

1999

**SENATE
PENSION &
RETIREMENT & AGING
COMMITTEE**

MINUTES

Senate Committee on Pensions & Retirement and Aging

Membership List 1999-2001

Senator Jim Phillips, Chairman

Senator Ellie Kinnaird, Vice Chairman

Senator Larry Shaw, Vice Chairman

Senator Kenneth Moore, Ranking Minority Member

Senator Charlie Albertson

Senator Bob Carpenter

Senator Daniel Clodfelter

Senator Luther Jordan, Jr.

Senator Fountain Odom

Senator Aaron Plyler

Senator Robert Shaw

Senator David Weinstein

Research: 733-2578

Karen Cochran-Brown

Theresa Matula

John Young

Fiscal: 733-4910

Stanley Moore

Committee Assistant

Gerry Bowles 733-5870

NORTH CAROLINA GENERAL ASSEMBLY

COMMITTEE SUMMARY REPORT

1999-2000 Biennium		SENATE: PENSIONS & RETIREMENT & AGING		Valid Through 25-AUG-1999	
BILL	INTRODUCER	SHORT TITLE	LATEST ACTION ON BILL	IN DATE	OUT DATE
H 179	BROWN	WILKESBORO FIREMAN'S RETIREMENT	*R -CH. SL 99-0056	04-29-99	05-13-99
H 717=	ALEXANDER	CHARLOTTE FIREFIGHTERS' RETIREMENT	*S -REF TO COM ON PENSIONS	04-28-99	
H 722=	INSKO	PURCHASE OF PART-TIME SERVICE	R -CH. SL 99-0071	04-26-99	
S 40=	COCHRANE	AGING STUDY COMM./MEMBERSHIP	R -CH. SL 99-0076	02-04-99	03-24-99
S 61	WARREN E	FIRE AND RESCUE SQUAD PENSIONS	S -RE-REF COM ON APPROPR	02-10-99	03-24-99
S 214	PHILLIPS	WORKERS COM/AFC YEARS	R -CH. SL 99-0158	03-02-99	03-31-99
S 242=	PHILLIPS	INCREASE RETIREMENT COLAS	S -RE-REF COM ON APPROPR	03-04-99	03-31-99
S 296	DALTON	REPEAL FOREST CITY FIRE PENSION	*R -CH. SL 99-0063	03-08-99	04-14-99
S 304=	RAND	PUB. DEF/.APP. DEF.RETIREMENT	S -RE-REF COM ON APPROPR	03-09-99	04-14-99
S 456	PHILLIPS	FIREMEN'S PENSION ELIGIBILITY	*S -RE-REF COM ON APPROPR	03-22-99	04-21-99
S 561=	ODOM	LAW OFFICERS' 25-YEAR RETIREMENT	*S -RE-REF COM ON APPROPR	03-29-99	04-28-99
S 583=	RUCHO	CHARLOTTE FIREFIGHTERS' RETIREMENT	R -CH. SL 99-0100	03-29-99	04-21-99
S 591=	COOPER	RETIREMENT SYSTEM TRANSFER	S -RE-REF COM ON APPROPR	03-29-99	05-05-99
S 636=	KERR	INCREASE DEATH BENEFITS	S -RE-REF COM ON APPROPR	03-30-99	04-28-99
S 638	RAND	LOCAL GOVT. RETIREMENT DEFINITION	*R -CH. SL 99-0167	03-30-99	04-28-99
S 682=	WARREN E	FIRE MARSHALS IN PENSION FUND	S -RE-REF COM ON APPROPR	04-01-99	05-05-99
S 687	ALLRAN	HICKORY FIREFIGHTERS' RETIREMENT FUN	R -CH. SL 99-0128	04-01-99	04-14-99
S 758=	KINNAIRD	PURCHASE OF PART-TIME SERVICE	H -REF TO COM ON PENS&RET	04-05-99	04-21-99
S 874=	BALLANCE	PROFESSIONAL FIREFIGHTERS' RETIREMEN	*S -RE-REF COM ON APPROPR	04-13-99	04-28-99
S 978=	CARTER	SCHOOL EMPLOYEE RETIREMENT CREDIT	*S -RE-REF COM ON APPROPR	04-26-99	05-13-99
S1046	PHILLIPS	LICENSING/EXAMINING BOARD RETIREMENT	*H -RE-REF COM ON APPROPR	04-15-99	06-23-99

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.

BOLDDED LINE INDICATES BILL INDEXED AS AFFECTING APPROPRIATIONS.

NORTH CAROLINA GENERAL ASSEMBLY

COMMITTEE SUMMARY REPORT

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BOLDDED LINE INDICATES BILL INDEXED AS AFFECTING APPROPRIATIONS.

Agenda

Senate Committee on Pensions & Retirement and Aging

March 24, 1999

10:00 am

Call to Order

Introductions of Staff

Senate Bill 40 Aging Study Commission/Membership
Senator Betsy Cochran

Senate Bill 61 Fire and Rescue Squad Pensions
Senator Ed Warren

Sergeant at Arms: Charles Marsalis
Phil Riley

Page: Justin Carpenter
Zebulon (South East Raleigh High School)

Sponsor: Senator Eric Reeves

Next Meeting

Wednesday, March 31, 1999
10:00 am Room 1124 LB

Proposed Agenda
SB 214 Workers Com/AFC Years
SB 242 Increase Retirement COLAS

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

MARCH 24, 1999

MINUTES

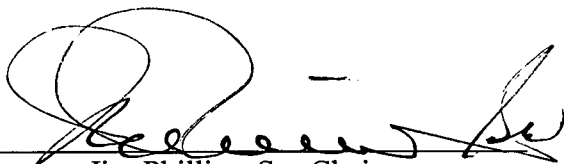
The Senate Pensions & Retirement and Aging Committee met on Wednesday, March 24, 1999 at 10:13 a.m. in room 1124 of the Legislative Building. Nine members were present, including Senator Jim Phillips, who presided.

Senator Phillips called the meeting to order and thanked all the visitors for coming. He recognized the committee page, Justin Carpenter and two of the staff members, Theresa Matula and John Young from the Research Department.

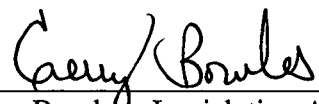
Senator Phillips called on Senator Betsy Cochran to introduce SB 40, Aging Study Commission/Membership. Senator Charles Albertson moved for a favorable report. This was seconded by Senator Kenneth Moore. The motion was passed.

Senator Ed Warren was recognized to explain SB 61, Fire and Rescue Squad Pensions. Mr. Paul F. Miller from the North Carolina State Firemen's Association was called on to offer further insight into the bill. Senator Fountain Odom moved to give the bill a favorable report. The motion was passed.

The meeting was adjourned at 10:34.



Senator Jim Phillips, Sr., Chairman



Gerry Bowles, Legislative Assistant

**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT
Senator Jim Phillips, Sr., Chair**

Wednesday, March 24, 1999

SENATOR PHILLIPS,
submits the following with recommendations as to passage:

FAVORABLE

S.B.	40	Aging Study Commmn./Membership.
		Sequential Referral: None
		Recommended Referral: None
S.B.	61	Fire and Rescue Squad Pensions.
		Sequential Referral: None
		Recommended Referral: Appropriations/Base Budget

TOTAL REPORTED: 2

Committee Clerk Comment:

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 40*

Short Title: Aging Study Commn./Membership.

(Public)

Sponsors: Senators Cochrane; Carpenter, Dannelly, Martin of Pitt, Perdue, and Purcell.

Referred to: Pensions & Retirement and Aging.

February 4, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE NUMBER OF PERSONS AUTHORIZED TO BE
3 APPOINTED TO SUBCOMMITTEES OF THE NORTH CAROLINA STUDY
4 COMMISSION ON AGING.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 120-186.1(a) reads as rewritten:
7 "(a) The Commission cochairs shall appoint subcommittees as needed to assist
8 with the completion of the work of the Commission. These subcommittees may
9 include an Alzheimer's Subcommittee, a Long-Term Care Subcommittee, or other
10 special subject subcommittees. The cochairs shall appoint as members of any
11 subcommittee not more than four Commission members and at least four but no
12 more than ~~six~~ eight non-Commission members."
13 Section 2. This act is effective when it becomes law.



North Carolina General Assembly Legislative Services Office

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Terrence D. Sullivan, Director
Research Division
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300 N. Salisbury
Raleigh, NC 276
(919) 733-2578

February 8, 1999

MEMORANDUM

TO: Senator Jim W. Phillips Sr., Chair, Committee on Pensions, Retirement and Aging

FROM: John Young, Committee Staff for Aging

RE: Senate Bill 40-Aging Study Commission/Membership
Senator Cochrane

The 1987 General Assembly established the North Carolina Study Commission on Aging composed of eight members of the Senate appointed by the President Pro Tempore and eight members of the House appointed by the Speaker. The Secretary of the Department of Health and Human Services or his designee serves as ex officio member. Many studies are established through resolution, but the North Carolina Study Commission on Aging is established in Statute (Article 21 of Chapter 120). Therefore, the Commission is designed to continue, not to expire in two years.

As part of the authority granted by the General Assembly, the cochair of the Commission may appoint special subject subcommittees when needed. The current statute requires that the subcommittees will be composed of no more than four Commission members and at least four, but no more than six, noncommission members. Senate Bill 40 would authorize the cochair to increase the number of noncommission members from six to eight.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 61

Short Title: Fire and Rescue Squad Pensions.

(Public)

Sponsors: Senators Warren; Albertson, Ballance, Cooper, Dannelly, Foxx, Hoyle, Kerr, Martin of Pitt, Martin of Guilford, Perdue, Plyler, and Rand.

Referred to: Pensions & Retirement and Aging.

February 10, 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)~~ one hundred fifty-five dollars (\$155.00) per month. Any
12 retired fireman receiving a pension shall, effective July 1, 1998, receive a pension of
13 ~~one hundred forty-six dollars (\$146.00)~~ one hundred fifty-five dollars (\$155.00) 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
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

1 extreme exercise or extreme activity experienced in the course and scope of those
2 official duties and who leaves the fire or rescue squad service because of this
3 disability shall be entitled to be paid from the fund a monthly benefit in an amount
4 of ~~one hundred forty-six dollars (\$146.00)~~ one hundred fifty-five dollars (\$155.00) per
5 month beginning the first month after the member's fifty-fifth birthday. All
6 applications for disability are subject to the approval of the board who may appoint
7 physicians to examine and evaluate the disabled member prior to approval of the
8 application, and annually thereafter. Any disabled member shall not be required to
9 make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and
10 G.S. 58-86-40.

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

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

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

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



SENATE BILL 61: Fire and Rescue Squad Pensions

BILL ANALYSIS

Committee: Senate Retirement & Aging
Date: March 23, 1999
Version: 1st Edition

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

SUMMARY:

Senate Bill 61 increases the benefit paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from \$146.00 to \$155.00 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. Senate Bill 61 amends G.S. 58-86-55 to increase the pension paid to an eligible fireman or eligible rescue squad worker from \$146 to \$155 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 \$155 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	
1995	\$135	\$25/ month
1997	\$141	\$6/ month
1998	\$146	\$5/ month
1999	\$155 <i>proposed</i>	\$9/ month <i>proposed</i>

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 61

SHORT TITLE: Fire and Rescue Squad Pensions

SPONSOR(S): Senator Warren

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 \$155.

EFFECTIVE DATE: July 1, 1999

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	\$3,466,057	\$3,466,057	\$3,466,057	\$3,466,057	\$3,466,057

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	\$3,616,632	\$3,616,632	\$3,616,632	\$3,616,632	\$3,616,632

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 19, 1999

VISITOR REGISTRATION SHEET

Pensions/Retirement/Aging
Name of Committee

3/24/99.
Date

May 22, 1996

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Tim Bryan

State Treasurer

Jack Pruitt

Gordon A. Joyner

NCA R XENIS

Paul E. Miller

NCSFA

C. Porter

Bone & Associates

Helen Lipman

Meck G. Social Services

Joan Carver

NCCSW

Nancy Mueller

LWV-CHA

T. Van

Pilot

Jerry Roberts

Raleigh

Fannie Williams

Ruke Univ. LTC - Senior program

Bill Little

Duke Univ LTC Senior scholar

Will Fung

AHHC

Joanne Schen

NCNA

Celeste Tomlin

NCWA

Rebecca Davis

NCNA

Theresa Ben

Bone & Assoc

VISITOR REGISTRATION SHEET

Name of Committee

Date

May 22, 1996

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

E. C. Dawson

N.C. Ret. Sch Personnel

L. J. Hammond

MC Ret. Cont Equip Assn

Marie Phitely

NCANPHA

Karen Gattori

Division of Aging

David Anders

PFFPNC

Agenda

Senate Committee on Pensions & Retirement and Aging

March 31, 1999

10:00 a.m.

Senate Bill 214 Workers Comp/AFC Years

Senator Jim Phillips

Senate Bill 242 Increase Retirement COLAS

Senator Jim Phillips

Sergeant at Arms: Charles Marsalis
Phil Riley
Archie McMillan

Page: Jimmy Lassiter

Sponsored by: Senator Ham Horton

Next Meeting

Wednesday, April 14, 1999

10:00 a.m. Room 1124 LB

Proposed Agenda

SB 296 Repeal Forest City Fire Pension

SB 304 Pub. Def/App.Def. Retirement

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

MARCH 31, 1999

MINUTES

The Senate Pensions & Retirement and Aging Committee met on Wednesday, March 31, 1999 at 10:05 in Room 1124 of the Legislative Building. Eight members were present, including Senator Jim Phillips, who presided.

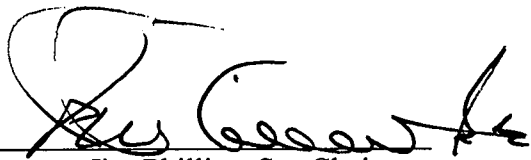
Senator Phillips called the meeting to order and recognized Jimmy Lassiter who served as the committee page.

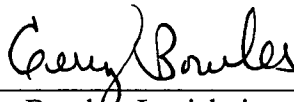
In the absence of a vice chairman, Senator Charles Albertson presided momentarily so that Senator Phillips could introduce SB 214 Workers Comp/AFC Years. Senator Kenneth Moore moved for a favorable report. The motion carried and the bill was sent straight to the floor.

Senator Phillips introduced SB 241 Increase Retirement COLAS. Jack Pruitt, Director of the North Carolina Retirement System, answered questions posed by committee members. Leigh Hammond, Executive Director of the Retired Governmental Employees' Association, Katherine Joyce, Legislative Affairs Specialist with the State Employees Association, and Lacy Presnell, Legislative Liaison Officer, with the North Carolina Retired School Personnel, spoke in favor of the bill.

Senator Bob Carpenter moved for a favorable report. The motion was passed and the bill was referred to the Appropriations Committee.

The meeting was adjourned at 10:20.



Senator Jim Phillips, Sr., Chairman

Gerry Bowles, Legislative Assistant

**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT
Senator Jim Phillips, Sr., Chair**

Wednesday, March 31, 1999

SENATOR PHILLIPS,
submits the following with recommendations as to passage:

FAVORABLE

S.B.	214	Workers' Comp/AFC Years.	
		Sequential Referral:	None
		Recommended Referral:	None
S.B.	242	Increase Retirement COLAs.	
		Sequential Referral:	None
		Recommended Referral:	Appropriations

TOTAL REPORTED: 2

Committee Clerk Comment:

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

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:

14 (1) Leaves of Absence Terminated Prior to July 1, 1983. -- The cost to
15 a member whose employer approved leave of absence, when in
16 receipt of benefits under the North Carolina Workers'
17 Compensation Act, terminated upon return to service prior to July
18 1, 1983, shall be a lump sum amount payable to the Annuity
19 Savings Fund equal to the full liability of the service credits
20 calculated on the basis of the assumptions used for purposes of the
21 actuarial valuation of the system's liabilities, and shall take into
22 account the retirement allowance arising on account of the
23 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.



SENATE BILL 214: Workers' Comp/AFC Years

BILL ANALYSIS

Committee: Senate Retirement & Aging
Date: March 30, 1999
Version: 1st Edition.

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

SUMMARY: *Senate Bill 214 provides an average final compensation calculation method for members of the Local Governmental Retirement System and members of the Teachers' and State Employees' Retirement System 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 and the Teachers and State Employees' Retirement System.

"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.

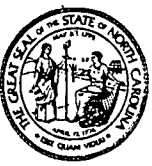
Section 1

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*. 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*. 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.



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March 26, 1999

MEMORANDUM

TO: Senator Jim Phillips

FROM: Stanley MooreSM
Fiscal Research Division

SUBJECT: Actuarial Note on Senate Bill 214

Re: Provides a method of calculating the average final compensation for members of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System who are injured on the job during their final years 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: Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, March 19, 1999
- (3) Actuarial Note, Hartman & Associates, March 17, 1999

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 214 Workers' Comp/AFC Years

SHORT TITLE: Workers' Comp/AFC Years

SPONSOR(S): Senator Phillips

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

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

BILL SUMMARY: Provides a method for calculating the average final compensation (AFC) for members of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System who are injured on the job during their final years of service. The average final compensation would be calculated using the salary the member would have earned had he not been injured on workers' compensation.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT: Teachers' and State Employee's Retirement System and the Local Governmental Employee's Retirement System

Retirement System Actuary: Buck Consultants estimates the cost be negligible.

General Assembly Actuary: Hartman & Associates estimates the cost not to be significant since the systems make no assumptions as to the number of members receiving benefits under workers' compensation during their average compensation 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: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates

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

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE : Friday, March 26, 1999



BUCK CONSULTANTS

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

March 19, 1999

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

Senate Bill 214

Dear Mr. Pruitt:

We have received your letter of March 8 regarding Senate Bill 214 which affects the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.

This legislation would provide, effective on and after July 1, 1999, for a change in the way a member's Average Final Compensation (AFC) is determined for service, disability, and deferred retirement allowances whenever that member has purchased credit for a leave-of-absence under the North Carolina Worker's Compensation Act for a period that occurs during the four consecutive years that would have produced the highest such annual average. The compensation the member would have received during the purchased period will be included in the calculation of AFC.

Based on the information we received from the Retirement System office with regard to the number of members who may be affected by this legislation, the cost of this legislation would be negligible.

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

Sincerely,

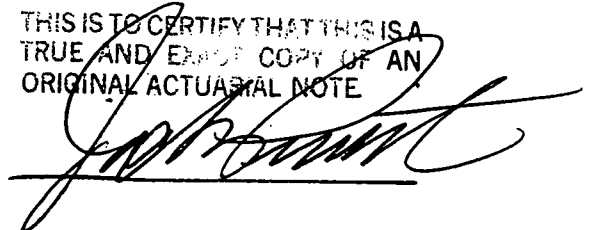


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

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JC 387/751 BCA33

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 17, 1999

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

Re: Senate Bill 214: An Act for Measuring the Average Final Compensation for Members of the TSERS and LGERS Who Purchase Service for Leaves of Absence While Receiving Workers' Compensation

Dear Mr. Moore: This bill is an act to amend the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS) to provide a means for measuring average final compensation when an employee purchases creditable service in the Teachers' and State Employees' Retirement System (TSERS) or the Local Governmental Employees' Retirement System (LGERS) for leaves of absence incurred while receiving Workers' Compensation payments. This act would become effective July 1, 1999.

Currently, both systems allow an employee to purchase service for time on leave of absence while receiving Workers' Compensation. However, no adjustment is made in the calculation of average final compensation to reflect the loss of earned compensation during this leave of absence. This act provides that if the service purchased pursuant to this provision occurs during the 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 shall be included in calculating the average final compensation. The compensation that the member would have received shall be based on the annual rate of compensation of member the immediately prior to the leave of absence.

Because no explicit assumption is made in the plans' funding for leaves of absence while receiving Workers' Compensation, this act is expected to produce no additional contribution requirement to either the TSERS or LGERS. This act would provide additional

Mr. Stanley Moore
March 17, 1999

Page 2

benefits for members who purchase service for time when receiving Workers' Compensation, but the cost for these additional benefits is not expected to be significant.

If you have any questions, please let me know.

Sincerely,

Mark Hartman

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

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By Stanley Moore Date: 3-26-99
Legislative Fiscal Research

INEQUITY CAUSED BY WORKERS' COMPENSATION INJURY

The retirement benefit is based on the average final compensation times the formula times the number of years of service. The average final compensation is the average annual compensation of a member during the four consecutive years of membership service producing the highest average. This is normally the last 48 months of service.

If a member is injured on the job, while in their average final compensation years, and receives worker's compensation benefits for any period of time, as the law is now their retirement benefit can be less than if they were not injured on the job. This creates an inequity for any employee injured during the average final compensation years.

This bill is intended to correct this inequity by including in the calculation of average final compensation the salary that the member would have earned if he had not been injured on the job.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 242*
Corrected Copy 3/17/99

Short Title: Increase Retirement COLAs.

(Public)

Sponsors: Senators Phillips; Ballance, Cooper, Gulley, Hagan, Jordan, Lee, Martin of Guilford, Metcalf, Miller, Perdue, Rand, Warren, Wellons, and Robinson.

Referred to: Pensions & Retirement and Aging.

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,

1 1999. Furthermore, from and after July 1, 1999, the retirement allowance to or on
2 account of beneficiaries whose retirement commenced after July 1, 1998, but before
3 June 30, 1999, shall be increased by a prorated amount of two and three-tenths
4 percent (2.3%) of the allowance payable as determined by the Board of Trustees
5 based upon the number of months that a retirement allowance was paid between July
6 1, 1998, and June 30, 1999."

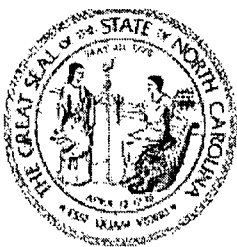
7 Section 3. G.S. 120-4.22A is amended by adding a new subsection to
8 read:

9 "(n) In accordance with subsection (a) of this section, from and after July 1, 1999,
10 the retirement allowance to or on account of beneficiaries whose retirement
11 commenced on or before January 1, 1999, shall be increased by two and three-tenths
12 percent (2.3%) of the allowance payable on June 1, 1999. Furthermore, from and
13 after July 1, 1999, the retirement allowance to or on account of beneficiaries whose
14 retirement commenced after January 1, 1999, but before June 30, 1999, shall be
15 increased by a prorated amount of two and three-tenths percent (2.3%) of the
16 allowance payable as determined by the Board of Trustees based upon the number of
17 months that a retirement allowance was paid between January 1, 1999, and June 30,
18 1999."

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

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

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



SENATE BILL 242: Increase Retirement COLAs

BILL ANALYSIS

Committee: Senate Retirement & Aging
Date: March 30, 1999
Version: 2nd Edition

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

SUMMARY: *Senate Bill 242 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. Senate Bill 242 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.



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March 19 1999

MEMORANDUM

TO: Senator Jim Phillips.

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note on Senate Bill 242

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: Senate 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: Senate Bill 242

SHORT TITLE: Increase Retirement COLAs

SPONSOR(S): Senator Phillips

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: 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, 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

Senate Bill 242

Dear Mr. Pruitt:

We have received your letter of March 5 regarding Senate Bill 242 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.

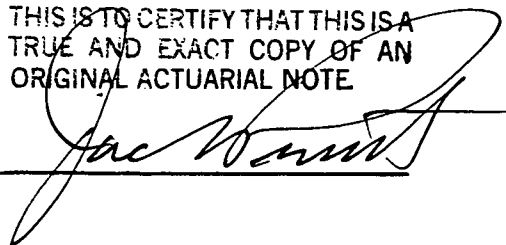
Sincerely,


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



SENATE BILL 242

SYSTEM	GAINS		SENATE BILL 242		REMAINING GAINS	
	Cost As % of Payroll	<u>Equivalent Appropriations</u> General Fund Highway Fund	Cost As % of Payroll	<u>Equivalent Appropriations</u> General Fund Highway Fund	Cost as % of Payroll	<u>Equivalent Appropriations</u> 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

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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

March 16, 1999

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

Re: Senate Bill 242: 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

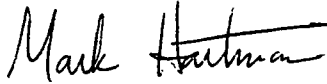
Page 2

<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

VISITOR REGISTRATION SHEET

Pensions & Retirement and Aging

March 31, 1999

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Jack Pruitt	St. Treasurer
Tim BRYAN	ST. TREASURER
Bobby A. Biff	OS BM
Katherine Joyce	SEANC
Fight Hammond	NC Retired Const Engg Assn
Ray Presnell	NC Retired School Personnel
A.C. Dawson	" " " "
Thad Davis	NCAE
Jim Auger	NCASA
Jan Cratts	NCASA
Lynn Wilson	SEANC

VISITOR REGISTRATION SHEET

Pensions & Retirement and Aging

March 31, 1999

Name of Committee**Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Andy Roman

N. C. L. M.

Beebie Street

PPR

Reynolds

Bone Assoc

Agenda

Senate Committee on Pensions & Retirement and Aging

April 14, 1999

10:00 a.m.

Senate Bill 296 Repeal Forest City Fire Pension
Senator Walter Dalton

Senate Bill 304 Pu. Def./App. Def. Retirement
Senator Tony Rand

Senate Bill 687 Hickory Firefighters' Retirement Fund
Senator Austin Allran

Sergeant at Arms: Charles Marsalis
Archie McMillan
Phil Riley

Page: Tricia Ball

Sponsored by: Senator Ken Moore

Next Meeting
Wednesday, April 21, 1999
10:00 a.m. Room 1124

Proposed Agenda:

SB 758 Purchase of Part-Time Service
SB 583 Charlotte Firefighters' Retirement
SB 456 Firemen's Pension Eligibility
SB 638 Local Govt. Retirement Definition

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

April 14, 1999

MINUTES

The Senate Pensions & Retirement and Aging Committee met on Wednesday, April 14, 1999 at 10:10 a.m. in room 1124 of the Legislative Building. Ten members were present, including Senator Jim Phillips, who presided.

Senator Phillips called the meeting to order and thanked all the visitors for coming. He recognized the committee page, Tricia Ball, sponsored by Senator Ken Moore.

Senator Phillips called on Senator Austin Allran to introduce a Committee Substitute for SB 687 Hickory Firefighters' Retirement Fund. Senator David Weinstein moved to accept the Committee Substitute. The motion was passed. Senator Allran explained that he had sponsored this bill at the request of the city of Hickory and that it was approved by the city attorney.

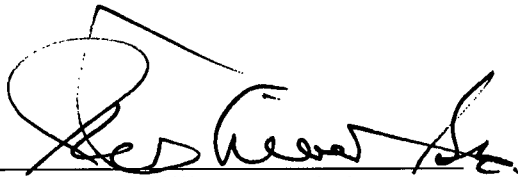
Senator Odom moved for a favorable report as to the Committee Substitute. The motion was passed.

