	724,565	4,720,643	1.02%	42,097	48,151	90,248
72985	Washinton County.....	15	263,927	2,248,659	0.61%	15,334	13,717	29,051
72990	Washington, City Of.....	30	877,323	5,697,374	0.86%	50,972	48,997	99,969
72995	Waxhaw, Town Of.....	5	128,425	138,480	4.56%	7,461	6,315	13,776
72997	Wayne County.....	55	1,295,651	13,549,768	0.56%	75,277	75,879	151,156
73010	Waynesville, Town Of.....	29	836,877	3,151,157	1.43%	48,623	45,062	93,685
73016	Weaverville, Town Of.....	10	202,490	1,005,050	0.56%	11,765	5,628	17,393
73017	Weldon, Town Of.....	7	158,040	531,112	2.25%	9,182	11,950	21,132
73020	Wendell, Town Of.....	9	255,482	746,739	1.59%	14,844	11,873	26,717
73025	West Jefferson, Town Of.....	6	126,610	313,411	1.36%	7,356	4,262	11,618
73040	Whispering Pines, Village Of.....	7	192,825	340,836	4.30%	11,203	14,656	25,859
73045	Whitakers, Town Of.....	4	54,405	212,660	0.23%	3,161	489	3,650
73050	White Lake, Town Of.....	6	83,919	264,168	1.27%	4,876	3,355	8,231

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
		25	524,738	1,595,155	1.76%	30,487	28,075	58,562
73060	Whiteville, City Of.....	17	356,325	1,071,931	2.21%	20,702	23,690	44,392
73072	Wilkesboro, Town Cf.....	56	1,371,113	8,771,061	0.99%	79,662	86,834	166,496
73075	Wilkes County.....	18	390,771	1,549,267	0.83%	22,704	12,859	35,563
73080	Williamston, City Of.....	185	6,101,244	19,894,578	1.93%	354,482	383,965	738,447
73090	Wilmington, City Of.....	101	3,210,281	17,324,364	1.25%	186,517	216,555	403,072
73100	Wilson, City Of.....	56	1,589,456	14,421,836	0.83%	92,347	119,701	212,048
73110	Wilson County.....	7	198,236	630,407	2.17%	11,518	13,680	25,198
73122	Windsor, Town Of.....	5	106,653	257,426	1.17%	6,197	3,012	9,209
73125	Wingate, Town Of.....	453	15,980,631	67,677,007	1.74%	928,475	1,177,580	2,106,055
73130	Winston-Salem, City Of.....	6	257,016	1,528,995	1.87%	14,933	28,592	43,525
73140	Winston-Salem A.B.C. Board.....	9	219,757	689,695	0.73%	12,768	5,035	17,803
73150	Winterville, Town Of.....	2	53,423	188,574	2.85%	3,104	5,374	8,478
73155	Winton, Town Of.....	10	114,400	350,191	1.23%	6,647	4,307	10,954
73160	Woodfin, Town Of.....	1	30,161	100,285	0.88%	1,752	883	2,635
73162	Woodland, Town Of.....	17	524,890	1,986,976	2.01%	30,496	39,938	70,434
73165	Wrightsville Beach, Town Of.....	30	673,683	5,133,544	0.75%	39,141	38,502	77,643
73170	Yadkin County.....	6	137,203	761,974	1.77%	7,971	13,487	21,458
73180	Yadkinville, Town Of.....	9	198,042	1,657,340	0.73%	11,506	12,099	23,605
73190	Yancey County.....	4	67,953	215,397	0.29%	3,948	625	4,573
73192	Yanceyville, Town Of.....	5	129,354	255,055	3.47%	7,515	8,850	16,365
73195	Yaupon Beach, Town Of.....	6	88,733	125,644	1.85%	5,155	2,324	7,479
73200	Youngsville, Town Of.....	17	506,246	1,422,783	2.09%	29,413	29,736	59,149
73210	Zebulon, Town Of.....							
		15,774	476,358,894	2,423,744,662		27,676,458	33,927,399	61,603,857



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March 16, 1998

The Honorable Milton F. Fitch, Jr.
615 Nash Street
Wilson, North Carolina 27893

Dear Representative Fitch:

Enclosed is a draft bill which makes changes in the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System effective January 1, 1999. The bill provides an accrual rate of 2.5% for each year of service as a law enforcement and provides for unreduced retirement to begin after 25 years of service as a law enforcement officer regardless of age or at age 55 with five years of service as a law enforcement officer. The retirement benefit for a law enforcement officer with 25 years should be about 60% of salary.