Senator Tony Rand was recognized to introduce SB 304 Pu. Def./App. Def. Retirement. He explained that this bill would put public defenders and appellate court defenders on the same basis as district attorneys. Senator Larry Shaw moved for a favorable report. The motion was passed.

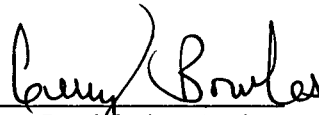
Stanley Moore from the Fiscal Research Staff introduced a technical amendment to SB 296 Repeal Forest City Fire Pension at the request of Senator Walter Dalton. Senator Larry Shaw moved to accept the technical amendment. The motion was passed.

Senator Fountain Odom moved for a favorable report as to the amended bill, acknowledging that the folks in Forest City had requested the action and that it would cost the state nothing. The motion was passed.

The meeting was adjourned at 10:50.



Senator Jim Phillips, Sr., Chairman



Gerry Bowles, Legislative Assistant

**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT
Senator Jim Phillips, Sr., Chair**

Wednesday, April 14, 1999

SENATOR PHILLIPS,
submits the following with recommendations as to passage:

FAVORABLE

S.B.	304	Pu. Def./App. Def. Retirement.	
		Sequential Referral:	Appropriations/Base Budget
		Recommended Referral:	None

FAVORABLE, AS AMENDED

S.B.	296	Repeal Forest City Fire Pension.	
		Sequential Referral:	None
		Recommended Referral:	None
		Long Title Amended:	No

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO C.S. BILL

S.B.	687	Hickory Firefighters' Retirement Fund.	
		Draft Number:	PCS2643
		Sequential Referral:	None
		Recommended Referral:	None
		Long Title Amended:	No

TOTAL REPORTED:3

Committee Clerk Comment: No Comment

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 304

Short Title: Pu. Def./App. Def. Retirement.

(Public)

Sponsors: Senators Rand; Ballance, Clodfelter, Cooper, Kinnaird, Metcalf, and
Perdue.

Referred to: Pensions & Retirement and Aging.

March 9, 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.

1 For district attorneys and judges of the district court of the General Court of
2 Justice who so served prior to January 1, 1974, the provisions of this Article
3 supplement and, under certain circumstances, replace the provisions of Article 1 of
4 this Chapter.

5 For public defenders of the General Court of Justice who so served prior to July 1,
6 1999, the provisions of this Article supplement and, under certain circumstances,
7 replace the provisions of Article 1 of this Chapter.

8 For clerks of superior court of the General Court of Justice who so served prior to
9 January 1, 1975, the provisions of this Article supplement and, under certain
10 circumstances, replace the provisions of Article 1 of this Chapter.

11 (c) The retirement benefits of any person who becomes a justice or judge, district
12 attorney, or solicitor on and after January 1, 1974, or clerk of superior court on and
13 after January 1, 1975, or public defender on or after July 1, 1999, shall be determined
14 solely in accordance with the provisions of this Article."

15 Section 3. G.S. 135-53 reads as rewritten:

16 **"§ 135-53. Definitions.**

17 The following words and phrases as used in this Article, unless a different meaning
18 is plainly required by the context, shall have the following meanings:

- 19 (1) 'Accumulated contributions' with respect to any member shall
20 mean the sum of all the amounts deducted from the compensation
21 of the member pursuant to G.S. 135-68 since he last became a
22 member and credited to his account in the annuity savings fund,
23 plus any amount standing to his credit pursuant to G.S. 135-67(c)
24 as a result of a prior period of membership, plus any amounts
25 credited to his account pursuant to G.S. 135-28.1(b) or 135-56(b),
26 together with regular interest on all such amounts computed as
27 provided in G.S. 135-7(b).
- 28 (2) 'Actuarial equivalent' shall mean a benefit of equal value when
29 computed upon the bases of such mortality tables as shall be
30 adopted by the Board of Trustees, and regular interest.
- 31 (3) 'Beneficiary' shall mean any person in receipt of a retirement
32 allowance or other benefit as provided in this Article.
- 33 (4) 'Board of Trustees' shall mean the Board of Trustees established
34 by G.S. 135-6.
- 35 (4a) 'Clerk of superior court' shall mean the clerk of superior court
36 provided for in G.S. 7A-100(a).
- 37 (5) 'Compensation' shall mean all salaries and wages derived from
38 public funds which are earned by a member of the Retirement
39 System for his service as a justice or judge, ~~or~~ district attorney, ~~or~~
40 clerk of superior ~~court.~~ court, or public defender.
- 41 (6) 'Creditable service' shall mean for any member the total of his
42 prior service plus his membership service.
- 43 (6a) 'District attorney' shall mean the district attorney or solicitor
44 provided for in G.S. 7A-60.

- 1 (7) 'Filing' when used in reference to an application for retirement
2 shall mean the receipt of an acceptable application on a form
3 provided by the Retirement System.
- 4 (8) 'Final compensation' shall mean for any member the annual
5 equivalent of the rate of compensation most recently applicable to
6 him.
- 7 (9) 'Judge' shall mean any justice or judge of the General Court of
8 Justice and the administrative officer of the courts.
- 9 (10) 'Medical board' shall mean the board of physicians provided for
10 in G.S. 135-6.
- 11 (11) 'Member' shall mean any person included in the membership of
12 the Retirement System as provided in this Article.
- 13 (12) 'Membership service' shall mean service as a judge, district
14 attorney, ~~or~~ clerk of superior ~~court~~ court, or public defender
15 rendered while a member of the Retirement System.
- 16 (13) 'Previous system' shall mean, with respect to any member, the
17 retirement benefit provisions of Article 6 and Article 8 of Chapter
18 7A of the General Statutes, to the extent that such Article or
19 Articles were formerly applicable to the member, and in the case
20 of judges of the district court division, ~~and~~ district attorney, public
21 defender, and clerk of superior court of the General Court of
22 Justice, the Teachers' and State Employees' Retirement System.
- 23 (14) 'Prior service' shall mean service rendered by a member, prior to
24 his membership in the Retirement System, for which credit is
25 allowable under G.S. 135-56.
- 26 (14a) 'Public defender' means the public defender provided for in G.S.
27 7A-465 and the appellate defender provided for in G.S. 7A-486.
- 28 (15) 'Regular interest' shall mean interest compounded annually at such
29 a rate as shall be determined by the Board of Trustees in
30 accordance with G.S. 135-7(b).
- 31 (16) 'Retirement' shall mean the withdrawal from active service with a
32 retirement allowance granted under the provisions of this Chapter.
33 In order for a member's retirement to become effective in any
34 month, the member must render no service at any time during that
35 month.
- 36 (17) 'Retirement allowance' shall mean the periodic payments to which
37 a beneficiary becomes entitled under the provisions of this Article.
- 38 (18) 'Retirement System' shall mean the 'Consolidated Judicial
39 Retirement System' of North Carolina, as established in this
40 Article.
- 41 (19) 'Year' as used in this Article shall mean the regular fiscal year
42 beginning July 1 and ending June 30 in the following calendar
43 year, unless otherwise defined by regulation of the Board of
44 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.



SENATE BILL 304: Pu. Def./App. Def. Retirement.

BILL ANALYSIS

Committee: Senate Pensions, Retirement and Aging

Date: April 13, 1999

Version: 1st Edition

Introduced by: Senator Rand

Summary by: Karen Cochran Brown
Committee Counsel

SUMMARY:

Senate Bill 304 authorizes the inclusion of public defenders and the appellate defender 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 judges, district attorneys and clerks of court. Public defenders and all other appointed employees of the Judicial Branch, are currently members of the Teachers' and State Employees' Retirement System. Public defenders are appointed by the senior resident superior court judge of the superior court district, which includes the county of the defender's district.

BILL ANALYSIS:

This bill amends the law governing the Consolidated Judicial Retirement System to allow all public defenders who are serving on July 1, 1999 and those who become public defenders 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 a public defender) 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, a public defender will be eligible to receive a benefit computed by multiplying 3.02% of the public defenders final compensation by the number of years of creditable service. If the public defender 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.



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

JACK W. PRUITT
DEPUTY TREASURER

March 22, 1999

The Honorable Jim W. Phillips, Sr.
Chairman of the Senate Committee on
Pension & Retirement and Insurance
Suite 628 of the Legislative Office Building
Raleigh, North Carolina

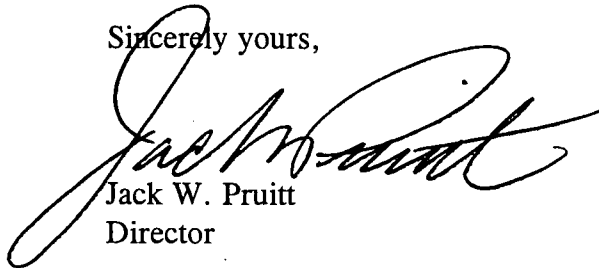
Re: Actuarial Note/Senate Bill 304

Dear Senator Phillips:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on Senate Bill 304, which affects the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System.

Please let me know if you have any questions about this actuarial note.

Sincerely yours,



Jack W. Pruitt
Director

JWP/dsp

Enclosure

BUCK CONSULTANTS

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

March 19, 1999

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

Senate Bill 304

Dear Mr. Pruitt:

We have received your letter of March 12 regarding Senate Bill 304 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 19, 1999
Page 2

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

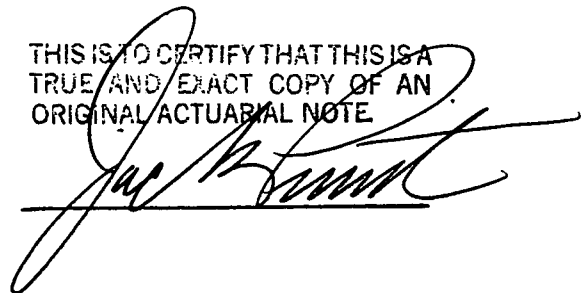
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq
F:\ACT\NCTE\1999\DOCS\COER\88304.DOC
JC 387, 7747 BC A33

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



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 296

Short Title: Repeal Forest City Fire Pension.

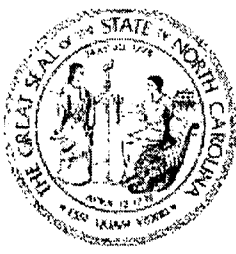
(Local)

Sponsors: Senator Dalton.

Referred to: Pensions & Retirement and Aging.

March 8, 1999

- 1 A BILL TO BE ENTITLED
2 AN ACT TO REPEAL THE PROVISIONS REGARDING SUPPLEMENTAL
3 RETIREMENT FUNDS FOR FIREMEN IN THE CHARTER OF THE TOWN
4 OF FOREST CITY.
5 The General Assembly of North Carolina enacts:
6 Section 1. Section 6.3 of the Charter of the City of Forest City, as
7 revised and consolidated by Section 1 of Chapter 209 of the 1981 Session Laws, is
8 repealed.
9 Section 2. This act becomes effective July 1, 1999.



SENATE BILL 296: Repeal Forest City Fire Pension

BILL ANALYSIS

Committee: Senate Retirement & Aging
Date: April 13, 1999
Version: 1st Edition

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

SUMMARY:

Senate Bill 296 repeals Section 6.3 of Chapter 209 of the 1981 Session Laws which pertains to the supplemental retirement funds for firemen in the Town of Forest City.

CURRENT LAW:

Chapter 209 of the 1981 Session Laws revises and consolidates the charter of the Town of Forest City. Section 6.3 of this Chapter directs The Board of Trustees of the Local Firemen's Relief Fund to divide the income earned in the preceding calendar six months into equal shares and disburse as supplemental retirement benefits. The intention of this section is to disburse only the income derived in any calendar year from the investments of funds belonging to the Local Firemen's Relief Fund, any funds not disbursed revert to the Relief Fund.

An annual benefit is provided to each fireman of the Town who has 20 years' service or more and who has attained the age of 55 years and retires after June 25, 1980. The annual benefit shall not exceed six hundred dollars (\$600.00).

BILL ANALYSIS

Senate Bill 296 repeals Section 6.3 regarding supplemental retirement funds for the firemen covered in the Town of Forest City charter.

The act becomes effective July 1, 1999.



**North Carolina General Assembly
Legislative Services Office**

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

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

April 1, 1999

MEMORANDUM

TO: Senator Walter Dalton

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note on Senate Bill 296

Re: Repeal of Forest City's Firemen's Supplemental Retirement Fund

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

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

Attachment(s):
Actuarial/Fiscal Note, Senate Bill 296, March 30, 1999



**North Carolina General Assembly
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March 30, 1999

Senator Walter H. Dalton
North Carolina Senate
Legislative Office Building
Raleigh, North Carolina 27601

Re: Actuarial/Fiscal Note (Senate Bill 296)
Forest City Firemen's Supplemental Retirement Fund

Dear Senator Dalton:

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, we hereby submit an Actuarial/Fiscal Note on the following: Repeal of the Forest City Firemen's Supplemental Retirement Fund.

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: The Forest City Firemen's Supplemental Retirement Fund is presently financed by the transfer of all investment income from the City of Forest City Firemen's Local Relief Fund on an semi annual basis. This Fund presently provides an annual benefit of \$600 to retired firemen who has attained the age of 55 with 20 or more years of service as a fireman with the City of Forest City. With this repeal, all funds will be transferred from the Forest City Firemen's Supplemental Retirement Fund back to the City of Forest City Firemen's Local Relief Fund to be used as allowed by G. S. 58-84-35.

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

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

True & Exact Copy of Original

Certified By: *Stanley Moore*

Date: *4-1-99*

Legislative Fiscal Research

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

D

SENATE BILL 687
Proposed Committee Substitute S687-PCS2643-LL

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. Subsection 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, Each full-time paid firefighter who retired on or after March 1,~~
19 1999, with 20 years or more service and has attained the age of 55, or who had 30
20 years or more service regardless of age, which service includes service in the United
21 States Armed Service purchased into the North Carolina Local Governmental
22 Employees' Retirement System, shall be entitled to and shall receive in each calendar
23 year following the calendar year in which he retires an annual supplemental

1 retirement benefit, provided, in no event shall any retired fireman be entitled to or
2 receive in any year an annual benefit in excess of two thousand four hundred dollars
3 (\$2,400)."

4 Section 2. The provisions of this act shall not create a liability for the
5 Hickory Firemen's Supplemental Retirement Fund unless sufficient current assets are
6 available in the Fund to pay fully for the liability.

7 Section 3. This act is effective when it becomes law.



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 Cochran 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

1

SENATE BILL 687

Short Title: Hickory Firefighters' Retirement Fund.

(Local)

Sponsors: Senator Allran.

Referred to: Pensions & Retirement and Aging.

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. Subsection 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, Each full-time paid firefighter who retired on or after March 1,~~
19 1999, with 20 years or more service and has attained the age of 55, or who had 30
20 years or more service regardless of age, which service includes service in the United
21 States Armed Service purchased into the North Carolina Local Governmental
22 Employees' Retirement System, shall be entitled to and shall receive in each calendar
23 year following the calendar year in which he retires an annual supplemental
24 retirement benefit, provided, in no event shall any retired fireman be entitled to or

1 receive in any year an annual benefit in excess of one thousand two hundred dollars
2 (\$1,200)."

3 Section 2. The provisions of this act shall not create a liability for the
4 Hickory Firemen's Supplemental Retirement Fund unless sufficient current assets are
5 available in the Fund to pay fully for the liability.

6 Section 3. This act is effective when it becomes law.



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
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Terrence D. Sullivan, Director
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Suite 545, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 7, 1999

MEMORANDUM

TO: Senator Austin Allran

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note on Committee Substitute Senate Bill 687

Re: City of Hickory Firemen's Supplemental Retirement Fund

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

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

Attachment(s):

Actuarial/Fiscal Note, Senate Bill 687, April 5, 1999



**North Carolina General Assembly
Legislative Services Office**

George R. Hall, Legislative Services Officer
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300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-2578

April 5, 1999

Senator Austin Allran
North Carolina Senate
Legislative Office Building
Raleigh, North Carolina 27601

Re: Actuarial/Fiscal Note (Committee Substitute for Senate Bill 687)
Hickory Firemen's Supplemental Retirement Fund

Dear Senator Allran:

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 fireman, whether fully paid or part paid, with 20 or more years of service who is age 55 or any age with 30 years of service shall receive an annual benefit of \$2,400. The change is to allow only full time paid firefighters who retire on or after March 1, 1999 to be eligible to receive the annual benefit of \$2,400.

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: The City of Hickory Firemen's Supplemental Pension Fund is financed by the transfer of funds including investment income in excess of \$85,000 from the Local Firemen's Relief Fund of the City of Hickory 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: *4-7-99*
Legislative Fiscal Research

AN EQUAL OPPORTUNITY AND AFFIRMATIVE ACTION EMPLOYER

VISITOR REGISTRATION SHEET

April 14, 1999

~~March 24, 1999~~

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

FIRM OR AGENCY AND ADDRESS

N.C. Retired School Personnel

St. Treasurer

ST. TREASURER

M G N S

u. d. Rat Sch. Personal

McKried Court Sup Assn

AGENDA

Senate Committee on Pensions & Retirement and Aging

April 21, 1999

10:00 a.m.

Senate Bill 758 Purchase of Part-Time Service

Senator Ellie Kinnaird

Senate Bill 583 Charlotte Firefighters' Retirement

Senator Bob Rucho

Senate Bill 456 Firemen's Pension Eligibility

Senator Jim Phillips, Sr.

Senate Bill 638 Local Govt. Retirement Definition

Senator Tony Rand

Sergeant at Arms: Charles Marsalis
Archie McMillan
Phil Riley

Page: Ashley Newcomb
Graham

Sponsored by: Senator Hugh Webster

Next Meeting

Wednesday, April 28, 1999
10:00 a.m. Room 1124

Proposed Agenda:

- SB 561 Law Officers' 25-Year Retirement
- SB 636 Increase Death Benefits
- SB 874 Professional Firefighters' Retirement
- SB 1046 Licensing/Examining Board Retirement

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

APRIL 21, 1999

MINUTES

The Senate Pensions & Retirement and Aging Committee met on Wednesday, April 21, 1999 at 10:13 a.m. in room 1124 of the Legislative Building. Eight members were present, including Senator Jim Phillips, who presided.

Senator Phillips called the meeting to order and recognized the committee Page, Ashley Newcomb from Graham, NC who was sponsored by Senator Hugh Webster.

Senator Phillips introduced Senator Ellie Kinnaird to present SB 758 Purchase of Part-Time Service. After a brief discussion Senator Bob Carpenter moved for a favorable report. Senator Fountain Odom seconded his motion, and the motion passed.

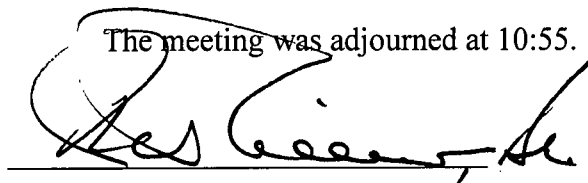
Senator Bob Rucho was recognized by Senator Phillips. He presented SB 583 Charlotte Firefighters' Retirement for the committees' consideration. Barbara J. Award, Administrator of the Charlotte Firefighter's Retirement System, spoke in favor of the bill. Senator Dan Clodfelter moved to give the bill a favorable report. Senator Bob Carpenter seconded the motion and the committee voted favorably.

Senator Jim Phillips, passed the gavel to Senator Ellie Kinnaird, Vice Chairman of the Committee, so that he could introduce SB 456 Firemen's Pension Eligibility. He noted that the bill had an amendment and moved for its consideration. The motion was passed.

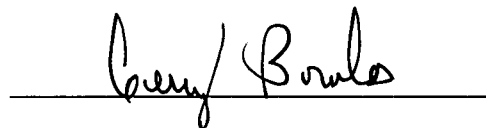
Stanley Moore from the Fiscal Staff explained how the bill would impact the state. Senator Bob Carpenter moved for a favorable report. The motion was passed.

Senator Tony Rand was introduced to speak on behalf of SB 638 Local Govt. Retirement Definition. He asked that discussion on the bill be deferred as there were questions that needed to be answered by the IRS.

The meeting was adjourned at 10:55.



Senator Jim Phillips, Sr., Chairman



Gerry Bowles, Legislative Assistant

**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT
Senator Jim Phillips, Sr., Chairman**

Wednesday, April 21, 1999

SENATOR PHILLIPS,
submits the following with recommendations as to passage:

FAVORABLE

S.B.	583	Charlotte Firefighters' Retirement.	
		Sequential Referral:	None
		Recommended Referral:	None

S.B.	758	Purchase of Part-Time Service.	
		Sequential Referral:	None
		Recommended Referral:	None

FAVORABLE, AS AMENDED

S.B.	456	Firemen's Pension Eligibility/AB.	
		Sequential Referral:	None
		Recommended Referral:	Finance
		Long Title Amended:	No

TOTAL REPORTED: 3

Committee Clerk Comment: None

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 758*

Short Title: Purchase of Part-Time Service.

(Public)

Sponsors: Senators Kinnaird; Foxx, Lee, Miller, Reeves, and Wellons.

Referred to: Pensions & Retirement and Aging.

April 5, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW MEMBERS OF THE TEACHERS' AND STATE
3 EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE CERTAIN PART-
4 TIME SERVICE RENDERED WHILE FULL-TIME STUDENTS.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 135-4(p1) reads as rewritten:
7 "(p1) Part-Time Service Credit. --
8 (1) Notwithstanding any other provision of this Chapter, upon
9 completion of five years of membership service, any member may
10 purchase service previously rendered as a part-time teacher or
11 employee of an employer as defined in G.S. 135-1(11) or G.S. 128-
12 21(11), except for temporary or part-time service rendered while a
13 full-time student in pursuit of a degree or diploma in a degree-
14 granting program. Payment shall be made in a single lump sum in
15 an amount equal to the full actuarial cost of providing credit for
16 the service, together with interest and an administrative fee, as
17 determined by the Board of Trustees on the advice of the
18 Retirement System's actuary. Notwithstanding the provisions of
19 G.S. 135-4(b), the Board of Trustees shall fix and determine by
20 appropriate rules and regulations how much service in any year, as
21 based on compensation, is equivalent to one year of service in
22 proportion to "earnable compensation", but in no case shall more
23 than one year of service be creditable for all service in one year.
24 Service rendered for the regular school year in any district shall be

1 equivalent to one year's service. Notwithstanding the foregoing
2 provisions of this subdivision that provide for the purchase of
3 service credits, the terms "full cost", "full liability", and "full
4 actuarial cost" include assumed annual post-retirement allowance
5 increases, as determined by the Board of Trustees, from the earliest
6 age at which a member could retire on an unreduced service
7 allowance.

8 (2) Under all requirements and conditions set forth in the preceding
9 subdivision of this subsection (p1), except for the requirement that
10 the completion of five years of membership service be subsequent
11 to service rendered as a part-time teacher or employee of the State,
12 any member with five or more years of membership service
13 standing to his credit may purchase additional membership service
14 for service rendered as a part-time teacher or employee of the
15 State if (i) the member terminates or has terminated employment
16 in any capacity as a teacher or employee of the State, (ii) the
17 purchase of the additional membership service causes the member
18 to become eligible to commence an early or service retirement
19 allowance, and (iii) the member immediately elects to commence
20 retirement and become a beneficiary.

21 (3) Under all the requirements and conditions set forth in subdivision
22 (1) of this subsection, except for the condition that part-time
23 service rendered when a full-time student in pursuit of a degree or
24 diploma in a degree-granting program is not eligible for purchase,
25 any member with five or more years of membership service
26 standing to the member's credit may purchase creditable service
27 for service rendered as a part-time teacher or employee of the
28 State if that service was rendered on a permanent part-time basis
29 and required at least 20 hours of service per week."
30

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

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 583*

Short Title: Charlotte Firefighters' Retirement.

(Local)

Sponsors: Senators Rucho; Clodfelter, Dannelly, and Odom.

Referred to: Pensions & Retirement and Aging.

March 29, 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

TITLE I. PREFACE.

12

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.

23

24

(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.

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

35
36 TITLE II. MEMBERSHIP SERVICE CREDIT.
37

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

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

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

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

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

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

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

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

25 26 TITLE III. TERMINATION OF MEMBERSHIP. 27

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

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

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

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

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

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

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

41 **Sec. 13.1. Direct Rollover of Eligible Rollover Distributions.** (a) This Section
42 applies to distributions made on or after January 1, 1993. Notwithstanding any
43 provision of the plan to the contrary that would otherwise limit a distributee's
44 election under this Section, a distributee may elect, at the time and in the manner

1 prescribed by the plan administrator, to have any portion of an eligible rollover
2 distribution paid directly to an eligible retirement plan specified by the distributee in
3 a direct rollover.

4 (b) Definitions.

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

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

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

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

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

39

40 TITLE IV. BENEFITS

41

42 **Sec. 15. Service Retirement.** A Member may upon written application through
43 the Administrator to the Board of Trustees set forth an effective date of not less than
44 30 days nor more than 90 days subsequent to the execution and filing thereof that he

1 desires to be retired, provided that he has attained the age and acquired the required
2 Membership Service Credit and has been approved by the Board:

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

5 a. Any age and 30 or more years of Membership Service
6 Credit;

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

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

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

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

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

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

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

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

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

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

24 (g) Option 5. 50% Joint and Survivor Benefit. A Retiree shall receive a reduced
25 basic benefit payable monthly throughout his life and upon his death fifty percent
26 (50%) of his reduced monthly benefit shall continue throughout the life of such
27 Beneficiary, if living, as the Retiree shall have nominated by written designation duly
28 executed and filed with the Board of ~~Trustees~~. Trustees prior to retirement but not
29 thereafter.

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

37 (i) In the event that a Retiree who named his spouse as Beneficiary in accordance
38 with the provisions of Options 1 through 6 and shall subsequently become divorced
39 from the named Beneficiary, the Retiree may then elect a life annuity which shall be
40 the Actuarial Equivalent of the value of all future benefit payments under the option
41 then in effect upon written request to the Board of Trustees provided such request is
42 not inconsistent with the terms of the divorce decree. It is the Retiree's responsibility
43 to provide all pertinent documentation.

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

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

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

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

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

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

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

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

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

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

1 Section. A Retiree receiving disability retirement benefits shall revert to a service
2 retirement as specified in Section 15 and shall receive the greater of such disability
3 retirement benefits or his Accrued Benefit as determined as of the last date of active
4 employment with the Charlotte Fire Department at such time as the Retiree's
5 attained age and Membership Service Credit meet the requirements for a service
6 retirement.

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

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

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

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

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

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

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

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

31
32 **TITLE V. METHOD OF FINANCING.**
33

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

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

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

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

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

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

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

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

42 **Sec. 26. Other.** Any other contributions by or on the behalf of any Member or
43 the City of Charlotte pursuant to the provisions of this act, shall be received by the
44 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40 Sec. 36. **Employment of Professional Services.** (a) The Board of Trustees shall
41 have the authority to employ and/or utilize professional and secretarial services and
42 to purchase and maintain such property, equipment and supplies as are deemed
43 necessary for the proper operation of the System. All expenses, fees and/or retainers
44 for the employment of services shall be borne by the System with the singular

1 exception of the employment of the Actuary. All fees and expenses in connection
2 with the employment of a qualified actuary to perform the annual evaluation of the
3 Retirement System's financial condition shall be paid by the City of Charlotte.

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

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

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

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

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

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

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

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

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

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

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

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

21
22 **TITLE VII. RECORD-KEEPING AND REPORTING REQUIREMENTS.**
23

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

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

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

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

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

43 **Sec. 47. Other Reports.** The Administrator, or the Secretary of the Board in the
44 absence of an administrator, shall be responsible for insuring that all reporting

1 requirements with the Internal Revenue Service and the United States Government,
2 including its various other agencies, departments, and offices, are complied with.

3

4 TITLE VIII. CUSTODY AND INVESTMENT OF SYSTEM ASSETS.

5

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

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

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

- 29 (1) Discharge its duties solely in the interest of the Participants and the
30 Beneficiaries;
31 (2) Act with the same care, skill, prudence and diligence under the
32 circumstances then prevailing, that a prudent person acting in a
33 similar capacity and familiar with those matters would use in the
34 conduct of a similar enterprise with similar aims;
35 (3) Act with due regard for the management, reputation and stability
36 of the issuer and the character of the particular investments being
37 considered;
38 (4) Make investments for the exclusive purpose of providing benefits
39 to Participants and Participants' Beneficiaries;
40 (5) Give appropriate consideration to those facts and circumstances
41 the Board of Trustees knows or should know are relevant to the
42 particular investment or investment course of action involved,
43 including the role the investment or investment course of action
44 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.

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

13 a. Ninety thousand dollars (\$90,000) (or, beginning January 1,
14 1988), such larger dollar amount as the Commissioner of
15 Internal Revenue may prescribe. Such amount shall be the
16 maximum annual benefit pursuant to this subdivision a. for
17 that calendar year and shall apply to the limitation year
18 ending with or within that calendar year.

19 b. The average annual ~~Compensation~~ compensation the
20 Participant received from the City during the three
21 consecutive calendar years which would produce the highest
22 such average.

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

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

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

1 if the benefit begins on or after the Participant's attainment of age
2 55 or the actuarial equivalent of the seventy-five thousand dollars
3 (\$75,000) benefit limitation for age 55, if the benefit begins prior to
4 such age.

5 For purposes of this subdivision (4), if benefits begin before age 62,
6 the maximum annual benefit payable shall be adjusted by an
7 interest rate assumption not less than the greater of five percent
8 (5%) or the rate specified in the Retirement System. For purposes
9 of this subdivision (4), in addition to the above limitations, if a
10 Participant is a Qualified Participant as defined in Title 1, Section
11 2 (17a) of this act, the actuarial reduction to the maximum benefit
12 payable for benefits that begin prior to the attainment of age 55
13 shall not be reduced to an amount less than fifty thousand dollars
14 (\$50,000). If payment of a Participant's benefit begins after age 65,
15 the maximum annual benefit payable shall be adjusted by an
16 interest rate assumption not greater than the lesser of five percent
17 (5%) or the rate specified in the Retirement System.

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

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

- 35 (5) Any benefit payable to a Participant pursuant to Section 4 of this
36 act shall commence not later than the April 1 immediately
37 following the calendar year in which the Participant attains age 70
38 1/2 or, if later, the April 1 immediately following the calendar year
39 in which the Participant terminates service. Additionally, the
40 distribution of any such benefit must satisfy the minimum
41 distribution requirements set forth in this paragraph and must be
42 consistent with Treasury Regulations, as of the required beginning
43 date. The minimum distribution for a calendar year equals the
44 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.

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

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

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

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

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

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

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

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

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

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

1

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

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 456

Short Title: Firemen's Pension Eligibility/AB.

(Public)

Sponsors: Senators Phillips; Hagan, Jordan, Kinnaird, Lee, Metcalf, Robinson,
Warren, and Wellons.

Referred to: Pensions & Retirement and Aging.

March 22, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO ADJUST THE ELIGIBILITY REQUIREMENTS FOR MEMBERS OF
3 THE 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~~ a Class 9S department in accordance with rating methods,
15 schedules, classifications, underwriting rules, bylaws or regulations effective or
16 applied with respect to the establishment of rates or premiums used or charged
17 pursuant to Articles 36 or 40 of this Chapter or by such other reasonable methods as
18 the Commissioner may determine, ~~and which operates fire apparatus and equipment~~
19 ~~of the value of five thousand dollars (\$5,000) or more, and said and the fire~~
20 ~~department holds drills and meetings not less than four hours monthly and said~~
21 ~~firemen monthly. For purposes of membership in the Firemen's and Rescue Squad~~
22 Workers' Pension Fund, 'eligible firemen' shall attend at least 36 hours of all drills
23 and meetings in each calendar year. "Eligible firemen" shall also mean those persons

1 ~~meeting the other qualifications of this section, not exceeding 25 volunteer firemen~~
2 ~~plus one additional volunteer fireman per 100 population in the area served by their~~
3 ~~respective departments.~~ Each department shall annually determine and report the
4 names of ~~those firemen~~ all firemen, indicating those meeting the eligibility
5 qualifications of this section to its respective governing body, which upon
6 determination of the validity and accuracy of the qualification shall promptly certify
7 the list to ~~the board.~~ the Department of Insurance, which shall provide a list of those
8 meeting the eligibility requirements of this section to the State Treasurer by April 1
9 of each year. For the purposes of the preceding sentence, the governing body of a
10 fire department operated: by a county is the county board of commissioners; by a city
11 is the city council; by a sanitary district is the sanitary district board; by a corporation,
12 whether profit or nonprofit, is the corporation's board of directors; and by any other
13 entity is that group designated by the board."

14 Section 2. G.S. 58-86-30 reads as rewritten:

15 **"§ 58-86-30. 'Eligible rescue squad worker' defined; determination and certification of**
16 **eligibility.**

17 'Eligible rescue squad worker' means a person who is a member of a rescue or
18 emergency medical services squad that is eligible for membership in the North
19 Carolina Association of Rescue and Emergency Medical Services, Inc., and ~~who~~ who,
20 for purposes of membership in the Firemen's and Rescue Squad Workers' Pension
21 Fund, has attended a minimum of 36 hours of training and meetings in the last
22 calendar year. Each rescue or emergency medical services squad eligible for
23 membership in the North Carolina Association of Rescue and Emergency Medical
24 Services, Inc., must file a roster certified by the secretary of the association of those
25 rescue or emergency medical services squad workers meeting the requirements of this
26 section with the State Treasurer by ~~January 1~~ April 1 of each calendar year.

27 'Eligible rescue squad worker' does not mean 'eligible fireman' as defined by G.S.
28 58-86-25, nor may an 'eligible rescue squad worker' qualify also as an 'eligible
29 fireman' in order to receive double benefits available under this Article."

30 Section 3. G.S. 58-86-35 reads as rewritten:

31 **"§ 58-86-35. Firemen's application for membership in fund; monthly payments by**
32 **members; payments credited to separate accounts of members.**

33 Those firemen who are eligible pursuant to G.S. 58-86-25 may make application
34 for membership to the board. Each fireman upon becoming a member of the fund
35 shall pay the director of the fund the sum of ten dollars (\$10.00) per month. The
36 monthly payments shall be credited to the separate account of the member and shall
37 be kept by the custodian so it is available for payment on withdrawal from
38 membership or retirement. Firemen who fail to meet the training hour requirements
39 specified in G.S. 58-86-25 for any year shall lose that year's service credit."

40 Section 4. G.S. 58-86-40 reads as rewritten:

41 **"§ 58-86-40. Rescue squad worker's application for membership in funds; monthly**
42 **payments by members; payments credited to separate accounts of members.**

43 Those rescue squad workers eligible pursuant to G.S. 58-86-30 may apply to the
44 board for membership. Each eligible rescue squad worker upon becoming a member

1 shall pay the director of the fund the sum of ten dollars (\$10.00) per month. The
2 monthly payments shall be credited to the separate account of the member and shall
3 be kept by the custodian so it is available for payment on withdrawal from
4 membership or retirement. Rescue squad workers who fail to meet the training hour
5 requirements specified in G.S. 58-86-30 for any year shall lose that year's service
6 credit."

7 Section 5. G.S. 58-86-45(a) is repealed.

8 Section 6. G.S. 58-86-75 reads as rewritten:

9 "§ 58-86-75. **Determination of creditable service; information furnished by applicants**
10 **for membership.**

11 The board shall determine by appropriate rules and regulations the number of
12 years' credit for service of firemen and rescue squad workers. Firemen and rescue
13 squad workers who are now serving as such shall furnish the board with information
14 upon applying for membership as to previous service. Notwithstanding any other
15 provisions of this Article, the Board may grant qualified prior service credits to
16 eligible firemen and rescue squad workers under such terms and conditions that the
17 Board may adopt when the Board determines that an eligible fireman or rescue squad
18 worker has been denied such service credits through no fault of his own. Firemen
19 and rescue squad workers who fail to meet the training hour requirements specified
20 in G.S. 58-86-25 and G.S. 58-86-30 for any year shall lose that year's service credit."

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

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 456

SHORT TITLE: Fire and Rescue Squad Pensions

SPONSOR(S): Senator Phillips

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

BILL SUMMARY: The bill removes archaic language relative to the types and sizes of fire departments that are eligible to have firemen as members of the Pension Fund; and the filing of an annual report of all eligible firemen by the Fire Departments will go to the Department of Insurance instead of the Board of Trustees, and a change in the filing deadline from January 1 to April 1. The bill also changes the filing deadline for annual reports of all eligible rescue squad workers from January 1 to April 1 of each year. The bill also makes it clear that fireman and rescue workers are not eligible for retirement credit unless they complete the required training annually.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE: Both actuaries agree there would be no cost to the Firemen's and Rescue Squad Workers' Pension Fund as a result of this legislation.

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

APPROVED BY: Tom Covington



DATE: Tuesday, April 13, 1999



**NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 456**

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

S456-ALL-001

Date April 21, 1999

Comm. Sub. []
Amends Title []

1 moves to amend the bill on page 3, lines 20-21,
2 by adding a new section to read:

3
4 "Section 7. G.S. 143-166.2(d) reads as rewritten:
5 "(d) The term "law-enforcement officer," "officer," or "fireman"
6 shall mean all law-enforcement officers employed full time by the
7 State of North Carolina or any county or municipality thereof and
8 all full-time custodial employees of the North Carolina Department
9 of Correction and all full-time institutional and detention
10 employees of the Division of Youth Services of the Department of
11 Health and Human Services. The term "firemen" "fireman" shall mean
12 both "eligible fireman"; or "fireman" "eligible firemen" as defined
13 in G.S. 58-86-25 and all full-time, permanent part-time and
14 temporary employees of the North Carolina Division of Forest
15 Resources, Department of Environment and Natural Resources, during
16 the time they are actively engaged in fire-fighting activities; and
17 shall mean all full-time employees of the North Carolina Department
18 of Insurance during the time they are actively engaged in fire-
19 fighting activities, during the time they are training fire fighters
20 or rescue squad workers, and during the time they are engaged in
21 activities as members of the State Emergency Response Team, when the
22 Team has been activated. However, "eligible firemen" as defined in
23 G.S. 58-86-25 shall be eligible for benefits under this Article
24 regardless of whether or not they attended at least 36 hours of
25 drills and meetings as required by G.S. 58-86-25 if (i) killed in
26 the line of duty in the first year of service to the fire
27 department; or (ii) killed in the line of duty within two years of
28 the last year in which they attended 36 hours of drills and
29 meetings. The term "rescue squad worker" shall mean a person who is



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 456

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

S456-ALL-001

Page 2 of ____

1 dedicated to the purpose of alleviating human suffering and
2 assisting anyone who is in difficulty or who is injured or becomes
3 suddenly ill by providing the proper and efficient care or emergency
4 medical services. In addition, this person must belong to an
5 organized rescue squad which is eligible for membership in the North
6 Carolina Association of Rescue Squads, Inc., and the person must
7 have attended a minimum of 36 hours of training and meetings in the
8 last calendar ~~year~~ year, except that rescue squad workers shall be
9 eligible for benefits under this Article regardless of whether or
10 not they attended at least 36 hours of drills and meetings if (i)
11 killed in the line of duty in the first year of service to the
12 rescue squad; or (ii) killed in the line of duty within two years of
13 the last year in which they attended 36 hours of drills and
14 meetings. Each rescue squad belonging to the North Carolina
15 Association of Rescue Squads, Inc., must file a roster of those
16 members meeting the above requirements with the State Treasurer on
17 or about January 1 of each year, and this roster must be certified
18 to by the secretary of said association. In addition, the term
19 "rescue squad worker" shall mean a member of an ambulance service
20 certified by the Department of Health and Human Services pursuant to
21 Article 7 of Chapter 131E of the General Statutes. The Department of
22 Health and Human Services shall furnish a list of ambulance service
23 members to the State Treasurer on or about January 1 of each year.
24 The term "Civil Air Patrol members" shall mean those senior members
25 of the North Carolina Wing-Civil Air Patrol 18 years of age or older
26 and currently certified pursuant to G.S. 143B-491(a). The term
27 "fireman" shall also mean county fire marshals when engaged in the
28 performance of their county duties. The term "rescue squad worker"
29 shall also mean county emergency services coordinators when engaged
30 in the performance of their county duties."

31
32 and by renumbering the subsequent sections accordingly.

SIGNED _____

Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 638

Short Title: Local Gov't Retirement Definition.

(Public)

Sponsors: Senators Rand; Cooper and Kerr.

Referred to: Pensions & Retirement and Aging.

March 30, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO REDEFINE "EMPLOYEE" AND "EMPLOYER" IN THE LOCAL
3 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

4 The General Assembly of North Carolina enacts:

5 Section 1. G.S. 128-21(10) reads as rewritten:

6 "(10) "Employee" shall mean any person who is regularly employed in
7 the service of and whose salary or compensation is paid by the
8 employer as defined in subdivision (11) of this section, whether
9 employed or appointed for stated terms or otherwise, except
10 teachers in the public schools and except such employees who
11 hold office by popular election as are not required to devote a
12 major portion of their time to the duties of their office.
13 "Employee" also means all full-time, paid firemen who are
14 employed by any fire department that serves a city or county or
15 any part of a city or county and that is supported in whole or in
16 part by municipal or county funds. In all cases of doubt the
17 Board of Trustees shall decide who is an employee."

18 Section 2. G.S. 128-21(11) reads as rewritten:

19 "(11) "Employer" shall mean any county, incorporated city or town, the
20 board of alcoholic control of any county or incorporated city or
21 town, the North Carolina League of Municipalities, and the State
22 Association of County Commissioners. ~~"Employer" shall also~~
23 ~~mean any separate, juristic political subdivision of the State as~~
24 ~~may be approved by the Board of Trustees upon the advice of the~~

1 ~~Attorney General.~~ "Employer" also means any fire department
2 that serves a city or county or any part of a city or county and
3 that is supported in whole or in part by municipal or county
4 funds."

5 Section 3. This act is effective when it becomes law.

VISITOR REGISTRATION SHEET

Pensions & Retirement/Aging
Name of Committee

4-21-99
Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Jim Bradley	NC DOI
Barbara Avar	Charlotte Firefighters Retirement System
C. Porter	Bone & Associates
G. A. Joyner	NCA R&EMS
Ed W. Hammond	NC Ret. Govt Emp Assn
Tim Bryan	St. TREASURER
Jack Pruitt	St. TREASURER
Daniel Arnold	SEANC
Jim Blackburn	County Commrs
Kim Hibbard	League of Municipalities
Milton Royce Jones	JONES INC Wilson County
Mec Peters	Attorney General's office
Paul O'Brien	PFFPNC
David R. Anderson	ATPNC
Bobby Biddle	PFFPNC

AGENDA

Senate Committee on Pensions & Retirement and Aging

April 28, 1999
10:00 a.m.

Senate Bill 638 Local Gov't Retirement Definition
Senator Tony Rand

Senate Bill 561 Law Officers' 25-Year Retirement
Senator Fountain Odom

Senate Bill 874 Professional Firefighters' Retirement
Senator Frank Ballance

Senate Bill 1046 Licensing/Examining Board Retirement
Senator Jim Phillips

Senate Bill 636 Increase Death Benefits
Senator John Kerr

Sergeant-at-arms: Charles Marsalis
Archie McMillan
Phil Riley

Page: Caty Urquhart
Speed, NC

Sponsored by: Senator Bob Martin

Next Meeting
Wednesday, May 5, 1999
10:00 a.m. Room 1124

Proposed Agenda:

SB 591 Retirement System Transfer
SB 682 Fire Marshals in Pension Fund
SB 978 Teacher Retirement Credit Clarification
HB 722 Purchase of Part-Time Service

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

April 28, 1999

MINUTES

The Senate Pensions & Retirement and Aging Committee met on Wednesday, April 28, 1999 at 10:14 in Room 1124 of the Legislative Building. Ten members were present, including Senator Jim Phillips, who presided.

Senator Phillips called the meeting to order and recognized the committee page, Vinson Simpson who had been sponsored by Senator Brad Miller.

Senator Phillips called on Senator Tony Rand to introduce SB 638 Local Gov't Retirement Definition for the committee's consideration. The committee voiced concern as to the possibility of maintaining a favorable tax status if there was a mixing of non government and government employees. Tony Rand offered an amendment which would assure that the bill not become effective until it had received a favorable rating by the IRS.

Senator Fountain Odom moved to accept the amendment. The motion passed.

Senator Phillips noted that SB 1046 Licensing/Examining Board Retirement had been pulled from the agenda.

Senator Fountain Odom passed out a Proposed Committee Substitute for SB 561 Law Officers' 25-Year Retirement. A lot of discussion ensued. Many on the committee supported the idea of law officers' being able to retire after 25 years as opposed to 30 years. They felt that this would help with recruiting. Others felt that the idea was misguided and spoke against the idea.

Senator Charlie Albertson asked what kind of cost burden would this "early retirement" place on the local governments. Stanley Moore from the Fiscal Staff explained that the cost to local governments would be approximately \$7.5 million and the General Assembly would have to pay close to \$3.8 million.

The Executive Director of the North Carolina League of Municipalities, Ellis Hankins spoke in opposition to the bill noting that it offered an excessive benefit level at a high cost and promoted preferential treatment for one segment of the work force. He noted that the July 1 effective date would result in an unanticipated large cost to city governments.

Senator Ken Moore questioned the League director as to the ability of city governments to recruit law officers. He noted that the training was difficult and that there might be a need to raise salaries.

Senator Fountain Odom offered an amendment which moved to change the bill on page 9, line 44 by changing "1999" to "2000". Senator Ken Moore moved to accept the amendment. The motion was passed .

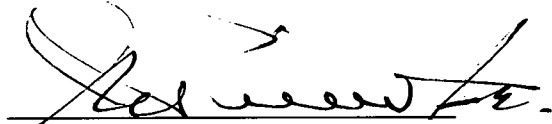
Jim Blackburn head of the County Commissioners Association noted his organization's concern with the legislation. Eddie Caldwell of the NC Sheriffs Association and the NC Law Enforcement Officer's Association, spoke in favor of the bill. Bill Alexander, Director of the Police Benevolent Association noted that there were not enough desk jobs to offer "older" officers and that even though experience counts, the physical stamina and condition of "older" law enforcement officers wanes. He noted that recruiting was a problem and that there were many vacancies in a number of departments.

Senator Fountain Odom moved to send the bill to the Appropriations Committee. The motion was passed.

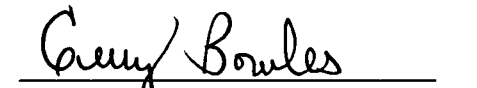
Senator Phillips then recognized Senator John Kerr who introduced SB 636 Increase Death Benefits. Senator Ken Moore moved for a favorable report. The motion was passed.

Senator Frank Balance was next on the agenda. He introduced a Committee Substitute for SB 874 Professional Firefighters' Retirement. David Andrews representing the Professional Firefighters and Medics of North Carolina spoke in favor of the bill. Ellis Hancock representing the North Carolina League of Municipalities noted his reservations with the bill and that "serious money" was involved. Senator Fountain Odom noted that the bill could be amended in the Appropriations Committee and moved to send the bill to Appropriations. The motion was passed and the bill was sent to Appropriations.

The meeting was adjourned at 11:00.



Senator Jim Phillips, Sr., Chairman


Gerry Bowles, Legislative Assistant

**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT
Senator Jim Phillips, Sr., Chair**

Thursday, April 29, 1999

SENATOR PHILLIPS,
submits the following with recommendations as to passage:

FAVORABLE

S.B.	636	Increase Death Benefits	
		Sequential Referral:	Appropriations/Base Budget
		Recommended Referral:	None

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO C.S. BILL

S.B.	638	Local Gov't Retirement Definition	
		Draft Number:	PCS7680
		Sequential Referral:	None
		Recommended Referral:	None
		Long Title Amended:	No

TOTAL REPORTED: 2

Committee Clerk Comment: None

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 636*

Short Title: Increase Death Benefits.

(Public)

Sponsors: Senators Kerr; Albertson, Carter, Dalton, Harris, Hoyle, Martin of Pitt,
Phillips, Soles, Warren, and Wellons.

Referred to: Pensions & Retirement and Aging.

March 30, 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
18 dependent child, then said payment shall be made to and equally
19 divided among all surviving dependent children; or
20 (3) If there be no spouse and no dependent child or children
21 qualifying under the provisions of this Article, then payments shall
22 be made to the surviving dependent parent of such officer,
23 fireman, rescue squad worker or senior Civil Air Patrol member

1 and if there be more than one surviving dependent parent then
2 said payments shall be made to and equally divided between the
3 surviving dependent parents of said officer, fireman, rescue squad
4 worker or senior Civil Air Patrol member.

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

7 (1) At the time of the death of an officer, fireman, rescue squad
8 worker or senior Civil Air Patrol member, ~~ten thousand dollars~~
9 ~~(\$10,000)~~ twenty thousand dollars (\$20,000) shall be paid to the
10 person or persons entitled thereto.

11 (2) Thereafter, ~~five thousand dollars (\$5,000)~~ ten thousand dollars
12 (\$10,000) shall be paid annually to the person or persons entitled
13 thereto until the sum of the initial payment and each annual
14 payment reaches ~~twenty five thousand dollars (\$25,000)~~. fifty
15 thousand dollars (\$50,000).

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

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

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

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



SENATE BILL 636: Increase Death Benefits

BILL ANALYSIS

Committee: Senate Pensions & Retirement
Date: April 26, 1999
Version: 1st Edition

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

SUMMARY:

Senate Bill 636 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. Senate Bill 636 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).**

Senate Bill 636 also makes conforming changes to subsections (c) and (d).

This act becomes effective July 1, 1999.



North Carolina General Assembly
Legislative Services Office

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

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Suite 5, Legislative Building
16 W. Jones Street
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Terrence D. Sullivan, Director
Research Division
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(919) 733-2578

MEMORANDUM

TO: Senator John H. Kerr, III

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 12, 1999

SUBJECT: Actuarial Note on Senate Bill 636

Re: Increase the death benefit from \$25,000 to \$50,000 for law enforcement officers, firemen, rescue squad workers, and senior civil air patrol killed in the line of duty.

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, Buck Consultants, April 9, 1999
- (3) Actuarial Note, Hartman & Associates, April 7, 1999

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 636

SHORT TITLE: Increase Death Benefits

SPONSOR(S): Senator Kerr

SYSTEM OR PROGRAM AFFECTED: Death Benefit Plan for law enforcement officers, firemen, rescue squad workers, and senior civil air patrol killed in the line of duty.

FUNDS AFFECTED: General Fund

BILL SUMMARY: Increase the death benefit from \$25,000 to \$50,000 for law enforcement officers, firemen, rescue squad workers, and senior civil air patrol killed in the line of duty.

EFFECTIVE DATE: July 1, 1999

**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
General Fund	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000

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	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000

ASSUMPTIONS AND METHODOLOGY: The cost estimates are based on the number of deaths over the last several years.

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

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

Senate Bill 636

Dear Mr. Pruitt:

We have received your request regarding Senate Bill 636 which affects the Death Benefit for Law Enforcement Officers, Firemen, Rescue Squad Workers, Civil Air Patrol Members & State Forestry Employees (G.S. 143, Article 12A).

This legislation appears to increase the death benefit payment from \$25,000 to \$50,000 on and after July 1, 1999.

The estimated cost of this legislation as an annual appropriation amount required from the General Fund for the fiscal year 1999-2000 would be an additional \$200,000.

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

Sincerely,

Edward A. Macdonald by at

Edward A. Macdonald
Principal and Consulting Actuary

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JC 304 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 7, 1999

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

Re: Senate Bill 636: 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

Dear Mr. Moore:

This bill amends G.S. 143-166.3 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. Currently, the death benefit is an initial payment of \$10,000 plus \$5,000 per year until total payments equal \$25,000. This bill would double the payments, providing an initial benefit of \$20,000 plus \$10,000 per year until total payments equal \$50,000. This act becomes effective July 1, 1999.

The estimated cost of this act for the fiscal year beginning July 1, 1999 is \$175,000. This estimate is based on an analysis of the historical data regarding the number of claims paid under this provision.

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 4-12-99
Legislative Fiscal Research

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 638

Short Title: Local Gov't Retirement Definition.

(Public)

Sponsors: Senators Rand; Cooper and Kerr.

Referred to: Pensions & Retirement and Aging.

March 30, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO REDEFINE "EMPLOYEE" AND "EMPLOYER" IN THE LOCAL
3 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

4 The General Assembly of North Carolina enacts:

5 Section 1. G.S. 128-21(10) reads as rewritten:

6 "(10) "Employee" shall mean any person who is regularly employed in
7 the service of and whose salary or compensation is paid by the
8 employer as defined in subdivision (11) of this section, whether
9 employed or appointed for stated terms or otherwise, except
10 teachers in the public schools and except such employees who
11 hold office by popular election as are not required to devote a
12 major portion of their time to the duties of their office.
13 "Employee" also means all full-time, paid firemen who are
14 employed by any fire department that serves a city or county or
15 any part of a city or county and that is supported in whole or in
16 part by municipal or county funds. In all cases of doubt the
17 Board of Trustees shall decide who is an employee."