The bill also repeals the special separation allowance for law enforcement officers effective for future retirees on or after January 1, 1999. Any retiree under age 62 that met the requirements when they retired will continue to receive the separation allowance until age 62.

The 5% employer contributions to the 401(k) Plan will continue for all law enforcement officers as it is now.

Let me know if there are any changes that you want to make, or if I can be of further service.

Sincerely,

Stanley Moore
Fiscal Analyst



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MEMORANDUM

TO: Mr. Jack Pruitt
State Retirement Director
Department of State Treasurer
Raleigh, N. C. 27603-1388

Mr. Mark V. Hartman
Consulting Actuary
668 Link Road
Lexington, N. C. 27295

FROM: Stanley Moore 
Fiscal Research Division

DATE: February 16, 1999

SUBJECT: Actuarial Note Request House Bill 77

Re: Increases the accrual rate from 1.80% in the Teachers' and State Employees' Retirement System and 1.77% in the Local Governmental Employees' Retirement System to 2.5% per year of service and reduces the years of service required for an unreduced benefit from 30 years to 25 years for law enforcement officers in the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System. The bill also eliminates the special separation allowance of .85% of salary for each year of service for those who retire on or after January 1, 2000.

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, please prepare or have prepared and submit to us an actuarial note on the attached document. Please let us know if you have any questions on this request.

cc: Representative Fitch



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March 15, 1999

MEMORANDUM

TO: Representative Toby Fitch

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note on Committee Substitute for House Bill 77

Re: Increases the accrual rate from 1.80% in the Teachers' and State Employees' Retirement System and 1.77% in the Local Governmental Employees' Retirement System to 2.5% per year of service and reduces the years of service required for an unreduced benefit from 30 years to 25 years for law enforcement officers in the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System. The bill also eliminates the special separation allowance of .85% of salary for each year of service for those who retire on or after January 1, 2000.

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 10, 1999
- (3) Actuarial Note, Hartman & Associates, March 11, 1999

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: Proposed Committee Substitute House Bill 77

SHORT TITLE: Increase LEO Retirement

SPONSOR(S): Representatives Fitch,

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

FUNDS AFFECTED: General Fund, Highway Fund, Receipts and Local Government Funds

BILL SUMMARY: Provides an accrual rate of 2.5% for each year of service as a law enforcement officer and provides for unreduced retirement after 25 years of service as a law enforcement officer regardless of age. The bill also eliminates the special separation allowance of .85% of salary for each year of service for those who retire on or after January 1, 2000.

EFFECTIVE DATE: January 1, 2000

ESTIMATED IMPACT ON STATE

Teachers' and State Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the normal cost will increase by .0696% of the payroll of all members of the Teachers' and State Employee's Retirement System. Buck Consultants estimates the cost to fund the accrued liability cost will be .2129% of the payroll of all members.

<u>General Fund</u>	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$4.4m	\$4.6m	\$4.8m	\$5.1m	\$5.4m
Accrued Liability	<u>\$13.3m</u>	<u>\$14.0m</u>	<u>\$14.8m</u>	<u>\$15.6m</u>	<u>\$16.4m</u>
Total General Fund	\$17.7m	\$18.6m	\$19.6m	\$20.7m	\$21.8m
<u>Highway Fund</u>	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$.3m	\$.4m	\$.4m	\$.4m	\$.4m
Accrued Liability	<u>\$1.1m</u>	<u>\$1.1m</u>	<u>\$1.2m</u>	<u>\$1.2m</u>	<u>\$1.3m</u>
Total Highway Fund	\$1.4m	\$1.5m	\$1.6m	\$1.6m	\$1.7m
<u>Receipt Funds</u>	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$1.2m	\$1.2m	\$1.3m	\$1.4m	\$1.4m
Accrued Liability	<u>\$3.6m</u>	<u>\$3.8m</u>	<u>\$4.0m</u>	<u>\$4.2m</u>	<u>\$4.4m</u>
Total Receipt Funds	\$4.8m	\$5.0m	\$5.3m	\$5.6m	\$5.8m
	1999-2000	2000-01	2001-02	2002-03	2003-04
Total Cost from all Funds	\$23.9m	\$25.2m	\$26.5m	\$27.9m	\$29.3m
Less Separation Allowance	<u>\$ 0.1m</u>	<u>\$0.4m</u>	<u>\$0.8m</u>	<u>\$1.3m</u>	<u>\$1.8m</u>
NET COST	\$23.8m	\$24.8m	\$25.7m	\$26.6m	\$27.5m

General Assembly Actuary: Hartman & Associates estimates the normal cost will increase by .0762% of the payroll of all members of the Teachers' and State Employee's Retirement System. Hartman & Associates estimates the cost to fund the accrued liability cost will be .2149% of the payroll of all members.

<u>General Fund</u>	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$4.5m	\$4.7m	\$4.9m	\$5.1m	\$5.3m
Accrued Liability	<u>\$12.6m</u>	<u>\$13.2m</u>	<u>\$13.7m</u>	<u>\$14.3m</u>	<u>\$14.9m</u>
Total General Fund	\$17.1m	\$17.9m	\$18.6m	\$19.4m	\$20.2m
 <u>Highway Fund</u>	 1999-2000	 2000-01	 2001-02	 2002-03	 2003-04
Normal Cost Increase	\$.4m	\$.4m	\$.4m	\$.4m	\$.4m
Accrued Liability	<u>\$1.1m</u>	<u>\$1.1m</u>	<u>\$1.2m</u>	<u>\$1.2m</u>	<u>\$1.3m</u>
Total Highway Fund	\$1.5m	\$1.5m	\$1.6m	\$1.6m	\$1.7m
 <u>Receipt Funds</u>	 1999-2000	 2000-01	 2001-02	 2002-03	 2003-04
Normal Cost Increase	\$1.1m	\$1.1m	\$1.1m	\$1.2m	\$1.2m
Accrued Liability	<u>\$2.9m</u>	<u>\$3.0m</u>	<u>\$3.2m</u>	<u>\$3.3m</u>	<u>\$3.5m</u>
Total Receipt Funds	\$4.0m	\$4.1m	\$4.3m	\$4.5m	\$4.7m
 Total Cost from all Funds	 1999-2000	 2000-01	 2001-02	 2002-03	 2003-04
	\$22.6m	\$23.5m	\$24.5m	\$25.6m	\$26.7m
Less Separation Allowance	<u>\$ 0.2m</u>	<u>\$0.5m</u>	<u>\$1.0m</u>	<u>\$1.7m</u>	<u>\$2.5m</u>
NET COST	\$22.4m	\$23.0m	\$23.5m	\$23.9m	\$24.2m

The above cost estimates are based on 3,276 State law enforcement officers employed during the calendar year of 1998 projected at the average annual increase in compensation base of 5.3% for the State System over the last five years.

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the normal cost will increase from 5.27% of payroll to 11.08% for a net increase of 5.81% of the payroll of law enforcement officers. Buck Consultants estimates that the first year annual cost to pay the unfunded accrued liability will be \$33,927,000 based on a 15 year amortization period.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$27.7m	\$29.4m	\$31.2m	\$33.2m	\$35.2m
Accrued Liability	<u>\$33.9m</u>	<u>\$36.0m</u>	<u>\$38.3m</u>	<u>\$40.6m</u>	<u>\$43.2m</u>
Total Local Funds	\$61.6m	\$65.4m	\$69.5m	\$73.8m	\$78.4m
Less Separation Allowance	<u>\$.3m</u>	<u>\$1.0m</u>	<u>\$1.8m</u>	<u>\$2.9m</u>	<u>\$4.0m</u>
NET COST	\$61.3m	\$64.4m	\$67.7m	\$70.9m	\$74.4m

General Assembly Actuary: Hartman & Associates estimates the normal cost will increase from 5.27% of payroll to 10.954% for a net increase of 5.684% of the payroll of law enforcement officers. They also estimates that the first year annual cost to pay the unfunded accrued liability will be \$37,541,844 which is expressed as 7.881% of the payroll of law enforcement officers.