18 Section 2. G.S. 128-21(11) reads as rewritten:

19 "(11) "Employer" shall mean any county, incorporated city or town, the
20 board of alcoholic control of any county or incorporated city or
21 town, the North Carolina League of Municipalities, and the State
22 Association of County Commissioners. ~~"Employer" shall also~~
23 ~~mean any separate, juristic political subdivision of the State as~~
24 ~~may be approved by the Board of Trustees upon the advice of the~~

1 ~~Attorney General.~~ "Employer" also means any fire department
2 that serves a city or county or any part of a city or county and
3 that is supported in whole or in part by municipal or county
4 funds."

5 Section 3. This act is effective when it becomes law.



SENATE BILL 638: Local Gov't Retirement Definition

BILL ANALYSIS

Committee: Senate Pensions & Retirement
Date: April 26, 1999
Version: 1st 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 Employee's Retirement System 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).

"Employee"

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.

"Employer"

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.

A conforming change is made to specify 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.

This act is effective when it becomes law.

Note:

See actuarial notes regarding the inclusion of non-governmental entities in the System.



**North Carolina General Assembly
Legislative Services Office**

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(919) 733-2578

MEMORANDUM

TO: Senator Tony Rand

FROM: Stanley Moore 
Fiscal Research Division

DATE: April 20, 1999

SUBJECT: Actuarial Note on Senate Bill 638

**Re: Redefines "Employer" and "Employee" in the Local Governmental
Employees' Retirement System**

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

cc: Senator Jim Phillips; Chairman, Senate Committee on Pensions & Retirement
Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, April 12, 1999
- (3) Actuarial Note, Hartman & Associates, April 7, 1999

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: Senate Bill 638

SHORT TITLE: Local Government Retirement Definition

SPONSOR(S): Senator Tony Rand

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

BILL SUMMARY: Redefines "Employer" and "Employee" in the Local Governmental Employees' Retirement System to include firemen and fire departments that serve a city or county and is supported with public funds. Some fire departments then would then be eligible to become a participating employer in the Local Governmental Employees' Retirement System.

EFFECTIVE DATE: When it becomes law.

ESTIMATED IMPACT ON STATE: Both actuaries agree there would not be any additional cost to the Local System because each employee and employer would be paying the necessary contributions. However, both actuaries noted the inclusion of non-governmental entities in the System could create adverse tax consequences by jeopardizing the qualified status of the System.

ASSUMPTIONS AND METHODOLOGY: **Local Governmental Employees' Retirement System**
The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 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

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 20, 1999

BUCK CONSULTANTS

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

April 12, 1999

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

Senate Bill 638

Dear Mr. Pruitt:

We have received your letter of April 5 regarding Senate Bill 638 which affects the Local Governmental Employees' Retirement System.

This legislation, which is effective upon ratification, appears to modify the definitions of "employee" and "employer" in the Local Governmental Employees' Retirement System in order to reinstate the eligibility of non-governmental fire departments for participation as employers in the Retirement System.

There would be no cost to the Retirement System on account of this legislation inasmuch as the participating employers would pay the full cost of participation in the System.

However, the inclusion of employees of a non-governmental entity in a governmental plan could have a potential impact on the continued qualification of the Retirement System as a governmental plan. The introduction of non-governmental employers and their employees in the Local Governmental Employees' Retirement System could possibly place the qualified status of the Retirement System in jeopardy. Furthermore, there is the added risk of becoming subject to the Employee Retirement Income Security Act of 1974 (ERISA) which would impose a superabundance of federal "red tape" in the form of federally mandated minimum employer contributions, filings and reporting, etc. and cause considerable expense relating to payments to the Pension Benefits Guaranty Corporation. Additionally, the tax favored treatment of certain employee contributions "picked-up" by the employer under Section 414(h)(2) could be threatened.

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

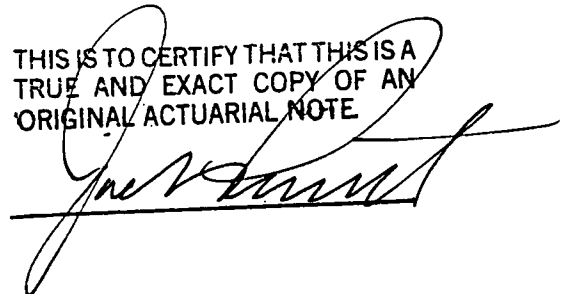
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

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JC 751 BCAS

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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 7, 1999

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

Re: Senate Bill 638: An Act to Redefine Employee and Employer in
the LGERS

Dear Mr. Moore:

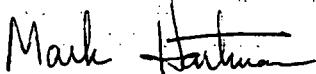
This legislation amends G.S. 128-21(10) and G.S. 128-21(11) to redefine employee and employer in the Local Governmental Employees' Retirement System. Under the revised definition, employee would include all full-time, paid firemen who are employed by any fire department that serves a city or county or any part of a city or county and that is supported in whole or in part by municipal or county funds. Employer would include 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. This act is effective when it becomes law.

This act may bring additional members into the LGERS. Any additional accrued liability should be funded through the employer and employee contributions and would not generate any additional cost to the plan. It is expected that inclusion of additional members would require funding equal to the plan's normal cost rate of 4.8% applied to the payroll of the additional members.

Additionally, the redefinition of employee could create adverse tax consequences for the plan. Care should be taken to insure that any members of the plan meet the employee definition under the Internal Revenue Code, or the plan could risk losing tax-qualified status.

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: 4-20-99
Legislative Fiscal Research



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

HARLAN E. BOYLES
TREASURER

April 12, 1999

JACK W. PRUITT
DEPUTY TREASURER

The Honorable Jim W. Phillips, Sr.
Chairman of the Senate Committee on
Pension & Retirement and Insurance
Suite 628 of the Legislative Office Building
Raleigh, North Carolina

Re: Actuarial Note/Senate Bill 638

Dear Senator Phillips:

In accordance with North Carolina General Statute 120-114, we herewith submit a certified copy of an actuarial note on Senate Bill 638, which affects the Local Governmental Employees' Retirement System.

Please let me know if you have any questions about this actuarial note.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jack W. Pruitt", written over a large, stylized flourish.

Jack W. Pruitt
Director

JWP/dsp

Enclosure

BUCK CONSULTANTS

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

April 12, 1999

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

Senate Bill 638

Dear Mr. Pruitt:

We have received your letter of April 5 regarding Senate Bill 638 which affects the Local Governmental Employees' Retirement System.

This legislation, which is effective upon ratification, appears to modify the definitions of "employee" and "employer" in the Local Governmental Employees' Retirement System in order to reinstate the eligibility of non-governmental fire departments for participation as employers in the Retirement System.

There would be no cost to the Retirement System on account of this legislation inasmuch as the participating employers would pay the full cost of participation in the System.

However, the inclusion of employees of a non-governmental entity in a governmental plan could have a potential impact on the continued qualification of the Retirement System as a governmental plan. The introduction of non-governmental employers and their employees in the Local Governmental Employees' Retirement System could possibly place the qualified status of the Retirement System in jeopardy. Furthermore, there is the added risk of becoming subject to the Employee Retirement Income Security Act of 1974 (ERISA) which would impose a superabundance of federal "red tape" in the form of federally mandated minimum employer contributions, filings and reporting, etc. and cause considerable expense relating to payments to the Pension Benefits Guaranty Corporation. Additionally, the tax favored treatment of certain employee contributions "picked-up" by the employer under Section 414(h)(2) could be threatened.

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

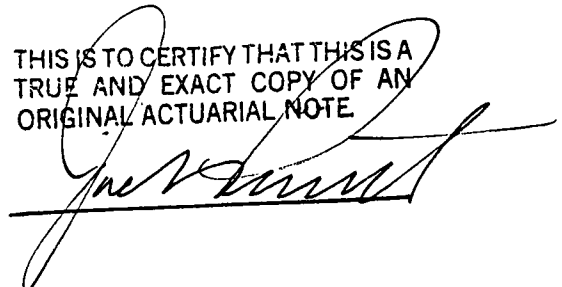
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq
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JC 751 BC A33

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GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 1046

Short Title: Licensing/Examining Board Retirement.

(Public)

Sponsors: Senator Phillips.

Referred to: Pensions & Retirement and Aging.

April 15, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE EMPLOYEES OF STATE LICENSING AND EXAMINING
3 BOARDS MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES'
4 RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 135-1(11) reads as rewritten:

7 "(11) "Employer" shall mean the State of North Carolina, the county
8 board of education, the city board of education, the State Board
9 of Education, the board of trustees of the University of North
10 Carolina, the board of trustees of other institutions and agencies
11 supported and under the control of the State, any State board or
12 agency charged with the duty of administering any law relating to
13 the examination and licensing of persons to practice a profession,
14 trade, or occupation whose employees are covered by all the
15 provisions of Chapter 126 of the General Statutes but Article 3 of
16 that Chapter, and who are subject to the provisions of the
17 Executive Budget Act, Article 1 of Chapter 143 of the General
18 Statutes, or any other agency of and within the State by which a
19 teacher or other employee is paid."

20 Section 2. G.S. 135-1.1 is repealed.

21 Section 3. This act becomes effective October 1, 1999.

VISITOR REGISTRATION SHEET

Senate Pensions - Retirement - Aging 4-28-99
 Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Tim Bryan	State Treasurer
Jack Pruitt	" "
Belvin L. Watkins	State Pres. F.O.P.
Donna D. Jones	NCA & EMS
Karl Krapp	City of Winston-Salem
Raida Peace	Engineering Board
Paul Miller	NCSFA
Bill Alexander	NCPBA
Chas Wilkins	NC Assoc. Chief of Police
Andy Romerit	N.C.L.M.
Eddie Calowell	NC Sheriffs Assn / NCHowEntOff Assn
V. McBeck	NCSA
May Carnilia	Mecklenburg County
David Anders	P.F.P.P.
ELLIS HANKIN	NCLM

VISITOR REGISTRATION SHEET

Name of Committee _____

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Andy Romanet	A.C.L.A. already signed
Angie McMillan	INC - NC chapter
Laura DeVin	DEML
David Ferrell	NC Sheriffs Assn. / NC Law Enforcement Officers Assn.
Joyce Harrell	CSC Greene County
John Harrell	GS&C Wilson County
General Harbino	GS&C Pitt County
Jean Boyd	GS&C (Greene) County
Mark Spear	Dist. Atty - Cabarrus County
El Regan	N.C. Assoc. of Co. Comm.
Charles Ray	Stacy
Jim Blackburn	County Commissioners
Dave Ann	Smith A
Dale McKeel	Scenic NC Inc.
MARION RATLIFF	VISITOR

VISITOR REGISTRATION SHEET

Name of Committee _____

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

GENE SHEPHERD

VISITOR

HERBERT HILDRETH

VISITOR

Called Meeting Today!

Reading Clerk _____

SENATE
NOTICE OF COMMITTEE MEETING

The Senate Committee on **Pensions& Retirement and Aging** will meet at the following time:

DATE: Wednesday, April 28, 1999

TIME: 3:15 (Before Session)

ROOM: Senate Chamber (Around Senator Phillip's Desk)

The following bills or resolutions will be considered:

- **SB 561 Law Officers' 25-Year Retirement**
- **SB 874 Professional Firefighters' Retirement**

Senate Rules dictate that these bills be voted on before they are referred to Appropriations!

Senator Jim Phillips, Sr., Chair

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

April 28, 1999

MINUTES

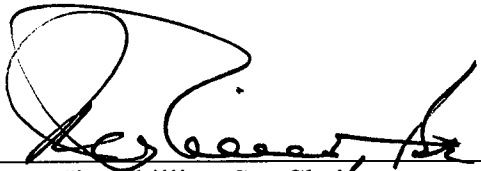
The Senate Pensions & Retirement and Aging Committee met on Wednesday, April 28, 1999 at 3:20 in the Senate Chamber around Senator Phillips' desk. Eight senators were present, including Senator Jim Phillips, who presided.

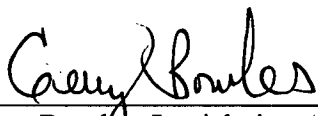
Senator Phillips called the meeting to order and explained that there was unfinished business to attend to. Earlier in the day the Committee had prematurely referred two of the bills before them, SB 561 Law Officers' 25-Year Retirement and SB 874 Professional Firefighters' Retirement, to the Appropriations Committee without a vote.

Senator Ellie Kinnaird moved that SB 561 Law Officers' Retirement be given a favorable report. The motion was passed.

Senator David Weinstein moved that SB 874 be given a favorable report. The motion was passed.

The meeting adjourned at 3:25.



Senator Jim Phillips, Sr., Chairman

Gerry Bowles, Legislative Asst.

**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT
Senator Jim Phillips, Sr., Chair**

Thursday, April 29, 1999

SENATOR PHILLIPS,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO C.S. BILL

S.B.	561	Law Officers' 25-Year Retirement
		Draft Number: PCS7679
		Sequential Referral: Appropriations/Base Budget
		Recommended Referral: None
		Long Title Amended: No

S.B.	874	Professional Firefighters' Retirement
		Draft Number: PCS6666
		Sequential Referral: Appropriations/Base Budget
		Recommended Referral: None
		Long Title Amended: No

TOTAL REPORTED:2

Committee Clerk Comment:

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 561

Short Title: Law Officers' 25-Year Retirement.

(Public)

Sponsors: Senators Odom; Carpenter, Carter, Clodfelter, Cooper, Dannelly, Forrester, Hoyle, Kinnaird, Lee, Martin of Guilford, Metcalf, and Warren.

Referred to: Pensions & Retirement and Aging.

March 29, 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)e.,~~ G.S.135-5(b18)(2)c., notwithstanding
22 the requirement of obtaining age 50.
23 (2) The member had designated as the principal beneficiary to receive
24 a return of his accumulated contributions one and only one person
25 who 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. This act becomes effective July 1, 1999.



SENATE BILL 561: Law Officers' 25-Year Retirement

BILL ANALYSIS

Committee: Senate Pensions & Retirement
Date: April 26, 1999
Version: 1st Edition

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

SUMMARY: *Senate Bill 561 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.*

BILL ANALYSIS:

Sections 1, 2 & 3 of Senate Bill 561 amend 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 of Senate Bill 561 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 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 states that this act becomes effective July 1, 1999.



**North Carolina General Assembly
Legislative Services Office**

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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: Senator Fountain Odom

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 26, 1999

SUBJECT: Actuarial Note on Committee Substitute for Senate Bill 561

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: Senator Phillips; Chairman, Senate Committee on Pensions & Retirement
Senate 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 Senate Bill 561

SHORT TITLE: Law Officers' 25-Year Retirement

SPONSOR(S): Senator Odom

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	\$713,602	\$751,423	\$791,248	\$833,184	\$877,343
Total Retirement Cost	\$3,570,120	\$3,759,336	\$3,956,297	\$4,163,598	\$4,381,785
Separation Allowance	\$290,000	\$839,000	\$1,292,000	\$1,642,000	\$1,887,000
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.

<u>General Fund</u>	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	\$2,004,800	\$2,111,054	\$2,222,940	\$2,340,756	\$2,464,816
Total General Fund	\$2,693,950	\$2,836,729	\$2,987,076	\$3,145,391	\$3,312,097

<u>Highway Fund</u>	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	\$161,280	\$169,828	\$178,828	\$188,607	\$198,287
Total Highway Fund	\$216,720	\$228,206	\$240,301	\$253,037	\$266,448

<u>Receipt Funds</u>	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	\$541,120	\$569,799	\$599,999	\$631,799	\$665,284
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	\$727,130	\$765,668	\$806,248	\$848,979	\$893,975
Total Retirement Cost	\$3,637,800	\$3,830,603	\$4,033,625	\$4,247,408	\$4,472,520
Separation Allowance	\$ 319,047	\$ 840,589	\$1,261,209	\$1,555,290	\$1,717,394
TOTAL COST (state)	\$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 15 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	\$4,058,000	\$4,309,596	\$4,576,791	\$4,860,552	\$5,161,906
Total Retirement Cost	\$6,868,517	\$7,294,366	\$7,746,616	\$8,226,906	\$8,736,975
Separation Allowance	\$ 668,000	\$1,932,000	\$2,967,000	\$3,790,000	\$4,511,000
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	\$4,277,703	\$4,542,920	\$4,824,582	\$5,123,706	\$5,441,375
Total Retirement Cost	\$7,659,851	\$8,134,762	\$8,639,117	\$9,174,742	\$9,743,576
Separation Allowance	\$ 423,322	\$1,231,977	\$2,030,254	\$2,740,990	\$3,463,463
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

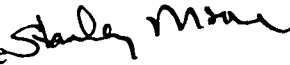
The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1997 actuarial valuation of the fund. The data included 106,802 active members with an annual payroll of \$2.743 billion and 25,456 retired members in 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.

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 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 Senate Bill 561

Dear Mr. Pruitt:

We have received your letter of April 16 regarding the Proposed Committee Substitute for Senate Bill 561 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
Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

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JC 3/7/99 BC:AS

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 SENATE BILL 561**

<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: Senate Bill 561: 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

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 Senate Bill 561: 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

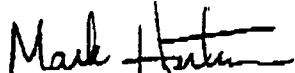
retiring on and after that date. The estimated costs to the retirement plans are addressed in a separate actuarial note. The costs of extending the separation allowance to lower retirement ages is equal to the additional allowances expected to be paid under the provisions of this act. The estimated additional 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

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. _____

S. B. No. 561

DATE 4-27-99

Amendment No. _____

(to be filled in by
Principal Clerk)

COMMITTEE SUBSTITUTE

Rep.)

Sen.)

Odum

1 moves to amend the bill on page 9, line 44

2 () WHICH CHANGES THE TITLE

3 by changing "1999" to "2000"

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SIGNED

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ADOPTED _____ FAILED _____ TABLED _____

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 874*

Short Title: Professional Firefighters' Retirement.

(Public)

Sponsors: Senator Ballance.

Referred to: Pensions & Retirement and Aging.

April 13, 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
24 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
52	43

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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,

1 after completing 20 or more years of creditable service, and
2 who leaves his total accumulated contributions in said
3 System, may elect to retire on a deferred retirement
4 allowance upon attaining the age of 50 years or any time
5 thereafter; provided that such member may so retire only
6 upon written application to the Board of Trustees setting
7 forth at what time, not less than one day nor more than 90
8 days subsequent to the execution and filing thereof, he
9 desires to be retired. Such deferred retirement allowance
10 shall be computed in accordance with the service retirement
11 provisions of this Article pertaining to a member who is not
12 a law enforcement officer or an eligible former law
13 enforcement officer.

- 14 c. Should a beneficiary who retired on an early or service
15 retirement allowance be reemployed, or otherwise engaged
16 to perform services, by an employer participating in the
17 Retirement System on a part-time, temporary, interim, or on
18 fee-for-service basis, whether contractual or otherwise, and if
19 such beneficiary earns an amount in any calendar year
20 which exceeds fifty percent (50%) of the reported
21 compensation, excluding terminal payments, during the 12
22 months of service preceding the effective date of retirement,
23 or twenty thousand dollars (\$20,000), whichever is greater,
24 as hereinafter indexed, then the retirement allowance shall
25 be suspended as of the first day of the month following the
26 month in which the reemployment earnings exceed the
27 amount above, for the balance of the calendar year. The
28 retirement allowance of the beneficiary shall be reinstated as
29 of January 1 of each year following suspension. The amount
30 that may be earned before suspension shall be increased on
31 January 1 of each year by the ratio of the Consumer Price
32 Index to the Index one year earlier, calculated to the nearest
33 tenth of a percent (1/10 of 1%).

- 34 d. Should a beneficiary who retired on an early or service
35 retirement allowance be restored to service as an employee,
36 then the retirement allowance shall cease as of the first day
37 of the month following the month in which the beneficiary
38 is restored to service and the beneficiary shall become a
39 member of the Retirement System and shall contribute
40 thereafter as allowed by law at the uniform contribution
41 payable by all members.

42 Upon his subsequent retirement, he shall be paid a
43 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, 2000. -- Upon retirement from service, in accordance with subsection (a) of this section, on or after July 1, 2000, 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 and for service 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 on or after July 1, 1987.

(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 December 31, 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 January 1, 2000, and applies to
31 persons retiring on or after that date.



**North Carolina General Assembly
Legislative Services Office**

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(919) 733-7044

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

MEMORANDUM

TO: Senator Frank Ballance

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 26, 1999

SUBJECT: Actuarial Note on Committee Substitute for Senate Bill 874

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 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.

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, 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 Senate Bill 874

SHORT TITLE: Professional Firefighters' Retirement

SPONSOR(S): Senator Ballance

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	<u>\$24,165,708</u>	<u>\$25,663,982</u>	<u>\$27,255,149</u>	<u>\$28,944,968</u>	<u>\$30,739,556</u>

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	<u>\$22,707,602</u>	<u>\$24,115,474</u>	<u>\$25,610,633</u>	<u>\$27,198,492</u>	<u>\$28,884,799</u>

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: Monday, April 26, 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 Senate Bill 874

Dear Mr. Pruitt:

We have received your letter of April 23 regarding Proposed Committee Substitute for Senate Bill 874 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.

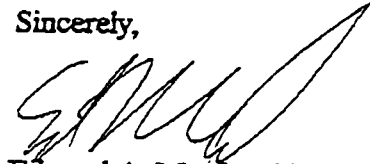
The changes appear to provide professional firefighters with the same retirement structure as law enforcement officers with the added provisions for an unreduced service retirement allowance after 25 years of creditable service, and an annual formula accrual rate of 2.50% for service as a professional 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,

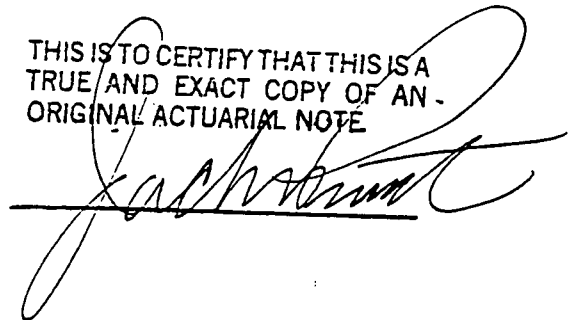


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq
P:\LOCAL\1999\DOCS\CORR\H887\SUB.DOC
JC 751 BCAA3

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: Senate Bill 874: 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: 4-26-99
Legislative Fiscal Research

1999

**SENATE
PENSION &
RETIREMENT & AGING
COMMITTEE**

MINUTES

AGENDA

Senate Committee on Pensions & Retirement and Aging

May 5, 1999

10:00 a.m.

Senate Bill 591 Retirement System Transfer
Senator Roy Cooper

Senate Bill 682 Fire Marshals in Pension Fund
Senator Ed Warren

Senate Bill 978 Teacher Retirement Credit Clarification
Senator Charles Carter

House Bill 722 Purchase of Part-Time Service
Representative Verla Insko

Sergeant-at-arms: Charles Marsalis

Archie McMillan
Phil Riley

Page: David Henry Benson, NC
Raymond Mitchell Cary, NC

Sponsored by:
Senator Allen Wellons
Senator John Carrington

Next Meeting

Wednesday, May 12, 1999
10:00 a.m. Room 1124

Proposed Agenda:

HB 179 Wilkesboro Fireman's Retirement
HB 717 Charlotte Firefighters' Retirement

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

May 5, 1999

MINUTES

The Senate Pensions & Retirement and Aging Committee met on Wednesday, May 5, 1999 at 10:10 a.m. in room 1124 of the Legislative Building. Eight members were present, including Senator Jim Phillips, who presided.

Senator Phillips called the meeting to order and thanked all the visitors for coming. He recognized the committee pages, David Henry from Benson, and Raymond Mitchell from Cary.

Senator Phillips called on Senator Roy Cooper to introduce SB 591 Retirement System Transfer. Senator Cooper noted that our system needs good people to fill the positions of judges, clerks of court and district attorneys; and that he believed this bill would help the state in recruiting quality people.

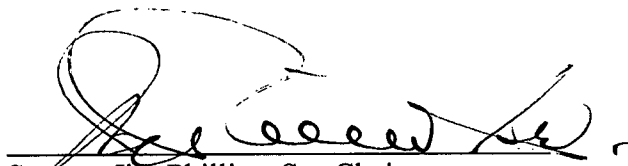
Senator Charles Albertson moved to give the bill a favorable report. The motion was passed.

Senator Phillips introduced Stanley Moore from the Fiscal Staff to explain SB 682 Fire Marshals in Pension Fund. Mr. Paul F. Miller from the North Carolina State Firemen's Association, spoke in favor of the bill. Senator Bob Carpenter moved to give the bill a favorable report. The motion was passed and the bill was referred to Appropriations.

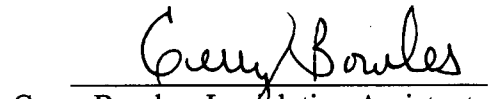
Senator Charles Carter was recognized to explain SB 978 Teacher Retirement Credit Clarification. He noted that the bill would allow the teachers to be awarded for sick leave they had not used and that it might act as an incentive to keep good teachers in the system. Following a good deal of discussion and a number of questions, Senator Carter asked for permission to withdraw the bill so that he might "fine tune" the language in the bill.

Senator Phillips welcomed Representative Verla Insko who explained HB 722 Purchase of Part Time Service. Jack Pruitt, with the State Employees Association noted that the text of the bill was identical to SB 758 which the Committee had approved earlier. Senator Dan Clodfelter moved to give the bill a favorable report. The motion was passed and the bill was sent to the floor.

The meeting was adjourned at 10:38.



Senator Jim Phillips, Sr., Chairman



Gerry Bowles, Legislative Assistant.

**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT
Senator Jim Phillips, Sr., Chair**

Wednesday, May 05, 1999

SENATOR PHILLIPS,
submits the following with recommendations as to passage:

FAVORABLE

H.B.	722	Purchase of Part-Time Service	
		Sequential Referral:	None
		Recommended Referral:	None
S.B.	591	Retirement System Transfer.	
		Sequential Referral:	Appropriations/Base Budget
		Recommended Referral:	None
S.B.	682	Fire Marshals in Pension Fund	
		Sequential Referral:	Appropriations/Base Budget
		Recommended Referral:	None

TOTAL REPORTED: 3

Committee Clerk Comment: Hallelujah!

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 591

Short Title: Retirement System Transfer.