	1999-2000	2000-01	2001-02	2002-03	2003-04
Normal Cost Increase	\$27.1m	\$28.7m	\$30.5m	\$32.4m	\$34.4m
Accrued Liability	<u>\$37.5m</u>	<u>\$39.9m</u>	<u>\$42.3m</u>	<u>\$45.0m</u>	<u>\$47.8m</u>
Total Local Funds	\$64.6m	\$68.6m	\$72.8m	\$77.4m	\$82.2m
Less Separation Allowance	<u>\$1m</u>	<u>\$0.7m</u>	<u>\$1.4m</u>	<u>\$2.6m</u>	<u>\$3.9m</u>
NET COST	\$64.5m	\$67.9m	\$71.4m	\$74.8m	\$78.3m

The above cost estimates are based on 15,960 local law enforcement officers employed during the calendar year of 1998 with an annual compensation base of \$476,358,894 projected at the average annual increase in compensation base of 6.2% for the Local System over the last five years.

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, 1997 actuarial valuation of the fund. The data included 271,128 active members with an annual payroll of \$7.374 billion and 92,236 retired members in receipt of annual pensions totaling \$1.231 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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, 1997 actuarial valuation of the fund. The data included 106,802 active members with an annual payroll of \$2.743 billion and 25,456 retired members in receipt of annual pensions totaling \$261.2 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (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: March 15, 1999

BUCK CONSULTANTS

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

March 10, 1999

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 77

Dear Mr. Pruitt:

We have received your letter of February 19 regarding House Bill 77 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. For purposes of determining the cost of this legislation, we have assumed that a 25 will be substituted for a 30 on page 4, lines 18, 25 and 35; page 8 lines 27 and 34 and page 9 line 1.

The legislation further appears to provide retirement benefits for members retiring on and after January 1, 2000 equal to 2.50% of average final compensation multiplied by creditable service and would repeal, effective January 1, 2000, 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	.0696%	\$ 5,888,000
Accrued Liability	<u>.2129</u>	<u>18,011,000</u>
Total	.2825%	\$ 23,899,000

Mr. Jack Pruitt
March 10, 1999
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 11.08% of covered payroll. The increase from the current employer normal rate of 5.27% would be 5.81% in perpetuity, which would require additional annual normal contributions of approximately \$27,677,000 in the first year. The additional unfunded accrued liability created on account of this legislation is \$394,338,000, which would require additional accrued liability contributions of approximately \$33,927,000 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 \$61,604,000. 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, 1999. 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.

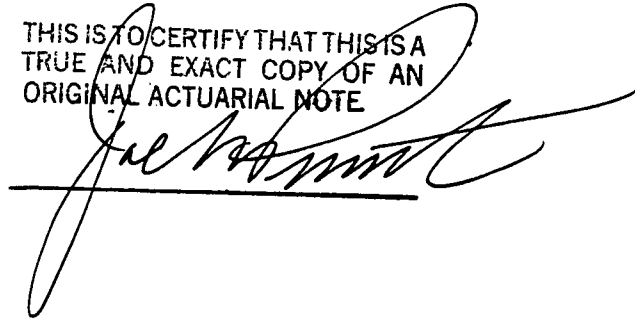
Sincerely,


Edward A. Macdonald
Principal and Consulting Actuary

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Enclosure

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



CONSULTANTS

BUCK CONSULTANTS

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

March 10, 1999

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

Dear Mr. Pruitt:

As requested by Stanley Moore, we have prepared a 10 year projection of expected benefit payouts of the special separation allowance for State and local law enforcement officers. The expected payouts for LEO's who retire on and after January 1, 2000 are as follows:

<u>Year</u>	<u>State</u>	<u>Local</u>
2000	\$ 105,000	\$ 295,000
2001	397,000	960,000
2002	813,000	1,821,000
2003	1,279,000	2,862,000
2004	1,870,000	4,038,000
2005	2,578,000	5,458,000
2006	3,266,000	6,958,000
2007	3,932,000	8,080,000
2008	4,413,000	9,288,000
2009	4,794,000	10,648,000

If you have any questions, please do not hesitate to contact us.

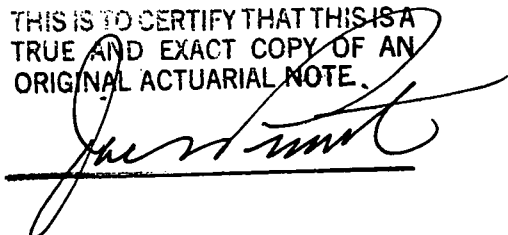
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

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JC 3/7/99 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

March 11, 1999

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

Re: House Bill 77: An Act to Eliminate the Separation Allowance
for Law Enforcement Officers and Substitute an Increase in
the Retirement Formula

Dear Mr. Moore:

This bill amends G.S. 135-5 to modify the benefit provisions applicable to law enforcement officers in the Teachers' and State Employees' Retirement System and also amends G.S. 128-27 to modify the benefit provisions applicable to law enforcement officers in the Local Governmental Employees' Retirement System.

Currently, a law enforcement officer in either system may receive an unreduced retirement allowance upon attainment of age 55 and completion of 5 years of service or at any age upon completion of 30 years of service. This act provides that a law enforcement officer may retire with an unreduced allowance upon attainment of age 55 with 5 years of service or at any age with 25 years of service. Further, this act increases the retirement allowance from 1.77% per year of service in the LGERS and 1.80% in the TSERS to 2.50% in either system.

In addition, this act eliminates the separation allowance for law enforcement officers provided in G.S. 143-166.41 and G.S. 143-166.42. Currently, a law enforcement officer in either system receives a separation allowance, in addition to his retirement benefit, upon certain conditions. The separation allowance is payable from his retirement until attainment of age 62, provided the officer retired after completion of 30 years of service or after attainment of age 55 and completion of 5 years of service. The allowance equals 0.85% of his most recent rate of compensation multiplied by his years of creditable service.

This act would become effective January 1, 2000 and applies to members retiring on or after that date. The provisions of this act will increase both the employer's normal contribution rate and the accrued liability contribution. These would be partially offset by a cost savings in the repeal of the special separation

Mr. Stanley Moore
March 11, 1999

Page 2

allowance.

The estimated cost in the TSERS, expressed as a percentage of payroll, is an increase in the normal rate of 0.0762% of pay and an increase in the accrued liability rate of 0.2149%. This corresponds to a total annual increase in employer contributions of approximately \$24,625,699. This provides amortization of the additional unfunded accrued liability over a 9 year period.

The estimated cost in the LGERS, expressed as a percentage of the payroll of law enforcement officers, is an increase in the normal rate of 5.684% and an increase in the accrued liability rate of 7.881%. This corresponds to a total annual increase of approximately \$64,502,852. This provides amortization of the additional unfunded accrued liability over a 15 year period.

The savings provided by this legislation equal the expected allowances to be paid under the current provisions of the general statutes. The estimated allowances for the next ten years are:

<u>Year</u>	<u>State LEO's</u>	<u>Local LEO's</u>
2000	150,043	199,201
2001	474,018	708,210
2002	981,170	1,461,870
2003	1,673,946	2,565,610
2004	2,527,505	3,927,553
2005	3,394,181	5,529,570
2006	4,236,212	7,331,806
2007	5,027,788	9,268,003
2008	5,826,347	11,128,592
2009	6,321,021	12,927,786

These estimates are based on the most recent actuarial valuations prepared as of December 31, 1997, and data provided by you on state and local law enforcement officers as of December 31, 1998. This data included 3,276 state law enforcement officers and 15,960 local law enforcement officers.

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: 3-15-99
Legislative Fiscal Research