(Public)

Sponsors: Senators Cooper, Perdue; Albertson, Carter, Dalton, Hoyle, Kinnaird, Lucas, Martin of Guilford, Odom, Rand, Shaw of Cumberland, and Soles.

Referred to: Pensions & Retirement and Aging.

March 29, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR MEMBERS OF THE CONSOLIDATED JUDICIAL
3 RETIREMENT SYSTEM TO TRANSFER CREDITABLE SERVICE FROM THE
4 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE
5 LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO THE
6 CONSOLIDATED JUDICIAL RETIREMENT SYSTEM.
7 The General Assembly of North Carolina enacts:
8 Section 1. G.S. 128-34 is amended by adding a new subsection to read:
9 "(d) The accumulated contributions and creditable service of any member whose
10 service as an employee has been or is terminated other than by retirement or death
11 and who, while still a member of this Retirement System, became or becomes a
12 member, as defined in G.S. 135-53(11), of the Consolidated Judicial Retirement
13 System for a period of five or more years shall be transferred from this Retirement
14 System to the Consolidated Judicial Retirement System. In order to effect the
15 transfer of a member's creditable service from the Local Governmental Employees'
16 Retirement System to the Consolidated Judicial Retirement System, there shall be
17 transferred from the Local Governmental Employees' Retirement System to the
18 Consolidated Judicial Retirement System the sum of (i) the accumulated
19 contributions of the member credited in the annuity savings fund and (ii) the amount
20 of reserve held in the Local Governmental Employees' Retirement System as a result
21 of previous contributions by the employer on behalf of the transferring member."
22 Section 2. G.S. 135-28.1 is amended by adding a new subsection to read:

1 "(f) Notwithstanding the provisions of subsections (a), (b), (c), (d), and (e) of this
2 section, the accumulated contributions and creditable service of any member whose
3 service as a teacher or employee has been or is terminated other than by retirement
4 or death and who, while still a member of this Retirement System, became or
5 becomes a member, as defined in G.S. 135-53(11), of the Consolidated Judicial
6 Retirement System for a period of five or more years shall be transferred from this
7 Retirement System to the Consolidated Judicial Retirement System. In order to
8 effect the transfer of a member's creditable service from the Teachers' and State
9 Employees' Retirement System to the Consolidated Judicial Retirement System, there
10 shall be transferred from the Teachers' and State Employees' Retirement System to
11 the Consolidated Judicial Retirement System the sum of (i) the accumulated
12 contributions of the member credited in the annuity savings fund and (ii) the amount
13 of reserve held in the Teachers' and State Employees' Retirement System as a result
14 of previous contributions by the employer on behalf of the transferring member."

15 Section 3. G.S. 135-56 is amended by adding a new subsection to read:

16 "(f) The creditable service of a member who was a member of the Local
17 Governmental Employees' Retirement System or the Teachers' and State Employees'
18 Retirement System and whose accumulated contributions and reserves are transferred
19 from that System to this System, includes service that was creditable in the Local
20 Governmental Employees' Retirement System or the Teachers' and State Employees'
21 Retirement System, and membership service with those Retirement Systems is
22 membership service with this Retirement System."

23 Section 4. G.S. 135-58(a1) reads as rewritten:

24 "(a1) Any member who retires under the provisions of subsection (a) or
25 subsection (c) of G.S. 135-57 on or after July 1, 1990, but before July 1, 1999, after he
26 either has attained his 65th birthday or has completed 24 years or more of creditable
27 service shall receive an annual retirement allowance, payable monthly, which shall
28 commence on the effective date of his retirement and shall be continued on the first
29 day of each month thereafter during his lifetime, the amount of which shall be
30 computed as the sum of (1), (2), and (3) following, provided that in no event shall the
31 annual allowance payable to any member be greater than an amount which, when
32 added to the allowance, if any, to which he is entitled under the Teachers' and State
33 Employees' Retirement System, the Legislative Retirement System or the North
34 Carolina Local Governmental Employees' Retirement System (prior in any case to
35 any reduction for early retirement or for an optional mode of payment) would total
36 three-fourths of his final compensation:

37 (1) Four and two-hundredths percent (4.02%) of his final
38 compensation, multiplied by the number of years of his creditable
39 service rendered as a justice of the Supreme Court or judge of the
40 Court of Appeals;

41 (2) Three and fifty-two hundredths percent (3.52%) of his final
42 compensation, multiplied by the number of years of his creditable
43 service rendered as a judge of the superior court or as
44 administrative officer of the courts;

- 1 (3) Three and two-hundredths percent (3.02%) of his final
2 compensation, multiplied by the number of years of his creditable
3 service rendered as a judge of the district court, district attorney,
4 or clerk of superior court."

5 Section 5. G.S. 135-58 is amended by adding a new subsection to read:

6 "(a2) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-
7 57(c) on or after July 1, 1999, after the member has either attained the member's 65th
8 birthday or has completed 24 years or more of creditable service, shall receive an
9 annual retirement allowance, payable monthly, which shall commence on the
10 effective date of the member's retirement and shall be continued on the first day of
11 each month thereafter during the member's lifetime, the amount of which shall be
12 computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5)
13 following, provided that in no event shall the annual allowance payable to any
14 member be greater than an amount which, when added to the allowance, if any, to
15 which the member is entitled under the Teachers' and State Employees' Retirement
16 System, the Legislative Retirement System, or the Local Governmental Employees'
17 Retirement System (prior in any case to any reduction for early retirement or for an
18 optional mode of payment) would total three-fourths of the member's final
19 compensation:

- 20 (1) Four and two-hundredths percent (4.02%) of the member's final
21 compensation, multiplied by the number of years of creditable
22 service rendered as a justice of the Supreme Court or judge of the
23 Court of Appeals;
24 (2) Three and fifty-two hundredths percent (3.52%) of the member's
25 final compensation, multiplied by the number of years of creditable
26 service rendered as a judge of the superior court or as
27 Administrative Officer of the Courts;
28 (3) Three and two-hundredths percent (3.02%) of the member's final
29 compensation, multiplied by the number of years of creditable
30 service, rendered as a judge of the district court, district attorney,
31 or clerk of superior court;
32 (4) A service retirement allowance computed in accordance with the
33 service retirement provisions of Article 3 of Chapter 128 of the
34 General Statutes using an average final compensation as defined in
35 G.S. 135-53(2a) and creditable service equal to the number of
36 years of the member's creditable service that was transferred from
37 the Local Governmental Employees' Retirement System to this
38 System as provided in G.S. 135-56; and
39 (5) A service retirement allowance computed in accordance with the
40 service retirement provisions of Article 1 of this Chapter using an
41 average final compensation as defined in G.S. 135-53(2a) and
42 creditable service equal to the number of years of the member's
43 creditable service that was transferred from the Teachers' and

1 State Employees' Retirement System to this System as provided in
2 G.S. 135-56."

3 Section 6. G.S. 135-53 is amended by adding a new subdivision to read:

4 "(2a) "Average final compensation" shall mean the average annual
5 compensation of a member during the 48 consecutive calendar
6 months of membership service producing the highest such
7 average."

8 Section 7. G.S. 135-60(a) reads as rewritten:

9 "(a) Upon retirement for disability in accordance with G.S. 135-59, a member
10 shall receive a disability retirement allowance computed and payable as provided for
11 service retirement in G.S. ~~135-58(a)~~ 135-58(a2) except that the member's creditable
12 service shall be taken as the creditable service he would have had had he continued
13 in service to the earliest date he could have retired on an unreduced service
14 retirement allowance as a member in the same division of the General Court of
15 Justice in which he was serving on his disability retirement date."

16 Section 8. Chapter 135 of the General Statutes is amended by adding a
17 new section to read:

18 "§ 135-70A. Transfer of members from the Local Governmental Employees'
19 Retirement System or the Teachers' and State Employees' Retirement System.

20 (a) The accumulated contributions, creditable service, and reserves, if any, of a
21 former teacher or employee, as defined in G.S. 135-1(25), 135-1(10), and 128-21(10),
22 respectively, who is a member of the Consolidated Judicial Retirement System for a
23 period of five or more years shall be transferred from the Local Governmental
24 Employees' Retirement System or the Teachers' and State Employees' Retirement
25 System to the Consolidated Judicial Retirement System. The accumulated
26 contributions, creditable service, and reserves of any member whose service as a
27 teacher or employee is terminated other than by retirement or death and who
28 becomes a member of the Consolidated Judicial Retirement System shall be
29 transferred from the Local Governmental Employees' Retirement System or the
30 Teachers' and State Employees' Retirement System to the Consolidated Judicial
31 Retirement System. In order to effect the transfer of a member's creditable service
32 from the Local Governmental Retirement System or the Teachers' and State
33 Employees' Retirement System to the Consolidated Judicial Retirement System, the
34 accumulated contributions of each member credited in the annuity savings fund in
35 the Local Governmental Employees' Retirement System or the Teachers' and State
36 Employees' Retirement System shall be transferred and credited to the annuity
37 savings fund in the Consolidated Judicial Retirement System.

38 (b) The Board of Trustees shall effect such rules as it may deem necessary to
39 administer the preceding subsection and to prevent any duplication of service credits
40 or benefits that might otherwise occur."

41 Section 9. This act is effective when it becomes law.



SENATE BILL 591: Retirement System Transfer.

BILL ANALYSIS

Committee: Senate Pensions and Retirement
Date: May 3, 1999
Version: 1st Edition

Introduced by: Senators Cooper, Perdue
Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

Senate Bill allows members of the Consolidated Judicial Retirement System to transfer creditable service from the Teachers' and State Employees' Retirement System and the Local Governmental 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 judges, district attorneys, and clerks of court. If a person who is a member of the Teachers' and State Employees' System or the Local Governmental Employees' System is elected to one of these offices, he or she must participate in two public retirement systems, because there is no provision for transfer of service from the State or Local System to the Judicial System.

BILL ANALYSIS:

This bill adds new provisions to the law governing the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System providing that any member of the Consolidated Judicial Retirement System with five or more years of service who is still a member of the Local or State System, shall have their membership in the Local or State System transferred to the Judicial System. The transfer will be accomplished by transferring the member's accumulated contributions and the pension reserve from the Local or State system to the Judicial system.

The Judicial system will recognize all membership service from the Local or State system as membership service in the Judicial system.

Members of the Judicial system retiring on or after July 1, 1999, will receive a retirement allowance based on average annual compensation of member during the 48 consecutive months of service producing the highest such average multiplied by the number of years in the other systems.

This act would become effective when it becomes law.

**\$25,000 Death Benefit for Law Enforcement Officers,
Firemen Rescue Squad Workers, Civil Air Patrol
Members & State Forestry Employees
(G. S. 143, Article 12A)**

Fiscal Year	Beginning Claims Payable	New Claims No.	New Claims Amount	Total Claims Payable	Claims Paid	Ending Claims Payable
75-76	160,000	25	325,000	485,000	265,000	220,000
76-77	220,000	18	242,500	462,500	262,500	200,000
77-78	200,000	22	250,000	450,000	225,000	225,000
78-79	225,000	14	345,000	570,000	307,150	262,850
79-80	262,850	11	275,000	537,850	332,850	205,000
80-81	205,000	7	175,000	380,000	250,000	130,000
81-82	130,000	9	225,000	355,000	255,350	99,650
82-83	99,650	3	75,000	174,650	84,650	90,000
83-84	90,000	5.5	137,500	227,500	147,500	80,000
84-85	80,000	7.2	180,000	260,000	145,000	115,000
85-86	115,000	9	225,000	340,000	235,000	105,000
86-87	105,000	9	225,000	330,000	195,000	135,000
87-88	135,000	6	150,000	285,000	180,000	105,000
88-89	105,000	5	125,000	230,000	115,000	115,000
89-90	115,000	3	75,000	190,000	110,000	80,000
90-91	80,000	3	75,000	155,000	80,000	75,000
91-92	75,000	9	225,000	300,000	165,000	135,000
92-93	135,000	8	200,000	335,000	180,000	155,000
93-94	155,000	6	150,000	305,000	200,000	105,000
94-95	105,000	5	125,000	230,000	140,000	90,000
95-96	90,000	7	175,000	265,000	150,000	115,000
96-97	115,000	6	150,000	265,000	165,000	100,000
97-98	100,000	4	100,000	200,000	100,000	100,000

1998-99 Estimated Coverage

Law Officers	
(State & Local Gov't.)	18,385
Firemen (Paid & Volunteer)	41,266
Rescue Squad Workers	18,258
Correctional Custody Officers	14,706
Forest Firefighters	703
CAP Senior Members	927
Dept. of Insurance Employees	20
TOTAL	94,265



North Carolina General Assembly
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(919) 733-2578

MEMORANDUM

TO: Senator Roy Cooper, III
Senator Beverly Perdue

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 13, 1999

SUBJECT: Actuarial Note on Senate Bill 591

Re: Allows for the transfer of any creditable service in the Teachers' and State Employees' Retirement System or Local Governmental 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: Senator Phillips; Chairman, Senate Committee on Pensions & Retirement
Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, April 12, 1999
- (3) Actuarial Note, Hartman & Associates, April 9, 1999

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 591

SHORT TITLE: Transfer of service to the Consolidated Judicial Retirement System

SPONSOR(S): Senators Cooper & Perdue

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System

BILL SUMMARY: Allows any member of the Consolidated Judicial Retirement System with five or more years of service to transfer any creditable service in the Teachers' and State Employees' Retirement System or Local Governmental Employees' Retirement System to the Consolidated Judicial Retirement System to be used as membership service. The benefit at retirement would be calculated based on the member's final compensation times the appropriate accrual rate times the number of years of service as a member of the Judicial System, plus a benefit calculated on an average final compensation times the accrual rate in either the State Retirement System or the Local Retirement System times the years of service as a teacher, State employee or local employee. By allowing the transfer of the service, a member of the Judicial System will be eligible to retire at an earlier age, with a higher retirement benefit and will also be eligible for a spousal retirement benefit based on the service as a teacher, state employee or local employee.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT ON STATE: This bill will affect 162 members of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System who have also become members of the Judicial Retirement System. It will also affect other employees of the State or Local Systems who become members of the Judicial System. In order to fund the liability that will increase in the Judicial System, as a result of the transfer of service from the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System, the actuaries estimate the cost to be 3.76% of payroll (Buck) and 4.60% of payroll (Hartman & Associates). The cost estimates below 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%. There are sufficient actuarial gains within the Consolidated Judicial Retirement System to pay the cost of this change.

System Actuary: Buck Consultants estimates the cost to be 3.76% of total payroll to the Judicial System:

	<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	\$1.6M	\$1.7M	\$1.8M	\$2.0M	\$2.1M

General Assembly Actuary:
payroll to the Judicial System:

Hartman & Associates estimates the cost to be 4.6% of total

	<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	\$2.0M	\$2.1M	\$2.2M	\$2.4M	\$2.5M

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.

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: April 13, 1999

BUCK CONSULTANTS

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

April 12, 1999

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

Senate Bill 591

Dear Mr. Pruitt:

We have received your letter of March 30 regarding Senate Bill 591 which affects the Consolidated Judicial Retirement System, the Teachers' and State Employees' Retirement System, and the Local Governmental Employees' Retirement System.

This legislation, which is effective upon ratification, appears to enhance the retirement benefits of certain members of the Consolidated Judicial Retirement System by allowing the transfer of any creditable service of such members in the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System to the Consolidated Judicial Retirement System after the member has attained five years of membership service in the Consolidated Judicial Retirement System. The accumulated contributions of such members, as well as the amount of reserve held in the previous System as a result of previous employer contributions on behalf of the member, would be transferred to the Consolidated Judicial Retirement System.

This proposed bill further appears to amend the benefit structure of the Consolidated Judicial Retirement System. The retirement allowance that would be payable to a member would include an amount computed in accordance with the service retirement provisions of the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System using the member's average final compensation earned while a member of the Consolidated Judicial Retirement System, and the creditable service that was transferred from the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System multiplied by the applicable formula accrual rate from the previous System.

This proposed bill would increase the unfunded actuarial liability of the Consolidated Judicial Retirement System by approximately \$9,335,000; the corresponding increase in employer contribution rate is 3.76% of payroll. There would be no increase in cost under the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System.

Mr. Jack Pruitt

April 12, 1999

Page 2

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

Sincerely,

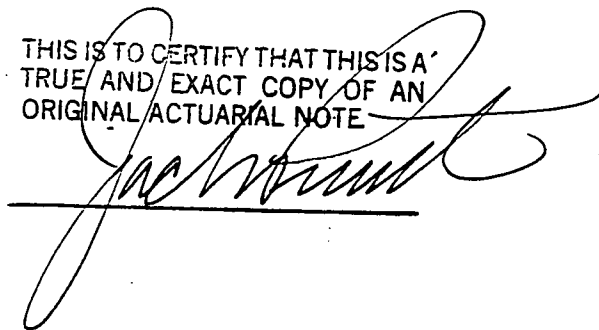


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

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JC 3747 BC.133

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 9, 1999

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

Re: Senate Bill 591: An Act to Provide for Members of the CJRS
to Transfer Creditable Service from the TSERS or the LGERS
to the CJRS

Dear Mr. Moore:

This bill amends G.S. 128-34, G.S. 135-28.1, and G.S. 135-56 to transfer creditable service from the Teachers' and State Employees' Retirement System (TSERS) or the Local Governmental Employees' Retirement System (LGERS) to the Consolidated Judicial Retirement System (CJRS). Creditable service would be transferred for any member whose service in the TSERS or LGERS terminated other than by retirement or death and who became or becomes a member of the CJRS for a period of five or more years. Any service transferred to the CJRS will be credited at the benefit level which applied when that person became a member of the CJRS. In order to effect the transfer of a member's service to the CJRS, the accumulated contributions credited to that member in the prior system will be transferred to the annuity savings fund in the CJRS. In addition, the reserve held in the prior system as a result of previous employer contributions on behalf of the transferring member will be transferred to the CJRS. This act is effective when it becomes law and applies to retirements on and after July 1, 1999.

Based on the data provided by the retirement system, this act would affect approximately 162 employees. The transfer of service to the CJRS would produce a benefit increase for these employees because the benefit for the transferred service would be based on the member's current average salary as opposed to his salary in the prior system. This would also allow the member to receive an unreduced benefit sooner for the transferred service and would increase the survivor benefit in the CJRS.

These provisions increase the unfunded accrued liability in the CJRS by the value of benefits granted for transferred service less the amounts transferred from the prior systems. The

Mr. Stanley Moore
April 9, 1999

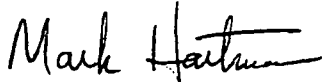
Page 2

transfer of service should have no financial impact on the TSERS or LGERS. The net increase in accrued liability in the CJRS is estimated at \$11,726,258. Liquidating this amount over 8 years produces an annual cost \$1,982,836, which equates to approximately 4.6% of payroll in the CJRS. This does not include any provision for transferring service for any employees that become members of the CJRS in the future.

These estimates are based on the most recent actuarial valuations prepared as of December 31, 1997, and information provided by you regarding members of the CJRS with prior service in another state retirement system.

If you have any questions, let me know.

Sincerely,



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

MVH/mot

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By Stanley Moore Date: 4-13-99
Legislative Fiscal Research

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 682

Short Title: Fire Marshals in Pension Fund.

(Public)

Sponsors: Senators Warren; Albertson, Cooper, Hoyle, Martin of Pitt, Martin of Guilford and Perdue.

Referred to: Pensions & Retirement and Aging.

April 1, 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.



SENATE BILL 682: Fire Marshals in Pension Fund

BILL ANALYSIS

Committee: Senate Retirement & Aging
Date: May 3, 1999
Version: 1st Edition

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

SUMMARY: *Senate Bill 682 changes the definition of "Eligible Firemen" to include county Fire Marshals in the Firemen's and Rescue Squad Workers' Pension Fund.*

BILL ANALYSIS:

Senate Bill 682 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.



North Carolina General Assembly
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MEMORANDUM

TO: Senator Ed Warren

FROM: Stanley Moore *SM*
Fiscal Research Division

DATE: April 19, 1999

SUBJECT: Actuarial Note Senate Bill 682

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, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

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

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, April 12, 1999
- (3) Actuarial Note, Hartman & Associates, April 13, 1999

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 682**SHORT TITLE:** Fire Marshals in Pension Fund**SPONSOR(S):** Senator Warren**SYSTEM OR PROGRAM AFFECTED:** Firemen's and Rescue Squad Workers' Pension Fund**FUNDS AFFECTED:** General Fund**BILL SUMMARY:** 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.**EFFECTIVE DATE:** July 1, 1999**ESTIMATED IMPACT ON STATE:** Both actuaries estimate the annual cost to be \$125.96 per person who joins the Pension Fund. If all 100 counties have a fire marshal who sole duty is that of fire marshal, the cost will be as follows:

	<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	\$12,600	\$12,600	\$12,600	\$12,600	\$12,600

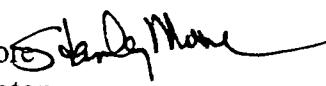
ASSUMPTIONS AND METHODOLOGY: Firemen's and Rescue Squad Workers' Pension Fund:

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 19, 1999

BUCK CONSULTANTS

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

April 12, 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:

Senate Bill 682

We have received your letter of April 5 regarding Senate Bill 682 which affects the North Carolina Firemen's and Rescue Squad Workers' Pension Fund.

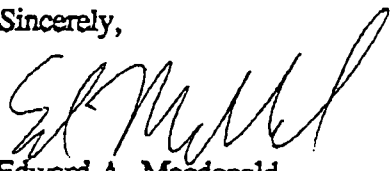
This legislation appears to allow county fire marshals to become members of the Firemen's and Rescue Squad Workers' Pension Fund, prospectively, effective July 1, 1999.

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, Senate Bill 682 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.

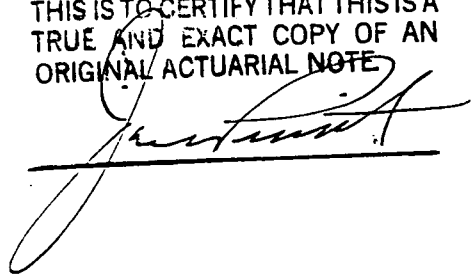
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq
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JC 1999 BC A33

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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 13, 1999

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

Re: Senate Bill 682: An Act to Include Full-Time County Fire
Marshals in the NC Firemen's and Rescue Squad Workers'
Pension Fund

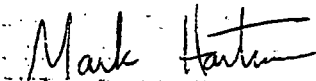
Dear Mr. Moore:

This bill would rewrite G.S. 58-86-25 to define 'eligible firemen' to also mean an employee of a county whose sole duty is to act as the fire marshal of the county. The board of county commissioners must certify the fire marshal's attendance at no less than 36 hours of drills and meetings in each calendar year. This would include such county fire marshals as members of the Firemen's and Rescue Squad Workers' Pension Fund. This act would become effective July 1, 1999.

This bill does not provide retroactive credit to fire marshals. Thus, the approximate annual cost for this bill will be the normal cost per member multiplied by the number of new entrants. Based on the most recent actuarial valuation prepared as of June 30, 1998, this normal cost is \$125.96 per member. Some county fire marshals may not become eligible under this bill. However, assuming the fire marshal in each of one hundred counties becomes eligible under this bill, the estimated annual cost is \$12,596.

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: 4-20-99
Legislative Fiscal Research

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 978

Short Title: Teacher Retirement Credit Clarified.

(Public)

Sponsors: Senators Carter, Garrou; and Metcalf.

Referred to: Education/Higher Education.

April 15, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO CLARIFY THE LAW REGARDING RETIRING TEACHERS'
3 COMPENSATION FOR ACCUMULATED ANNUAL LEAVE.

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 up
19 the day at a time agreed upon by the teacher and the teacher's immediate supervisor
20 or 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 convert, at the time the employee retires, some or all of the excess accumulation to
22 sick leave for creditable service towards retirement or pay if the excess accumulation
23 is the result of the teacher having to forfeit annual vacation leave in order to attend
24 required workdays. Local boards of education shall identify which days are
25 accumulated due to the teacher forfeiting annual vacation leave in order to attend
26 required workdays. Employees going onto term disability may exhaust annual leave
27 rather than be paid in a lump sum.

28 Notwithstanding any provisions of this subsection to the contrary, no person shall
29 be entitled to pay for any vacation day not earned by that person."

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



SENATE BILL 978: Teacher Retirement Credit Clarified

BILL ANALYSIS

Committee: Senate Retirement & Aging
Date: May 3, 1999
Version: 1st Edition

Introduced by: Senators Carter, Garrou
Summary by: Theresa Matula
Committee Staff

SUMMARY: *Senate Bill 978 will allow retiring teachers to convert accumulated annual leave over 30 days to sick leave at the time of retirement.*

BILL ANALYSIS:

Chapter 115C of the General Statutes covers Elementary and Secondary Education, Article 20, Section 302.1 covers salary and related issues for teachers.

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 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.

Senate Bill 978 will allow teachers who retire during the school year to convert any annual leave over 30 days to sick leave *at the time the employee retires*.

This act becomes effective July 1, 1999.



North Carolina General Assembly
Legislative Services Office

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

Gene 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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(919) 733-6834

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

MEMORANDUM

TO: Senator Carter
Senator Garrou
Senator Metcalf

FROM: Stanley Moore 
Fiscal Research Division

DATE: April 26, 1999

SUBJECT: Actuarial Note on Senate Bill 978

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: Senator Phillips; Chairman, Senate Committee on Pensions & Retirement
Senate 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: Senate Bill 978

SHORT TITLE: Teacher Retirement Credit Clarified

SPONSOR(S): Senators Carter, Garrou and Metcalf

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

Senate Bill 978

Dear Mr. Pruitt:

We have received your letter of April 16 regarding Senate Bill 978 which affects the Teachers' and State Employees' Retirement System.

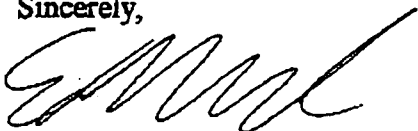
This legislation appears to grant teachers an opportunity to convert vacation leave, in excess of 30 days accumulation, to sick leave at the time of retirement even if their date of retirement is not July 1st.

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,

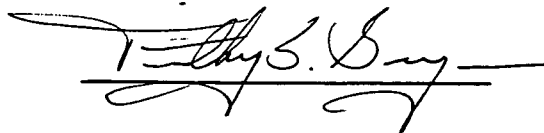


Edward A. Macdonald
Principal and Consulting Actuary

EAM:jq

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JC 387 BC A33

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



HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

April 21, 1999

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

Re: Senate Bill 978: An Act to Clarify the Law Regarding
Retiring Teachers' Compensation for Accumulated Annual Leave

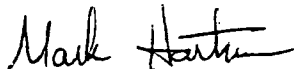
Dear Mr. Moore:

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

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

1

HOUSE BILL 722*

Short Title: Purchase of Part-Time Service.

(Public)

Sponsors: Representatives Insko; and Luebke.

Referred to: Pensions and Retirement.

March 30, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW MEMBERS OF THE TEACHERS' AND STATE
3 EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE CERTAIN PART-
4 TIME SERVICE RENDERED WHILE FULL-TIME STUDENTS.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 135-4(p1) reads as rewritten:
7 "(p1) Part-Time Service Credit. --
8 (1) Notwithstanding any other provision of this Chapter, upon
9 completion of five years of membership service, any member may
10 purchase service previously rendered as a part-time teacher or
11 employee of an employer as defined in G.S. 135-1(11) or G.S. 128-
12 21(11), except for temporary or part-time service rendered while a
13 full-time student in pursuit of a degree or diploma in a degree-
14 granting program. Payment shall be made in a single lump sum in
15 an amount equal to the full actuarial cost of providing credit for
16 the service, together with interest and an administrative fee, as
17 determined by the Board of Trustees on the advice of the
18 Retirement System's actuary. Notwithstanding the provisions of
19 G.S. 135-4(b), the Board of Trustees shall fix and determine by
20 appropriate rules and regulations how much service in any year, as
21 based on compensation, is equivalent to one year of service in
22 proportion to "earnable compensation", but in no case shall more
23 than one year of service be creditable for all service in one year.
24 Service rendered for the regular school year in any district shall be

1 equivalent to one year's service. Notwithstanding the foregoing
2 provisions of this subdivision that provide for the purchase of
3 service credits, the terms "full cost", "full liability", and "full
4 actuarial cost" include assumed annual post-retirement allowance
5 increases, as determined by the Board of Trustees, from the earliest
6 age at which a member could retire on an unreduced service
7 allowance.

8 (2) Under all requirements and conditions set forth in the preceding
9 subdivision of this subsection (p1), except for the requirement that
10 the completion of five years of membership service be subsequent
11 to service rendered as a part-time teacher or employee of the State,
12 any member with five or more years of membership service
13 standing to his credit may purchase additional membership service
14 for service rendered as a part-time teacher or employee of the
15 State if (i) the member terminates or has terminated employment
16 in any capacity as a teacher or employee of the State, (ii) the
17 purchase of the additional membership service causes the member
18 to become eligible to commence an early or service retirement
19 allowance, and (iii) the member immediately elects to commence
20 retirement and become a beneficiary.

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

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



HOUSE BILL 722: Purchase of Part-Time Service

BILL ANALYSIS

Committee: Senate Pensions & Retirement
Date: May 4, 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.



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

MEMORANDUM

TO: Representative Verla Insko

FROM: Stanley Moore 
Fiscal Research Division

DATE: April 9, 1999

SUBJECT: Actuarial Note on House Bill 722

Re: Allows members of the Teachers' and State Employees' Retirement System to purchase part-time service rendered while a full-time student

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 5, 1999
- (3) Actuarial Note, Hartman & Associates, April 6, 1999

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 722

SHORT TITLE: Purchase of Part-Time Service

SPONSOR(S): Representative Insko

SYSTEM OR PROGRAM AFFECTED: Teacher's & State Employees' Retirement System

BILL SUMMARY: Allows any member of the Teachers' and State Employees' Retirement System to purchase part-time service (at least 20 hours per week) rendered while a full-time student in pursuit of a degree or diploma in a degree-granting program.

EFFECTIVE DATE: July 1, 1999

ESTIMATED IMPACT: Both actuaries agree that since the members will be paying the "full actuarial cost" for any service purchases, there would be no cost to the State Retirement System.

ASSUMPTIONS AND METHODOLOGY:

Teacher's & State Employees' Retirement System: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 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 Consultant, Inc.
General Assembly Actuary - Hartman & Associates

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

(919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: Tom Covington

DATE: April 9, 1999

BUCK
CONSULTANTS

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

April 5, 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 722

Dear Mr. Pruitt:

We have received your letter of March 31 regarding House Bill 722 which affects the Teachers' and State Employees' Retirement System.

This legislation appears to allow members with five years of membership service to purchase credit for part-time service, rendered on a permanent basis, that required at least 20 hours of service per week, even though the member was simultaneously a full-time student in pursuit of a degree. The member would pay the full actuarial cost.

Inasmuch as the only additional service purchases allowed by this legislation require payment of the full actuarial liability by members, no additional liability would accrue against the Retirement Systems and employers.

If you have any questions, please do not hesitate to contact us.

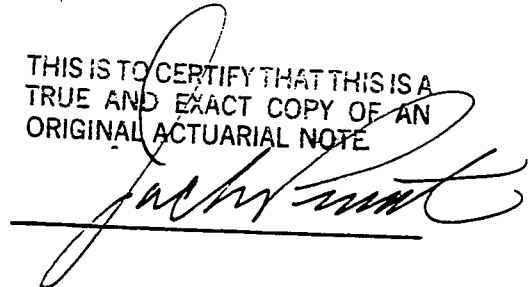
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:jg
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PC 387 BC A23

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 6, 1999

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

Re: House Bill 722: An Act to Allow Members of the TSERS to Purchase Certain Part-time Service Rendered While Full-time Students

Dear Mr. Moore:

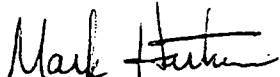
This act amends G.S. 135-4(pl) to allow members of the Teachers' and State Employees' Retirement System to purchase certain prior part-time service.

Currently, members of the TSERS may not purchase credit for temporary or part-time service rendered while a full-time student in pursuit of a degree. This amendment would allow members with five or more years of service to purchase credit for certain part-time employment while a full-time student. The part-time service must have been on a permanent part-time basis which required at least 20 hours of service per week. This act would become effective July 1, 1999.

The employee will be allowed to purchase this service at the full actuarial cost of providing credit for such service, plus interest and an administrative fee determined by the Board of Trustees. Based on this methodology, there is expected to be no additional cost to the Teachers' and State Employees' Retirement System.

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: 4-9-99
Legislative Fiscal Research

VISITOR REGISTRATION SHEET

Pensions & Retirement
Name of Committee

4-5-99
Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Ann T. Turner	C.S.C. Wilson County
Wanda Harkins	" Pitt "
Janis Hard	" Craven Co.
Barbara Hurrell	" Meigs Co.
Barbara Knight	" Hyde Co.
Shirley Johnson	" Martin Co.
Charles H. Aubrey	" Pamlico Co.
Stephen M. Walburn	Deputy Court Judge Repley Co. Greenville
Charles C. Turner	CSC Caldwell Co.
Harper Leathers - Dillard	CSC Halifax Co.
Pat Todd	CSC Surry Co.
Timothy L. Spear	CSC Washington Co.
Wiley R. Quaker	CSC JOHNSON Co.
Richard E. Hunter Jr	CSC Warren Co.

VISITOR REGISTRATION SHEET

Pensioners

Name of Committee

5-5-99

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Peg Jones	Conference of DAs
Belinda Inste	DA - Rockingham County
Willie R. Perkin	PSC. JOHNSON
John	NCAG
John W. Hoffman	Clerk of Mount ALEXANDER Co.
Shirley Lendeman	CSC, Wilkes County
John	DA 25th
Land R. Waters	DA 9th
Wendy Mills	SEANC
John E. Harrison	DA 15-A
Mark Speer	MA 19A
Lucille H. York	Lee Co. Clerk of Court
Pam Allen	NCSEA
David Anders	PFI-PNC

Pensions

5-5-99

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME Marshall Mine Co

Clerk of Court Wayne Co.

AGENDA

Senate Committee on Pensions & Retirement and Aging

May 12, 1999

10:00 a.m.

Senate Bill 978 Teacher Retirement Credit Clarification
Senator Charles Carter

House Bill 717 Charlotte Firefighters' Retirement
Representative Martha Alexander

House Bill 179 Wilkesboro Fireman's Retirement
Representative John Brown

Sergeant-at-arms:
Collis Brown
Charles Marsalis
Ronald Spann

Page: Rachel McKenzie
Raleigh, NC

Sponsored by:
Senator John Carrington

Next Meeting
Wednesday, May 19, 1999
10:00 a.m. Room 1124

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

May 12, 1999

MINUTES

The Senate Pensions & Retirement and Aging Committee met on Wednesday, May 12, 1999 at 10:10 in Room 1124 of the Legislative Building. Eight members were present, including Senator Jim Phillips, who presided.

Senator Phillips called the meeting to order and recognized the committee page, Rachel McKenzie who had been sponsored by Senator John Carrington.

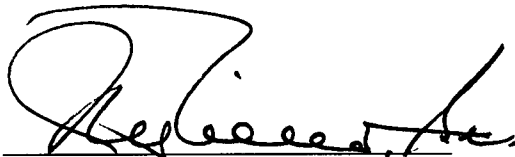
Senator Phillips announced that Representative Martha Alexander had requested that HB 717 Charlotte Firefighters' Retirement be pulled from the agenda. She had deferred to Senator Rucho who had a companion bill.

Senator Charles Carter was recognized to introduce SB 978 Teacher Retirement Credit Clarification. He submitted an amendment to the bill and Senator David Weinstein moved for adoption of a committee substitute. The motion was passed.

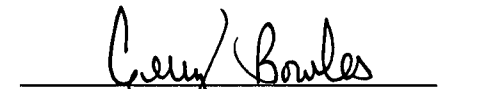
Senator Bob Carpenter moved to give the Committee Substitute a favorable report. The motion was passed and the bill was referred to the Appropriations Committee.

Senator Phillips then welcomed Representative John Brown who introduced HB 179 Wilkesboro Fireman's Retirement. He noted that he was presenting the bill at the request of the Wilkesboro Fire Department. Senator Charles Albertson moved to give the bill a favorable report. The motion was passed.

The meeting was adjourned at 10:17.



Senator Jim Phillips, Sr., Chairman


Gerry Bowles, Legislative Assistant

**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT
Senator Jim Phillips, Sr., Chair**

Thursday, May 13, 1999

SENATOR JIM PHILLIPS, SR.,
submits the following with recommendations as to passage:

FAVORABLE

H.B.(CS)179	Wilkesboro Firemen's Retirement.
	Sequential Referral: None
	Recommended Referral: None

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO C.S. BILL

S.B. 978	School Employee Retirement Credit Changed.
	Draft Number: PCS 4699
	Sequential Referral: None
	Recommended Referral: Appropriations
	Long Title Amended: Yes

TOTAL REPORTED:2

Committee Clerk Comment:

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 978

Short Title: Teacher Retirement Credit Clarified.

(Public)

Sponsors: Senators Carter, Garrou; and Metcalf.

Referred to: Education/Higher Education.

April 15, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO CLARIFY THE LAW REGARDING RETIRING TEACHERS'
3 COMPENSATION FOR ACCUMULATED ANNUAL LEAVE.

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 up
19 the day at a time agreed upon by the teacher and the teacher's immediate supervisor
20 or 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 convert, at the time the employee retires, some or all of the excess accumulation to
22 sick leave for creditable service towards retirement or pay if the excess accumulation
23 is the result of the teacher having to forfeit annual vacation leave in order to attend
24 required workdays. Local boards of education shall identify which days are
25 accumulated due to the teacher forfeiting annual vacation leave in order to attend
26 required workdays. Employees going onto term disability may exhaust annual leave
27 rather than be paid in a lump sum.

28 Notwithstanding any provisions of this subsection to the contrary, no person shall
29 be entitled to pay for any vacation day not earned by that person."

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

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

D

SENATE BILL 978

Proposed Committee Substitute S978-PCSSH-002

ATTENTION: LINE NUMBERS MAY CHANGE AFTER ADOPTION

Short Title: School Employee Retirement Credit Changed. (Public)

Sponsors:

Referred to: Senate Pensions, Retirement & Aging

April 15, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO CHANGE THE LAW REGARDING THE CONVERSION OF ANNUAL LEAVE
3 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
7 annual vacation leave at the same rate provided for State
8 employees, computed at one-twelfth of the annual rate for State
9 employees for each month of employment. Local boards shall
10 provide at least 10 days of annual vacation leave at a time when
11 students are not scheduled to be in regular attendance. However,
12 instructional personnel who do not require a substitute may use
13 annual vacation leave on days that students are in attendance.
14 Vocational and technical education teachers who are employed for
15 11 or 12 months may, with prior approval of the principal, work
16 on annual vacation leave days designated in the school calendar
17 and may use those annual vacation leave days during the eleventh
18 or twelfth month of employment.
19 On a day that pupils are not required to attend school due to
20 inclement weather, but employees are required to report for a
21 workday, a teacher may elect not to report due to hazardous
22 travel conditions and to take an annual vacation day or to make

1 the day at a time agreed upon by the teacher and the teacher's
2 immediate supervisor or principal. On a day that school is closed
3 to employees and pupils due to inclement weather, a teacher shall
4 work on the scheduled makeup day.

5 All vacation leave taken by the teacher will be upon the
6 authorization of the teacher's immediate supervisor and under
7 policies established by the local board of education. Annual
8 vacation leave shall not be used to extend the term of
9 employment.

10 ~~Teachers may accumulate annual vacation leave days without any~~
11 ~~applicable maximum until June 30 of each year. In order that only~~
12 ~~30 days of annual vacation leave carry forward to July 1, on June~~
13 ~~30 of each year any teacher or other personnel paid on the~~
14 ~~teacher salary schedule who has accumulated more than 30 days of~~
15 ~~annual vacation leave shall:~~

16 ~~(1) Convert to either sick leave or pay the excess~~
17 ~~accumulation that is the result of the teacher~~
18 ~~having to forfeit annual vacation leave in order to~~
19 ~~attend required workdays; and~~

20 ~~(2) Convert to sick leave the remaining excess~~
21 ~~accumulation.~~

22 ~~Local boards of education shall identify which days are~~
23 ~~accumulated due to the teacher forfeiting annual vacation leave~~
24 ~~in order to attend required workdays. Actual payment for excess~~
25 ~~accumulated annual vacation leave may be made after July 1.~~

26 ~~Upon separation from service due to service retirement,~~
27 ~~resignation, dismissal, reduction in force, or death, an employee~~
28 ~~shall be paid in a lump sum for accumulated annual leave not to~~
29 ~~exceed a maximum of 30 days. In addition to the maximum of 30~~
30 ~~days pay for accumulated annual leave, upon separation from~~
31 ~~service due to service retirement, any teacher or other personnel~~
32 ~~paid on the teacher salary schedule with more than 30 days of~~
33 ~~accumulated annual vacation leave may convert some or all of the~~
34 ~~excess accumulation to sick leave for creditable service towards~~
35 ~~retirement or pay if the excess accumulation is the result of the~~
36 ~~teacher having to forfeit annual vacation leave in order to~~
37 ~~attend required workdays. Local boards of education shall~~
38 ~~identify which days are accumulated due to the teacher forfeiting~~
39 ~~annual vacation leave in order to attend required workdays.~~
40 ~~Employees going onto term disability may exhaust annual leave~~
41 ~~rather than be paid in a lump sum.~~

42 Notwithstanding any provisions of this subsection to the
43 contrary, no person shall be entitled to pay for any vacation day
44 not earned by that person."

Section 2. G.S. 115C-302.1 is amended by adding two new subsections to read:

" (c1) Conversion of leave. -- Teachers may accumulate annual vacation leave days without any applicable maximum until June 30 of each year. In order that only 30 days of annual vacation leave carry forward to July 1, 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.

Local boards of education shall identify which days are accumulated due to the teacher forfeiting annual vacation leave in order to attend required workdays. Actual payment for excess accumulated annual vacation leave may be made after July 1.

(c2) Conversion of leave upon separation of service. -- Upon separation from service due to service retirement, resignation, dismissal, reduction in force, or death, an employee shall be paid in a lump sum for accumulated annual vacation leave not to exceed a maximum of 30 days. Employees going onto term disability may exhaust annual leave rather than be paid in a lump sum.

Any teacher or other personnel paid on the teacher salary schedule who has more than 30 days of accumulated annual vacation leave at the time the person retires 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 which may be used for creditable service at retirement in accordance with G.S. 135-4(e).

Local boards of education shall identify which days are accumulated due to the teacher forfeiting annual vacation leave in order to attend required workdays."

Section 3. G.S. 115C-272(b)(2) reads as rewritten:

"(2) 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. Vacation days shall not be used for extending the term of employment of individuals and shall not be

1 cumulative from one fiscal year to another fiscal year: Provided,
2 that superintendents may accumulate annual vacation leave days as
3 follows: annual leave may be accumulated without any applicable
4 maximum until June 30 of each year. On June 30 of each year, any
5 superintendent with more than 30 days of accumulated leave shall
6 have the excess accumulation converted to sick leave so that only
7 30 days are carried forward to July 1 of the same year. All
8 vacation leave taken by the superintendent will be upon the
9 authorization of his immediate supervisor and under policies
10 established by the local board of education. An employee shall be
11 paid in a lump sum for accumulated annual leave not to exceed a
12 maximum of 240 hours or 30 days when separated from service due
13 to resignation, dismissal, reduction in force, death, or service
14 retirement. Upon separation from service due to service
15 retirement, any annual vacation leave over 30 days will convert
16 to sick leave and may be used for creditable service at
17 retirement in accordance with G.S. 135-4(e). If the last day of
18 terminal leave falls on the last workday in the month, payment
19 shall be made for the remaining nonworkdays in that month.
20 Employees retiring on disability retirement may exhaust annual
21 leave rather than be paid in a lump sum. The provisions of this
22 subdivision shall be accomplished without additional State and
23 local funds being appropriated for this purpose. The State Board
24 of Education shall adopt rules and regulations for the
25 administration of this subdivision."

26 Section 4. G.S. 115C-285(a)(2) reads as rewritten:

27 "(2) Supervisors and classified principals paid on an hourly
28 or other basis whether paid from State or from local funds may
29 accumulate annual vacation leave days as follows: annual leave
30 may be accumulated without any applicable maximum until June 30
31 of each year. On June 30 of each year, any supervisor or
32 principals with more than 30 days of accumulated leave shall have
33 the excess accumulation converted to sick leave so that only 30
34 days are carried forward to July 1 of the same year. All vacation
35 leave taken by the employee will be upon the authorization of his
36 immediate supervisor and under policies established by the local
37 board of education. An employee shall be paid in a lump sum for
38 accumulated annual leave not to exceed a maximum of 240 hours or
39 30 days when separated from service due to resignation,
40 dismissal, reduction in force, death, or service retirement.
41 Upon separation from service due to service retirement, any
42 annual vacation leave over 30 days will convert to sick leave and
43 may be used for creditable service at retirement in accordance
44 with G.S. 135-4(e). If the last day of terminal leave falls on

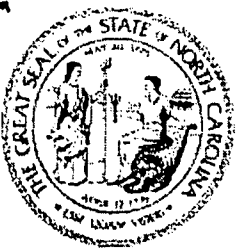
1 the last workday in the month, payment shall be made for the
2 remaining nonworkdays in that month. Employees retiring on
3 disability retirement may exhaust annual leave rather than be
4 paid in a lump sum. The provisions of this subdivision shall be
5 accomplished without additional State and local funds being
6 appropriated for this purpose. The State Board of Education shall
7 adopt rules and regulations for the administration of this
8 subdivision."

9 Section 5. G.S. 115C-316(a)(3) reads as rewritten:

10 "(3) Notwithstanding any provisions of this section to the
11 contrary no person shall be entitled to pay for any vacation day
12 not earned by that person. The first 10 days of annual leave
13 earned by a 10- or 11-month employee during any fiscal year
14 period shall be scheduled to be used in the school calendar
15 adopted by the respective local boards of education. Vacation
16 days shall not be used for extending the term of employment of
17 individuals. Ten- or 11-month employees may accumulate annual
18 vacation leave days as follows: annual leave may be accumulated
19 without any applicable maximum until June 30 of each year. On
20 June 30 of each year, any of these employees with more than 30
21 days of accumulated leave shall have the excess accumulation
22 converted to sick leave so that only 30 days are carried forward
23 to July 1 of the same year. All vacation leave taken by these
24 employees shall be upon the authorization of their immediate
25 supervisor and under policies established by the local board of
26 education. Vacation leave for instructional personnel who do not
27 require a substitute shall not be restricted to days that
28 students are not in attendance. An employee shall be paid in a
29 lump sum for accumulated annual leave not to exceed a maximum of
30 240 hours or 30 days when separated from service due to
31 resignation, dismissal, reduction in force, death or service
32 retirement. Upon separation from service due to service
33 retirement, any annual vacation leave over 30 days will convert
34 to sick leave and may be used for creditable service at
35 retirement in accordance with G.S. 135-4(e). If the last day of
36 terminal leave falls on the last workday in the month, payment
37 shall be made for the remaining nonworkdays in that month.
38 Employees retiring on disability retirement may exhaust annual
39 leave rather than be paid in a lump sum. The provisions of this
40 subdivision shall be accomplished without additional State and
41 local funds being appropriated for this purpose. The State Board
42 of Education shall adopt rules and regulations for the
43 administration of this subdivision."

44 Section 6. G.S. 115C-316(a)(4) reads as rewritten:

1 "(4) Twelve-month school employees other than
2 superintendents, supervisors and classified principals paid on an
3 hourly or other basis whether paid from State or from local funds
4 may accumulate annual vacation leave days as follows: annual
5 leave may be accumulated without any applicable maximum until
6 June 30 of each year. On June 30 of each year, any employee with
7 more than 30 days of accumulated leave shall have the excess
8 accumulation converted to sick leave so that only 30 days are
9 carried forward to July 1 of the same year. All vacation leave
10 taken by the employee will be upon the authorization of his
11 immediate supervisor and under policies established by the local
12 board of education. An employee shall be paid in a lump sum for
13 accumulated annual leave not to exceed a maximum of 240 hours or
14 30 days when separated from service due to resignation,
15 dismissal, reduction in force, death, or service retirement. Upon
16 separation from service due to service retirement, any annual
17 vacation leave over 30 days will convert to sick leave and may be
18 used for creditable service at retirement in accordance with G.S.
19 135-4(e). If the last day of terminal leave falls on the last
20 workday in the month, payment shall be made for the remaining
21 nonworkdays in that month. Employees retiring on disability
22 retirement may exhaust annual leave rather than be paid in a lump
23 sum. The provisions of this subdivision shall be accomplished
24 without additional State and local funds being appropriated for
25 this purpose. The State Board of Education shall adopt rules and
26 regulations for the administration of this subdivision."
27 Section 7. This act becomes effective July 1, 1999.



SENATE BILL 978: Teacher Retirement Credit Clarified

BILL ANALYSIS

Committee: Senate Retirement & Aging
Date: May 12, 1999
Version: S978-PCSSH-002

Introduced by: Senators Carter, Garrou
Summary by: Theresa Matula
Committee Staff

SUMMARY: *The Proposed Committee Substitute (S978-PCSSH-002) for Senate Bill 978 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).

SENATE BILL 978

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 a n 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.

(e) Creditable service at retirement on which the retirement allowance of a member shall be based shall consist of the membership service rendered by him since he last became a member, and also if he has a prior service certificate which is in full force and effect, the amount of service certified on his prior service certificate; and if he has sick leave standing to his credit upon retirement on or after July 1, 1971, one month of credit for each 20 days or portion thereof not to exceed 12 days of credit for each year of membership service or fraction thereof, but sick leave shall not be counted in computing creditable service for the purpose of determining eligibility for disability retirement or for a vested deferred allowance.

On and after July 1, 1971, a member whose account was closed on account of absence from service under the provisions of G.S. 135-3(3) and who subsequently returns to service for a period of five years, may thereafter repay in a lump sum the amount withdrawn plus regular interest thereon from the date of withdrawal through the year of repayment and thereby increase his creditable service by the amount of creditable service lost when his account was closed.

On and after July 1, 1973, a member whose account in the North Carolina Local Governmental Employees' Retirement System was closed on account of absence from service under the provisions of G.S. 128-24(1a) and who subsequently became or becomes a member of this System with credit for five years of service, may thereafter repay in a lump sum the amount withdrawn from the North Carolina Local Governmental Employees' Retirement System plus regular interest thereon from the date of withdrawal through the year of repayment and thereby increase his creditable service in this System by the amount of creditable service lost when his account was closed.

On or after July 1, 1979, a member who has obtained 60 months of aggregate service, or five years of membership service, as an employee of the North Carolina General Assembly, except legislators, participants in the Legislative Intern Program and pages, may make a lump sum payment together with interest, and an administrative fee for such service, to the Teachers' and State Employees' Retirement System of an amount equal to what he would have contributed had he been a member on his first day of employment.

On and after January 1, 1985, the creditable service of a member who was a member of the Law-Enforcement Officers' Retirement System at the time of the transfer of law-enforcement officers employed by the State from that System to this Retirement System and whose accumulated contributions are transferred from that System to this Retirement System, shall include service that was creditable in the Law-Enforcement Officers' Retirement System; and membership service with that System shall be membership service with this Retirement System; provided, notwithstanding any provision of this Article to the contrary, any inchoate or accrued rights of such a member to purchase creditable service for military service, withdrawn service and prior service under the rules and regulations of the Law-Enforcement Officers' Retirement System shall not be diminished and may be purchased as creditable service with this Retirement System under the same conditions which would have otherwise applied.

BUCK CONSULTANTS

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

May 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

Proposed Committee Substitute for Senate Bill 978

Dear Mr. Pruitt:

We have received your request of May 10 regarding Proposed Committee Substitute for Senate Bill 978 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.

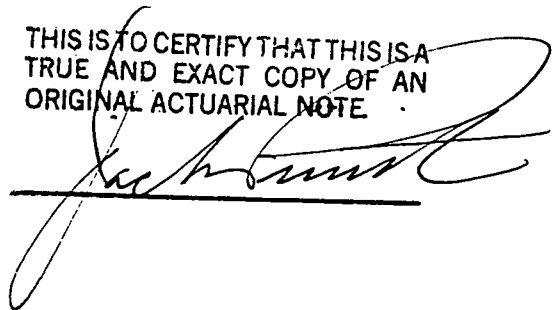
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

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JC 387 BC A33

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



HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038
Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 11, 1999

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

Re: Committee Substitute to Senate Bill 978: An Act to Clarify
the Law Regarding Retiring School Employees' Compensation
for Accumulated Annual Leave

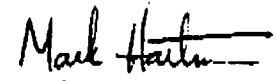
Dear Mr. Moore:

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.

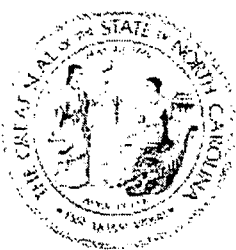
The effect of this bill would be an increase in service credits to certain retiring school employees. The net estimated cost of this increase in the TSERS for the fiscal year beginning July 1, 1999 is 0.005% of payroll. This estimate is based on data you provided regarding covered school personnel and 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/]]



SENATE BILL 978: Teacher Retirement Credit Clarified

BILL ANALYSIS

Committee: Senate Retirement & Aging
Date: May 3, 1999
Version: 1st Edition

Introduced by: Senators Carter, Garrou
Summary by: Theresa Matula
Committee Staff

SUMMARY: *Senate Bill 978 will allow retiring teachers to convert accumulated annual leave over 30 days to sick leave at the time of retirement.*

BILL ANALYSIS:

Chapter 115C of the General Statutes covers Elementary and Secondary Education, Article 20, Section 302.1 covers salary and related issues for teachers.

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 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.

Senate Bill 978 will allow teachers who retire during the school year to convert any annual leave over 30 days to sick leave *at the time the employee retires*.

This act becomes effective July 1, 1999.



**North Carolina General Assembly
Legislative Services Office**

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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: Senator Carter
Senator Garrou
Senator Metcalf

FROM: Stanley Moore 
Fiscal Research Division

DATE: April 26, 1999

SUBJECT: Actuarial Note on Senate Bill 978

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: Senator Phillips; Chairman, Senate Committee on Pensions & Retirement
Senate 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: Senate Bill 978

SHORT TITLE: Teacher Retirement Credit Clarified

SPONSOR(S): Senators Carter, Garrou and Metcalf

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

Senate Bill 978

Dear Mr. Pruitt:

We have received your letter of April 16 regarding Senate Bill 978 which affects the Teachers' and State Employees' Retirement System.

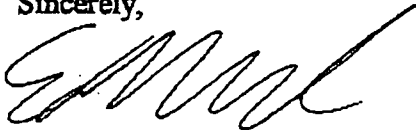
This legislation appears to grant teachers an opportunity to convert vacation leave, in excess of 30 days accumulation, to sick leave at the time of retirement even if their date of retirement is not July 1st.

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.

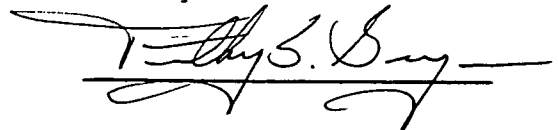
Sincerely,



Edward A. Macdonald
Principal and Consulting Actuary

EAM:jg
P:\ACT\1999\DOCS\CORR\SB978.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: Senate Bill 978: An Act to Clarify the Law Regarding
Retiring Teachers' Compensation for Accumulated Annual Leave

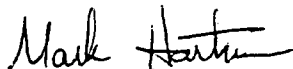
Dear Mr. Moore:

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

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

2

HOUSE BILL 717*
Committee Substitute Favorable 4/23/99

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.

- (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

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

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

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.



HOUSE BILL 717: Charlotte Firefighters' Retirement

BILL ANALYSIS

Committee: Senate Pensions & Retirement
Date: May 12, 1999
Version: 2nd 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.

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: House Bill 717 Charlotte Firefighter's Retirement

SHORT TITLE: Charlotte Firefighter's Retirement

SPONSOR(S): Representative Martha Alexander

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. Towers Perrin is the actuary for 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 participants 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: Tuesday, April 13, 1999

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

H

2

HOUSE BILL 179
Committee Substitute Favorable 4/19/99

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.



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300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

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

March 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

AN ACTUARIAL NOTE
Certified by *Stanley Moore* Date *4-1-99*
Legislative Fiscal Research

VISITOR REGISTRATION SHEET

Name of Committee

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

[illegible]

AGENDA

Senate Committee on Pensions and Retirement and Aging

June 9, 1999

10:00 a.m.

**Appointment of individuals to the Board of Trustees for the
Teachers' and State Employees' Retirement System**

**Sergeant-at-arms:
Collis Brown
Charles Marsalis
Ronald Spann**

**Page: John Gardner
Charlotte, NC**

Sponsored by: Senator Odom

**Next Meeting:
To Be Announced**

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

June 9, 1999

MINUTES

The Senate Pensions & Retirement and Aging Committee met on Wednesday, June 9, 1999 at 10:21 a.m. in room 1124 of the Legislative Building. Seven members were present, including Senator Jim Phillips, who presided.

Senator Phillips called the meeting to order and thanked all the visitors for coming. He recognized the committee pages, John Gardner and Jina Lee, sponsored by Senators Fountain Odom and Eric Reeves.

Senator Phillips explained that the purpose of the meeting was to consider the appointments of the following individuals to the Board of Trustees for the Teachers' and State Employees' Retirement System:

Daniel H. DeVane, Department of Transportation employee position, appointed for a term expiring on March 31, 1003

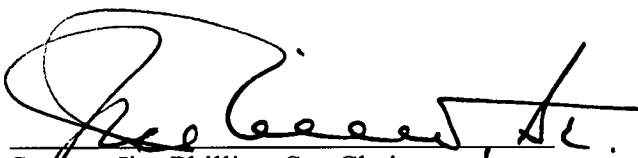
Shirley Ann Hise, active teacher position, re-appointed for a term expiring on March 31, 1003 and

Shirley Ann Bell, active state employee position, re-appointed for a term expiring on March 31, 2003

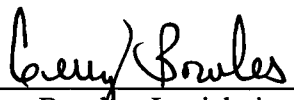
He then recognized the appointees and gave them a few moments to introduce themselves to the committee.

Senator Charley Albertson moved that the committee confirm the nominees. Senator Bob Carpenter seconded the motion and it was passed. The list of nominees was then sent to the floor of the Senate.

The meeting was adjourned at 10:28.



Senator Jim Phillips, Sr., Chairman



Gerry Bowles, Legislative Asst.



North Carolina General Assembly
Senate Chamber
State Legislative Building
Raleigh 27601-2808

June 9, 1999

The President and Members of the Senate
North Carolina General Assembly
State Legislative Building
Raleigh, North Carolina 27601

Dear Mr. President and Members of the Senate:

In compliance with the provisions of G.S. 135-6 requiring appointees to the Board of Trustees of the Teachers' and State Employees Retirement System to be confirmed by the General Assembly, Governor Hunt has submitted his appointees, Daniel H. DeVane, Shirley Ann Hise and Shirley Ann Bell, for confirmation. Their terms will begin immediately and expire March 31, 2003.

The Senate Committee on Pensions and Retirement and Aging has considered the appointments and makes the following recommendation to the Senate.

That the appointment of Daniel H. DeVane, Shirley Ann Hise and Shirley Ann Bell to the Board of Trustees of the Teachers' and State Employees Retirement System beginning immediately and expiring on March 31, 2003, be confirmed.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jim Phillips, Sr.", written over a horizontal line.

Senator Jim Phillips, Sr.

Chairman
Senate Committee on
Pensions & Retirement and Aging



**STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
RALEIGH 27603-8001**

**JAMES B. HUNT JR.
GOVERNOR**

March 29, 1999

**The Honorable Marc Basnight
Senate President Pro Tempore
Legislative Building
Raleigh, North Carolina 27603**

Dear Mr. President Pro Tempore:

Pursuant to North Carolina General Statute 135-6, I hereby appoint/re-appoint the following individuals to the Board of Trustees for the Teachers' and State Employees' Retirement System and submit their names for confirmation by the North Carolina Senate.

Daniel H. DeVane, Department of Transportation employee position, appointed for a term expiring on March 31, 2003.

Shirley Ann Hise, active teacher position, re-appointed for a term expiring on March 31, 2003.

Shirley Ann Bell, active state employee position, re-appointed for a term expiring on March 31, 2003.

Please contact my office of Boards and Commissions if you need further information on any of these individuals. Thank you for your attention to this important matter.

My warmest personal regards.

Sincerely,

A handwritten signature in black ink, appearing to read "J.B. Hunt Jr.", written over the word "Sincerely,".

James B. Hunt Jr.

**cc: The Honorable Dennis Wicker
Janet Pruitt**



VISITOR REGISTRATION SHEET

PENSIONS + RET.

Name of Committee

6-7-99

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

Tray Green

SEANC

Fanny Presnell

NK Retired School Personnel

E. C. Deussen

|| || || ||

Leigh H Hammond

N.C. Retired Court Emp. Assn

Ralph E Hise Jr

Legislative Intern

Shuley G. Hise

Retirement Board Member

Shirley A. Beal

Retirement Bd. of Trustees Member

Jack Pruitt

S. Treasurer

Tim Bryan

~~ST. TREASURER~~

Daniel H. Malone

NC DOT

AGENDA

Senate Committee on Pensions and Retirement and Aging

June 23, 1999

10:00 a.m.

Senate Bill 1046 Licensing /Examining Board Retirement
Senator Jim Phillips, Sr.

Sergeant-at-arms
Collis Brown
Charles Marsalis
Ronald Spann

Pages: Holly Lemmings/
Katie Hughes

Lexington/ Senator Phillips

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

June 23, 1999

MINUTES

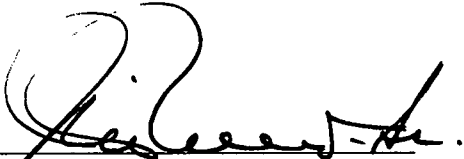
The Senate Pensions & Retirement and Aging Committee met on Wednesday, June 23, 1999 at 10:05 in Room 1124 of the Legislative Building. Seven members were present, including Senator Jim Phillips, who presided.

Senator Phillips called the meeting to order and recognized the committee pages whom he had sponsored, Holly Lemmings, and Katie Hughes.

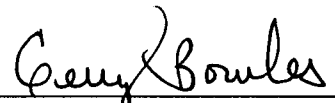
Senator Phillips asked Stanley Moore from the Fiscal Staff to introduce SB 1046 Licensing/Examining Board Retirement. Stanley submitted a Committee Substitute. Senator David Weinstein moved to adopt the Committee Substitute. The motion was passed.

After a brief discussion, Senator Weinstein moved to give the bill a favorable report. The motion was passed and the bill was sent to the floor.

The meeting was adjourned at 10:10.



Senator Jim Phillips, Sr., Chairman



Gerry Bowles, Legislative Assistant

**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT
Senator Jim Phillips, Chair**

Wednesday, June 23, 1999

SENATOR PHILLIPS,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO C.S. BILL

S.B. 1046	Licensing/Examining Board Retirement.
	Draft Number: PCS4706
	Sequential Referral: Appropriations/Base Budget
	Recommended Referral: None
	Long Title Amended: Yes

TOTAL REPORTED: 1

Committee Clerk Comment: Hallelujah!

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 1046

Short Title: Licensing/Examining Board Retirement.

(Public)

Sponsors: Senator Phillips.

Referred to: Pensions & Retirement and Aging.

April 15, 1999

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE EMPLOYEES OF STATE LICENSING AND EXAMINING
3 BOARDS MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES'
4 RETIREMENT SYSTEM.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 135-1(11) reads as rewritten:

7 "(11) "Employer" shall mean the State of North Carolina, the county
8 board of education, the city board of education, the State Board
9 of Education, the board of trustees of the University of North
10 Carolina, the board of trustees of other institutions and agencies
11 supported and under the control of the State, any State board or
12 agency charged with the duty of administering any law relating to
13 the examination and licensing of persons to practice a profession,
14 trade, or occupation whose employees are covered by all the
15 provisions of Chapter 126 of the General Statutes but Article 3 of
16 that Chapter, and who are subject to the provisions of the
17 Executive Budget Act, Article 1 of Chapter 143 of the General
18 Statutes, or any other agency of and within the State by which a
19 teacher or other employee is paid."

20 Section 2. G.S. 135-1.1 is repealed.

21 Section 3. This act becomes effective October 1, 1999.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

D

SENATE BILL 1046

Proposed Committee Substitute S1046-PCS4706-RO

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.

VISITOR REGISTRATION SHEET

Name of Committee

Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME

FIRM OR AGENCY AND ADDRESS

[illegible]

2000

**SENATE
PENSION &
RETIREMENT & AGING
COMMITTEE**

MINUTES

Senate Committee on Pensions & Retirement and Aging

Membership List 1999-2000

Senator Jim Phillips, Jr. Chairman

Senator Ellie Kinnaird, Vice Chairman	2115 LB	733-5804
Senator Larry Shaw, Vice Chairman	625 LOB	733-4809
Senator Kenneth Moore, Ranking Minority Member	1419 LB	715-0706
Senator Charlie Albertson	525 LOB	733-5705
Senator Bob Carpenter	517 LOB	733-5875
Senator Daniel Clodfelter	622 LOB	733-6275
Senator Luther Jordan, Jr.	407 LOB	715-3034
Senator Fountain Odom	300-B LOB	733-5707
Senator Aaron Plyler	627 LOB	733-5739
Senator Robert Shaw	1129 LB	715-3050
Senator David Weinstein	2108 LB	733-5651

Research: 733-2578
Karen Cochrane-Brown
Theresa Matula
John Young

Committee Assistant:
Nancy Brothers 733-5870

Fiscal: 733-4910
Stanley Moore

NORTH CAROLINA GENERAL ASSEMBLY

COMMITTEE SUMMARY REPORT

1999-2000 Biennium

SENATE: PENSIONS & RETIREMENT & AGING

Valid Through 6-JUL-2000

BILL	INTRODUCER	SHORT TITLE	LATEST ACTION ON BILL	IN DATE	OUT DATE
H 179	BROWN	WILKESBORO FIREMAN'S RETIREMENT	*R -CH. SL 99-0056	04-29-99	05-13-99
H 717=	ALEXANDER	CHARLOTTE FIREFIGHTERS' RETIREMENT	*S -REF TO COM ON PENSIONS	04-28-99	
H 722=	INSKO	PURCHASE OF PART-TIME SERVICE	R -CH. SL 99-0071	04-26-99	05-05-99
H1689=	HIATT	MT AIRY FIREFIGHTERS' RETIREMENT	S -REF TO COM ON PENSIONS	00-06-12	
S 40=	COCHRANE	AGING STUDY COMMN./MEMBERSHIP	R -CH. SL 99-0076	02-04-99	03-24-99
S 61	WARREN E	FIRE AND RESCUE SQUAD PENSIONS	S -RE-REF COM ON APPROPR	02-10-99	03-24-99
S 214	PHILLIPS	WORKERS COM/AFC YEARS	R -CH. SL 99-0158	03-02-99	03-31-99
S 242=	PHILLIPS	INCREASE RETIREMENT COLAS	S -RE-REF COM ON APPROPR	03-04-99	03-31-99
S 296	DALTON	REPEAL FOREST CITY FIRE PENSION	*R -CH. SL 99-0063	03-08-99	04-14-99
S 304=	RAND	PUB. DEF/.APP. DEF.RETIREMENT	S -RE-REF COM ON APPROPR	03-09-99	04-14-99
S 456	PHILLIPS	FIREMEN'S PENSION ELIGIBILITY	*S -RE-REF COM ON APPROPR	03-22-99	04-21-99
S 561=	ODOM	LAW OFFICERS' 25-YEAR RETIREMENT	*S -RE-REF COM ON APPROPR	03-29-99	04-28-99
S 583=	RUCHO	CHARLOTTE FIREFIGHTERS' RETIREMENT	R -CH. SL 99-0100	03-29-99	04-21-99
S 591=	COOPER	RETIREMENT SYSTEM TRANSFER	S -RE-REF COM ON APPROPR	03-29-99	05-05-99
S 636=	KERR	INCREASE DEATH BENEFITS	S -RE-REF COM ON APPROPR	03-30-99	04-28-99
S 638	RAND	LOCAL GOVT. RETIREMENT DEFINITION	*R -CH. SL 99-0167	03-30-99	04-28-99
S 682=	WARREN E	FIRE MARSHALS IN PENSION FUND	S -RE-REF COM ON APPROPR	04-01-99	05-05-99
S 687	ALLRAN	HICKORY FIREFIGHTERS' RETIREMENT FUN	R -CH. SL 99-0128	04-01-99	04-14-99
S 758=	KINNAIRD	PURCHASE OF PART-TIME SERVICE	H -REF TO COM ON PENS&RET	04-05-99	04-21-99
S 874=	BALLANCE	PROFESSIONAL FIREFIGHTERS' RETIREMEN	*S -RE-REF COM ON APPROPR	04-13-99	04-28-99
S 978=	CARTER	SCHOOL EMPLOYEE RETIREMENT CREDIT	*S -RE-REF COM ON APPROPR	04-26-99	05-13-99
S1046	PHILLIPS	LICENSING/EXAMINING BOARD RETIREMENT	*H -RE-REF COM ON APPROPR	04-15-99	06-23-99
S1236=	PHILLIPS	CHANGE RETIREMENT BENEFITS	S -RE-REF COM ON APPROPR	00-05-16	00-06-07
S1268	WARREN E	FIRE AND RESCUE SQUAD PENSIONS	S -RE-REF COM ON APPROPR	00-05-17	00-06-07
S1281	HOYLE	REPEAL CHERRYVILLE FIRE PENSION	R -CH. SL 00-0021	00-05-17	00-06-07
S1287	WARREN E	FIRE AND RESCUE OPEN ENROLLMENT	S -RE-REF COM ON APPROPR	00-05-17	00-06-07
S1321	WARREN E	FIRE MARSHALS IN PENSION FUND	S -REF TO COM ON PENSIONS	00-05-18	
S1348=	PHILLIPS	INCREASE RETIREMENT BENEFITS	S -RE-REF COM ON APPROPR	00-05-22	00-06-07
S1392=	PHILLIPS	INCREASE FIRE AND RESCUE PENSION	S -RE-REF COM ON APPROPR	00-05-23	00-06-07
S1461=	EAST	MT AIRY FIREFIGHTERS' RETIREMENT	R -CH. SL 00-0022	00-05-25	00-06-07

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.

SENATE PENSIONS & RETIREMENT AND AGING COMMITTEE

Wednesday, June 7, 2000

10:00 a.m.

Room 1124, LB

AGENDA

Welcome

Senator Phillips

Senate Bills

- **SB 1236 - Change Retirement Benefits** **Senator Phillips**
- **SB 1268 - Fire and Rescue Squad Pensions** **Senator Warren**
- **SB 1281 - Repeal Cherryville Fire Pension** **Senator Hoyle**
- **SB 1287 - Fire and Rescue Open Enrollment** **Senator Warren**
- **SB 1321 - Fire Marshals in Pension Fund** **Senator Warren**
- **SB 1348 - Increase Retirement Benefits** **Senator Phillips**
- **SB 1392 - Increase Fires and Rescue Pension** **Senator Phillips**
- **SB 1461 – Mt. Airy Firefighters' Retirement** **Senator East**
- **Governor Hunt's Appointments to the Board of Trustees for the Teachers'
And State Employees Retirement System**

Adjournment

Senate Pensions & Retirement and Aging Committee
Wednesday, June 7, 2000
10:00 am
Room 1124, Legislative Building

MINUTES

The Senate Pensions & Retirement and Aging Committee met at 10:00 am on Wednesday, June 7, 2000 in Room 1124, Legislative Building. Eight members of the committee were present. Senator Jim Phillips, Sr. presided.

Senator David Hoyle introduced Senate Bill 1281, Repeal Cherryville Fire Pension. Mr. Stanley Moore, Fiscal Analyst, of the Fiscal Research Division explained the provisions of the bill (see Attachment 1). A summary of the bill (see Attachment 2) was prepared by Ms. Theresa Matula and Ms. Karen Cochrane Brown, Committee Research Staff. Senator Robert Carpenter moved a favorable report. The motion carried unanimously.

Senator Don East introduced Senate Bill 1461, Mount Airy Firefighters' Retirement. Mr. Stanley Moore explained the provisions of the bill (see Attachment 3). A summary of the bill (see Attachment 4) was prepared by Ms. Matula. Senator Kenneth Moore moved a favorable report. The motion carried unanimously.

Senator Ellie Kinnaird presided while Senator Phillips presented three bills. Senate Bill 1236, Change Retirement Benefits and Senate Bill 1348, Increase Retirement Benefits were very similar bills. Mr. Stanley Moore was called upon to explain the differences between the two bills. Mr. Moore presented an Actuarial Note on Senate Bill 1236 (see Attachment 5). A bill summary prepared by Ms. Karen Cochrane Brown, Committee Counsel was distributed (see Attachment 6). Mr. Jack W. Pruitt, Deputy Treasurer and Director of Retirement Systems Division, spoke in support of both bills. Senator David F. Weinstein moved a favorable report on Senate Bill 1236. The motion carried unanimously. An Actuarial Note on Senate Bill 1348 prepared by Mr. Moore was distributed (see Attachment 7) as well as bill summary prepared by Ms. Matula of the Research Division (Attachment 8). Senator Charles W. Albertson moved a favorable report. The motion carried unanimously. Both Senate Bill 1236 and Senate Bill 1348 were re-referred to Appropriations.

Senator Phillips introduced Senate Bill 1392, Increase Fire and Rescue Pension. An Actuarial Report prepared by the Fiscal Analyst, Mr. Moore (see Attachment 9) was distributed as he explained the bill. A bill summary prepared by Ms. Matula of the Research Division (see Attachment 10) was distributed. Senator Weinstein moved a favorable report. The motion carried unanimously. The bill was referred to Senate Appropriations Committee.

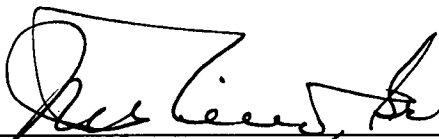
Senator Kinnaird turned the gavel back to Senator Phillips. Senate Bill 1268, Fire and Rescue Squad Pensions, was introduced and Mr. Moore was called upon to explain the bill (see Attachment 11). The bill summary prepared by Committee Counsel, Ms. Brown was distributed (see Attachment 12). Senator Charles W. Albertson moved a favorable report. The motion carried unanimously. The bill was referred to Senate Appropriations Committee.

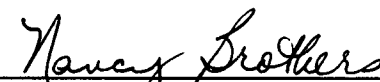
Senate Bill 1287, Fire and Rescue Open Enrollment, was introduced. Supporting documents from Fiscal (see Attachment 13) and Research Divisions (see Attachment 14) were distributed. Mr. Roger Bone, lobbyist and Mr. Gordon A. Joyner of the North Carolina Association of Rescue and Emergency Medical Squad spoke in support of the bill. Senator Robert C. Carpenter moved a favorable report. The motion carried unanimously. The bill was referred to Senate Appropriations Committee.

The Chair then introduced Senate Bill 1321, Fire Marshals in Pension Fund. An Actuarial Note (see Attachment 15) and bill summary (see Attachment 16) were distributed. Mr. Bobby Joyner, Pitt County Fire Marshal, spoke in support of the bill. After questions and discussion by the committee, Senator Kenneth R. Moore moved a favorable report and referral to Appropriations Committee. The motion failed.

The Committee was presented a letter from Governor James B. Hunt, Jr. requesting reappointment of three individuals to the Board of Trustees for the Teachers' and State Employees' Retirement System (see Attachment 17). Senator Kinnaird moved for confirmation of all three candidates. The motion passed unanimously.

The meeting adjourned at 10:50 a.m.



Senator Jim Phillips, Sr., Chair

Nancy Brothers, Clerk

**NORTH CAROLINA GENERAL ASSEMBLY
SENATE**

**PENSIONS & RETIREMENT AND AGING COMMITTEE REPORT
Senator Jim Phillips, Sr., Chair**

CORRECTED COPY

Wednesday, June 07, 2000

SENATOR PHILLIPS,
submits the following with recommendations as to passage:

FAVORABLE

S.B.	1236	Change Retirement Benefits	
		Sequential Referral:	Appro/Base Bud
		Recommended Referral:	None
S.B.	1268	Fire and Rescue Squad Pensions	
		Sequential Referral:	Appro/Base Bud
		Recommended Referral:	None
S.B.	1348	Increase Retirement Benefits	
		Sequential Referral:	Appro/Base Bud
		Recommended Referral:	None
S.B.	1392	Increase Fire and Rescue Pension	
		Sequential Referral:	Appro/Base Bud
		Recommended Referral:	None
S.B.	1461	Mt. Airy Firefighters' Retirement	
		Sequential Referral:	None
		Recommended Referral:	None
S.B.	1287	Fire and Rescue Open Enrollment	
		Sequential Referral:	None
		Recommended Referral:	Appro/Base Bud
S.B.	1281	Repeal Cherryville Fire Pension	
		Sequential Referral:	None
		Recommended Referral:	None

TOTAL REPORTED:7

Committee Clerk Comment:

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 1281

Short Title: Repeal Cherryville Fire Pension.

(Local)

Sponsors: Senator Hoyle.

Referred to: Pensions & Retirement and Aging.

May 17, 2000

- 1 A BILL TO BE ENTITLED
2 AN ACT TO REPEAL THE PROVISIONS REGARDING SUPPLEMENTAL
3 RETIREMENT FUNDS FOR FIREMEN IN THE CITY OF CHERRYVILLE.
4 The General Assembly of North Carolina enacts:
5 Section 1. Chapter 608 of the 1971 Session Laws and Chapter 320 of the
6 1973 Session Laws are repealed.
7 Section 2. This act becomes effective July 1, 2000.



North Carolina General Assembly
Legislative Services Office

ATTACHMENT # 1

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

James D. Johnson, Director
Fiscal Research Division
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June 1, 2000

MEMORANDUM

TO: Senator David Hoyle

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note on Senate Bill 1281

Re: Cherryville Firemen's Supplemental Retirement Fund

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

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

Attachment(s):

Actuarial/Fiscal Note, Senate Bill 1281, May 29, 2000



North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
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May 29, 2000

Senator David W. Hoyle
North Carolina Senate
Legislative Office Building
Raleigh, North Carolina 27601

Re: Actuarial/Fiscal Note (Senate Bill 1281)
Cherryville Firemen's Supplemental Retirement Fund

Dear Senator Hoyle:

In accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives, we hereby submit an Actuarial/Fiscal Note on the following: Repeal of the Cherryville Firemen's Supplemental Retirement Fund.

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: The Cherryville Firemen's Supplemental Retirement Fund is presently financed by the transfer of all funds in excess of \$5,000 from the City of Cherryville Firemen's Local Relief Fund. This Retirement Fund presently provides a monthly benefit of \$2.00 for each year of service as a fireman of the City of Cherryville with a maximum of \$600 per year. With this repeal, all funds will be transferred from the Cherryville Firemen's Supplemental Retirement Fund back to the City of Cherryville Firemen's Local Relief Fund to be used as allowed by G. S. 58-84-35.

Actuarial Endorsement:

Charles W. Dunn

Charles W. Dunn
Consulting Actuary
Raleigh, North Carolina

Sincerely,

Stanley Moore

Stanley Moore
Fiscal Analyst
Fiscal Research Division

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By *Stanley Moore*

Date: *6-1-00*

Legislative Fiscal Research



SENATE BILL 1281: Repeal Cherryville Fire Pension

BILL ANALYSIS

Committee: Senate Pensions & Retirement
Date: June 7, 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

S

1

SENATE BILL 1461*

Short Title: Mt. Airy Firefighters' Retirement.

(Local)

Sponsors: Senators East; and Fox.

Referred to: Pensions & Retirement and Aging.

May 25, 2000

1 A BILL TO BE ENTITLED
2 AN ACT TO AMEND THE LAW ESTABLISHING THE MOUNT AIRY
3 FIREFIGHTERS' SUPPLEMENTARY PENSION FUND.
4 The General Assembly of North Carolina enacts:
5 Section 1. Section 4 of Chapter 302 of the 1967 Session Laws, as
6 amended by Chapter 12 of the 1969 Session Laws, Chapter 121 of the 1973 Session
7 Laws, and Chapter 165 of the 1995 Session Laws, reads as rewritten:
8 "Sec. 4. ~~Any member who has served 20 years as a firefighter in the City of~~
9 ~~Mount Airy Fire Department and has attained the age of 55 years, shall be entitled to~~
10 ~~receive retirement benefits from the Supplementary Pension Fund; this~~ Any member
11 retiring from the City of Mount Airy Fire Department who has served 20 years as a
12 firefighter in fire departments within the State of North Carolina and has attained the
13 age of 55 years shall be entitled to receive retirement benefits from the
14 Supplementary Pension Fund. For purposes of this provision, a member shall be
15 deemed to be retiring if that member is retiring under the statewide Local
16 Governmental Employees' Retirement System or is departing after having served 20
17 years as a firefighter in the City of Mount Airy Fire Department. Other terminations
18 or departures from the City of Mount Airy Fire Department are not considered to be
19 retirements and do not result in eligibility for benefits under this plan.
20 "Sec. 4A. The monthly pension shall be computed on the basis of a defined
21 amount per month for each year of service in the department. City of Mount Airy
22 Fire Department. Service in other fire departments within the State of North
23 Carolina shall not be considered in computing the amount of the monthly pension.
24 The Board of Trustees shall define the amount used as the basis for the monthly

1 pension, and may adjust the amount when the board determines it appropriate,
2 necessary, or imperative to keep or maintain the Supplementary Pension Fund on a
3 good, solid financial basis, while providing a level of benefits consistent with funding.
4 Any adjustments made are effective for firefighters not currently receiving a benefit
5 as well as retired firefighters currently receiving a benefit."

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



North Carolina General Assembly
Legislative Services Office

ATTACHMENT # 3

George R. Hall, Legislative Services Officer
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(919) 733-2578

June 1, 2000

MEMORANDUM

TO: Senator Don East

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note on Senate Bill 1461

Re: Mount Airy Firefighters' 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, Senate Committee on Pensions & Retirement
Senate Principal Clerk

Attachment(s):

Actuarial/Fiscal Note, Senate Bill 1461, May 29, 2000



North Carolina General Assembly
Legislative Services Office

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May 29, 2000

The Honorable Don East
North Carolina Senate
Legislative Office Building
Raleigh, North Carolina 27601-2808

Re: Actuarial/Fiscal Note (Senate Bill 1461)
Mount Airy Firefighters' Supplemental Pension Fund

Dear Senator East:

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 Pension Fund presently provides a defined amount per month for any member who has served 20 years as a firefighter with the City of Mount Airy and has attained the age of 55. The defined amount is determined by the Board of Trustees to keep the Fund on a good, solid financial basis. The proposed change will allow any member to receive the benefit who has served 20 years as a firefighter with any department within the State of North Carolina and has attained the age of 55. However, in calculating the defined monthly benefit, service in other fire departments will not be used. In order to be considered retired, a member must be retiring from: (1) the Local Governmental Employees' Retirement System, or (2) completed 20 years of service with the City of Mount Airy..

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: The Mount Airy Supplemental Pension Fund is financed by the transfer of funds in excess of \$5,000 from the City of Mount Airy Firemen's Relief Fund of the 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 Board may adjust the benefits to keep the Fund on a good, solid financial basis, so the Fund can not incur any additional liability unless sufficient assets are available to pay the liability.

Actuarial Endorsement:

Charles W. Dunn

Charles W. Dunn
Consulting Actuary
Raleigh, North Carolina

Sincerely,

Stanley Moore

Stanley Moore
Fiscal Analyst
Fiscal Research Division

ACTUARIAL NOTE

True & Exact Copy of Original

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

Certified By *Stanley Moore* Date *6-2-00*
Legislative Fiscal Research



SENATE BILL 1461: Mt. Airy Firefighters' Retirement

BILL ANALYSIS

Committee: Senate Pensions & Retirement
Date: June 6, 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

S

1

SENATE BILL 1236*

Short Title: Change Retirement Benefits.

(Public)

Sponsors: Senators Phillips; and Carpenter.

Referred to: Pensions & Retirement and Aging.

May 16, 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
24 June 30, 2000, shall be increased by a prorated amount of two and six-tenths percent

1 (2.6%) of the allowance payable as determined by the Board of Trustees based upon
2 the number of months that a retirement allowance was paid between July 1, 1999,
3 and June 30, 2000."

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

6 "(o) In accordance with subsection (a) of this section, from and after July 1, 2000,
7 the retirement allowance to or on account of beneficiaries whose retirement
8 commenced on or before January 1, 2000, shall be increased by three and six-tenths
9 percent (3.6%) of the allowance payable on June 1, 2000. Furthermore, from and
10 after July 1, 2000, the retirement allowance to or on account of beneficiaries whose
11 retirement commenced after January 1, 2000, but before June 30, 2000, shall be
12 increased by a prorated amount of three and six-tenths percent (3.6%) 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, 2000, and June 30,
15 2000."

16 Section 4. G.S. 128-27(b17) reads as rewritten:

17 "(b17) Service Retirement Allowance of Member Retiring on or After July 1,
18 1998: 1998, But Before July 1, 2000. -- Upon retirement from service in accordance
19 with subsection (a) or (a1) above, on or after July 1, 1998, but before July 1, 2000, a
20 member shall receive the following service 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 seventy-seven hundredths percent (1.77%)
29 of his average final compensation, multiplied by the number
30 of 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.
37 128-27(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. 128-27(b17)(1)a. reduced by five percent (5%)

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

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

- a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and seventy-seven hundredths percent (1.77%) of average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b17)(2)a. but shall be reduced by one-quarter of one percent ($\frac{1}{4}$ 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 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 (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.



North Carolina General Assembly
Legislative Services Office

ATTACHMENT # 5

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

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May 31, 2000

MEMORANDUM

TO: Senator Jim Phillips

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note Senate Bill 1236

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: Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, May 25, 2000
- (3) Actuarial Note, Hartman & Associates, May 26, 2000

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE**

BILL NUMBER: Senate Bill 1236

SHORT TITLE: Change Retirement Benefits

SPONSOR(S): Senator Phillips

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	\$ 17.2m	\$ 18.2m	\$ 19.3m	\$ 20.5m	\$ 21.7m
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	\$ 16.3m	\$ 17.3m	\$ 18.3m	\$ 19.4m	\$ 20.6m
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 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 25, 2000

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

Senate Bill 1236

Dear Mr. Pruitt:

We have received your letter of May 17 regarding Senate Bill 1236 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.

Mr. Jack Pruitt
May 25, 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

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

Jack Pruitt

BUCK
CONSULTANTS

SENATE BILL 1236

SYSTEM	GAINS		SENATE BILL 1236		REMAINING GAINS	
	Cost As % of Payroll	Equivalent Appropriations General Fund Highway Fund	Cost As % of Payroll	Equivalent Appropriations General Fund Highway Fund	Cost as % of Payroll	Equivalent Appropriations 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	0.009%	\$ 0* N/A

* Equivalent local funding

May 25, 2000

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 26, 2000

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

Re: Senate Bill 1236: 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 26, 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.

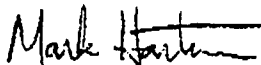
All provisions of this act are effective July 1, 2000. The estimated cost of this act for the fiscal year beginning July 1, 2000, expressed as a percent of payroll, is shown below. The cost is shown separately for the retiree COLA provisions and the formula accrual rate adjustments (including adjustments 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
LRS	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 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.

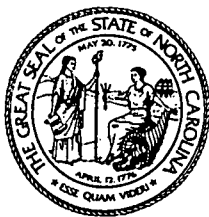
The estimated cost of this increase as a percent of payroll is 0.46%.

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



SENATE BILL 1236: Change Retirement Benefits.

BILL ANALYSIS

Committee: Senate Pensions, Retirement & Aging

Date: June 7, 2000

Version: First Edition

Introduced by: Senator Phillips

Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

Senate Bill 1236 amends various laws to enhance benefits payable from the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, and the Local Governmental Employees' Retirement System.

BILL ANALYSIS:

Section 1 of the bill provides a cost-of-living adjustment of 3.6% to beneficiaries of the Teachers' and State Employees' Retirement System who retired on or before July 1, 1999. The adjustment is effective July 1, 2000, and will be prorated for beneficiaries who retired between July 1, 1999 and June 30, 2000.

Section 2 applies to retirees of the Consolidated Judicial Retirement System and grants a 2.6% cost-of-living increase to beneficiaries of that System who retired on or before July 1, 1999, effective July 1, 2000. In addition, beneficiaries who retired between July 1, 1999 and June 30, 2000 will receive a prorated amount of the 2.6% increase.

Section 3 is similar to section 1, except that it applies to retirees of the Legislative Retirement System. Beneficiaries who retired on or before January 1, 2000 will receive a 3.6% increase payable on June 1, 2000. Those who retired between January 1, 2000 and June 30, 2000 will receive a prorated amount of the 3.6% increase.

Sections 4 through 7 of the bill apply to members and beneficiaries of the Local Governmental Employees Retirement System. Section 4 sets the closing date of July 1, 2000 for members whose service retirement benefit is computed using the accrual rate of 1.77%. Section 5 increases the accrual rate for members retiring on or after July 1, 2000, to 1.78% of average final compensation times the member's years of creditable service. Section 6 of the bill amends the provision relating to the survivor's alternate benefit to conform to the new formula set forth in section 5 of the bill. Finally, section 7 provides a cost-of-living adjustment of 3.8% to beneficiaries who retired on or before July 1, 1999, effective July 1, 2000. There is an appropriate proration for those who retired during the year. This section also provides a 0.6% increase to those who were retired as of June 1, 2000, to account for the increase in the accrual rate for active members.

This act becomes effective July 1, 2000.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 1348*

Short Title: Increase Retirement Benefits.

(Public)

Sponsors: Senator Phillips.

Referred to: Pensions & Retirement and Aging.

May 22, 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.

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

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

1. The service retirement allowance payable under G.S. 135-5(b17)(1)a, reduced by one-third of one percent ($\frac{1}{3}$ of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 135-5(b17)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

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

- a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of membership service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty hundredths percent (1.80%) of his average final compensation, multiplied by the number of years of creditable service.
- b. If the member's service retirement date occurs after 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 the month the member would have attained his 60th birthday, plus one-quarter of one percent ($\frac{1}{4}$ of 1%)

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

17 Section 2. G.S. 135-5 is amended by adding a new subsection to read:
18 "(b18) Service Retirement Allowance of Members Retiring on or After July 1,
19 2000. -- Upon retirement from service in accordance with subsection (a) or (a1)
20 above, on or after July 1, 2000, a member shall receive the following service
21 retirement allowance.

- 22 (1) A member who is a law enforcement officer or an eligible former
23 law enforcement officer shall receive a service retirement
24 allowance computed as follows:
- 25 a. If the member's service retirement date occurs on or after
26 his 55th birthday, and completion of five years of creditable
27 service as a law enforcement officer, or after the completion
28 of 30 years of creditable service, the allowance shall be
29 equal to one and eighty-one hundredths percent (1.81%) of
30 his average final compensation, multiplied by the number of
31 years of his creditable service.
 - 32 b. If the member's service retirement date occurs on or after
33 his 50th birthday and before his 55th birthday with 15 or
34 more years of creditable service as a law enforcement officer
35 and prior to the completion of 30 years of creditable service,
36 his retirement allowance shall be equal to the greater of:
 - 37 1. The service retirement allowance payable under G.S.
38 135-5(b18)(1)a. reduced by one-third of one percent
39 (1/3 of 1%) thereof for each month by which his
40 retirement date precedes the first day of the month
41 coincident with or next following the month the
42 member would have attained his 55th birthday; or
 - 43 2. The service retirement allowance as computed under
44 G.S. 135-5(b18)(1)a. reduced by five percent (5%)

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

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

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

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 135-5(b18)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

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

1. The service retirement allowance as computed under G.S. 135-5(b18)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b18)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

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

1 payable at the age of 60 years as computed in G.S.
2 135-5(b18)(2)b.

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

7 Section 3. G.S. 135-5 is amended by adding two new subsections to read:

8 "(ggg) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2000.

9 -- From and after July 1, 2000, the retirement allowance to or on account of
10 beneficiaries on the retirement rolls as of June 1, 2000, shall be increased by six-
11 tenths percent (0.6%) of the allowance payable on June 1, 2000. This allowance shall
12 be calculated on the allowance payable and in effect on June 30, 2000, so as not to be
13 compounded on any other increase granted by act of the 1999 General Assembly,
14 2000 Regular Session.

15 (hhh) From and after July 1, 2000, the retirement allowance to or on account of
16 beneficiaries whose retirement commenced on or before July 1, 1999, shall be
17 increased by two and one-tenth percent (2.1%) of the allowance payable on June 1,
18 2000, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2000, the
19 retirement allowance to or on account of beneficiaries whose retirement commenced
20 after July 1, 1999, but before June 30, 2000, shall be increased by a prorated amount
21 of two and one-tenth percent (2.1%) of the allowance payable as determined by the
22 Board of Trustees based upon the number of months that a retirement allowance was
23 paid between July 1, 1999, and June 30, 2000."

24 Section 4. G.S. 135-5(m) reads as rewritten:

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

- 31 (1) a. The member had attained such age and/or creditable service
32 to be eligible to commence retirement with an early or
33 service retirement allowance, or
34 b. The member had obtained 20 years of creditable service in
35 which case the retirement allowance shall be computed in
36 accordance with ~~G.S. 135-5(b17)(1)b. or G.S.~~
37 ~~135-5(b17)(2)c.,~~ G.S. 135-5(b18)(1)b. or G.S. 135-5(b18)(2)c.,
38 notwithstanding the requirement of obtaining age 50.
39 (2) The member had designated as the principal beneficiary to receive
40 a return of his accumulated contributions one and only one person
41 who was living at the time of his death.
42 (3) The member had not instructed the Board of Trustees in writing
43 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~~ 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
 - 10 1. The service retirement allowance payable under G.S.
11 128-27(b17)(1)a. reduced by one-third of one percent
12 (1/3 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 the month the
15 member would have attained his 55th birthday; or
 - 16 2. The service retirement allowance as computed under
17 G.S. 128-27(b17)(1)a. reduced by five percent (5%)
18 times the difference between 30 years and his
19 creditable service at retirement.
- 20 (2) A member who is not a law enforcement officer or an eligible
21 former law enforcement officer shall receive a service retirement
22 allowance computed as follows:
23
 - 24 a. If the member's service retirement date occurs on or after
25 his 65th birthday upon the completion of five years of
26 creditable service or after the completion of 30 years of
27 creditable service or on or after his 60th birthday upon the
28 completion of 25 years of creditable service, the allowance
29 shall be equal to one and seventy-seven hundredths percent
30 (1.77%) of average final compensation, multiplied by the
31 number of years of creditable service.
 - 32 b. If the member's service retirement date occurs after his 60th
33 birthday and before his 65th birthday and prior to his
34 completion of 25 years or more of creditable service, his
35 retirement allowance shall be computed as in G.S. 128-
36 27(b17)(2)a. but shall be reduced by one-quarter of one
37 percent (1/4 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 his 65th birthday.
 - 40 c. If the member's early service retirement date occurs on or
41 after his 50th birthday and before his 60th birthday and after
42 completion of 20 years of creditable service but prior to the
43 completion of 30 years of creditable service, his early service
44 retirement allowance shall be equal to the greater of:
 1. The service retirement allowance as computed under
G.S. 128-27(b17)(2)a. but reduced by the sum of five-

twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b17)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b17)(2)b.

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

Section 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%)

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)e.,~~ 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 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 Services Office

ATTACHMENT # 7

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

James D. Johnson, Director
Fiscal Research Division
Suite 619, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

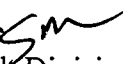
Tony C. Goldman, Director
Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

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: Senator Jim Phillips

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note Senate Bill 1348

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: Senate 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: Senate Bill 1348

SHORT TITLE: Increase Retirement Benefits

SPONSOR(S): Senator Phillips

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	\$ 17.4m	\$ 18.4m	\$ 19.5m	\$ 20.7m	\$ 22.0m
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	\$ 16.6m	\$ 17.7m	\$ 18.7m	\$ 19.8m	\$ 21.0m
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

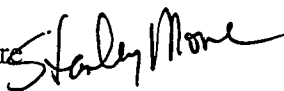
The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 1998 actuarial valuation of the fund. The data included 108,904 active members with an annual payroll of \$2.930 billion and 26,975 retired members in 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

Senate Bill 1348

Dear Mr. Pruitt:

We have received your letter of May 24 regarding Senate Bill 1348 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,

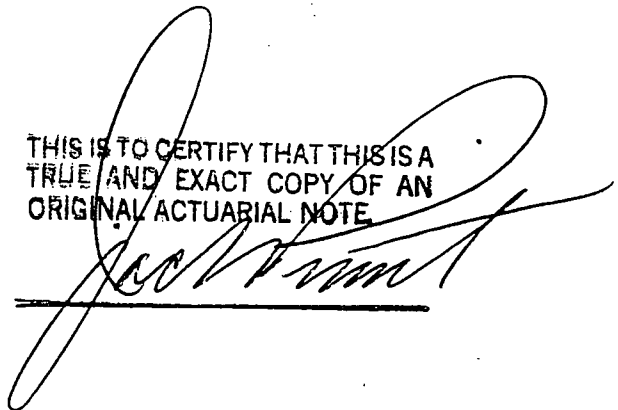


Edward A. Macdonald
Principal and Consulting Actuary

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



SENATE BILL 1348

SYSTEM	GAINS		SENATE BILL 1348		REMAINING GAINS	
	Cost As % of Payroll	Equivalent Appropriations General Fund Highway Fund	Cost As % of Payroll	Equivalent Appropriations General Fund Highway Fund	Cost as % of Payroll	Equivalent Appropriations 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

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 26, 2000

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

Re: Senate Bill 1348: 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

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.

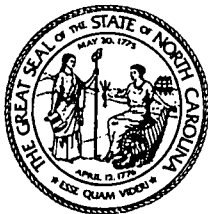
The estimated cost of this increase as a percent of payroll is 0.46%.

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



SENATE BILL 1348: Increase Retirement Benefits

BILL ANALYSIS

Committee: Senate Pensions & Retirement
Date: June 6, 2000
Version: 1st Edition

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

SUMMARY: *Senate Bill 1348 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%.

SENATE BILL 1348

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.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 1392

Short Title: Increase Fire and Rescue Pension.

(Public)

Sponsors: Senators Phillips; Allran, Ballance, Carpenter, Carter, Clodfelter, Cochrane, Dalton, Dannelly, East, Forrester, Garwood, Harris, Horton, Hoyle, Kerr, Kinnaid, Lee, Lucas, Martin of Guilford, Metcalf, Miller, Moore, Odom, Perdue, Plyler, Purcell, Rand, Reeves, Robinson, Rucho, Shaw of Guilford, Soles, Weinstein, and Wellons.

Referred to: Pensions & Retirement and Aging.

May 23, 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:
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.

1 A member who is totally and permanently disabled while in the discharge of the
2 member's official duties as a result of bodily injuries sustained or as a result of
3 extreme exercise or extreme activity experienced in the course and scope of those
4 official duties and who leaves the fire or rescue squad service because of this
5 disability shall be entitled to be paid from the fund a monthly benefit in an amount
6 of ~~one hundred forty six dollars (\$146.00)~~ one hundred fifty-one dollars (\$151.00) per
7 month beginning the first month after the member's fifty-fifth birthday. All
8 applications for disability are subject to the approval of the board who may appoint
9 physicians to examine and evaluate the disabled member prior to approval of the
10 application, and annually thereafter. Any disabled member shall not be required to
11 make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and
12 G.S. 58-86-40.

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

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

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

37 Section 2. This act becomes effective July 1, 2000.



North Carolina General Assembly
Legislative Services Office

ATTACHMENT # 9

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
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James D. Johnson, Director
Fiscal Research Division
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300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-4910

Tony C. Goldman, Director
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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: Senator Jim Phillips

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note Senate Bill 1392

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: Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, May 25, 2000
- (3) Actuarial Note, Hartman & Associates, May 25, 2000

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 1392

SHORT TITLE: Fire and Rescue Squad Pensions

SPONSOR(S): Senator Phillips

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

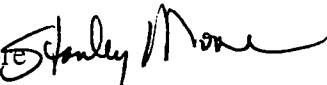
ESTIMATED IMPACT ON STATE:	SYSTEM ACTUARY				
	<u>FY</u> 2000-01	<u>FY</u> 2001-02	<u>FY</u> 2002-03	<u>FY</u> 2003-04	<u>FY</u> 2004-05
Available gains with four					
year liquidation period	\$2,154,591	\$2,154,591	\$2,154,591	\$2,154,591	\$2,154,591
Benefit Increase	\$2,150,290	\$2,150,290	\$2,150,290	\$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

DATE: May 30, 2000

BUCK CONSULTANTS

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

May 25, 2000

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

Senate Bill 1392

Dear Mr. Pruitt:

We have received your letter of May 23 regarding Senate Bill 1392 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.

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	
Accrued liability	\$ 173,862
Total	<u>1,976,428</u>
	\$ 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.

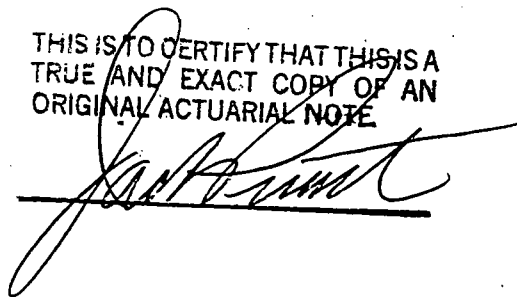
Sincerely,

Edward A. Macdonald et al.

Edward A. Macdonald
Principal and Consulting Actuary

EAM:ws
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JC 1950 rev03 013

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



HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 25, 2000

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

Re: Senate Bill 1392: 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,

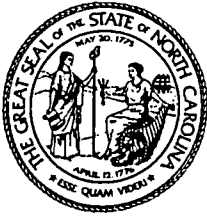
Mark Hartman

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



SENATE BILL 1392: Increase Fire and Rescue Pension

BILL ANALYSIS

Committee: Senate Pensions & Retirement
Date: June 5, 2000
Version: 1st Edition

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

SUMMARY: *Senate Bill 1392 increases the benefit paid to retirees of the North Carolina Firemen's Rescue Squad Workers' Pension Fund from \$146.00 to \$151.00 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. Senate Bill 1392 amends G.S. 58-86-55 to increase the pension paid to a retired "eligible fireman" or "eligible rescue squad" worker from \$146.00 to \$151.00 per month. Effective July 1, 2000, any retired fireman shall receive a pension of \$151.00 per month. The bill also makes a conforming change to increase from \$146.00 to \$151.00 the monthly benefit paid to members who become totally and permanently disabled in the line of duty.

The contribution amount of ten dollars (\$10.00) paid per month by members for a period of no longer than 20 years remains unchanged.

This act would become effective July 1, 2000.

BACKGROUND:

Recent Increases in the Fire and Rescue Pension

<i>Year</i>	<i>Monthly Pension</i>	<i>Increase Over Previous Year</i>
1994	\$110	
1995	\$135	\$25/ month
1997	\$141	\$6/ month
1998	\$146	\$5/ month
2000	\$151 <i>proposed</i>	\$5/ month <i>proposed</i>

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S

1

SENATE BILL 1268

Short Title: Fire and Rescue Squad Pensions.

(Public)

Sponsors: Senators Warren; Carpenter, Carter, Dalton, Forrester, Foxx, Garwood, Hoyle, Kerr, Kinnaird, Lucas, Martin of Guilford, Odom, Reeves, Robinson, Rucho, Soles, and Wellons.

Referred to: Pensions & Retirement and Aging.

May 17, 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:

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-five dollars (\$155.00) per month. Any
12 retired fireman receiving a pension shall, effective July 1, 1998, receive a pension of
13 ~~one hundred forty-six dollars (\$146.00)~~ one hundred fifty-five dollars (\$155.00) 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
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.

1 A member who is totally and permanently disabled while in the discharge of the
2 member's official duties as a result of bodily injuries sustained or as a result of
3 extreme exercise or extreme activity experienced in the course and scope of those
4 official duties and who leaves the fire or rescue squad service because of this
5 disability shall be entitled to be paid from the fund a monthly benefit in an amount
6 of ~~one hundred forty six dollars (\$146.00)~~ one hundred fifty-five dollars (\$155.00) per
7 month beginning the first month after the member's fifty-fifth birthday. All
8 applications for disability are subject to the approval of the board who may appoint
9 physicians to examine and evaluate the disabled member prior to approval of the
10 application, and annually thereafter. Any disabled member shall not be required to
11 make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and
12 G.S. 58-86-40.

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

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

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

37 Section 2. This act becomes effective July 1, 2000.



North Carolina General Assembly
Legislative Services Office

ATTACHMENT # 11

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

Deane W. Robinson, Director
Administrative Division
Room 5, Legislative Building
16 W. Jones Street
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(919) 733-6660

James D. Johnson, Director
Fiscal Research Division
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Raleigh, NC 27603-5925
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Information Systems Division
Suite 400, LOB
300 N. Salisbury St.
Raleigh, NC 27603-5925
(919) 733-6834

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

May 31, 2000

MEMORANDUM

TO: Senator Ed Warren

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note Senate Bill 1268

Re: Increases the monthly benefit to members and retirees of the Firemen's and Rescue Squad Workers' Pension Fund from \$146 to \$155.

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

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

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, May 25, 2000
- (3) Actuarial Note. Hartman & Associates, May 24, 2000

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 1268

SHORT TITLE: Fire and Rescue Squad Pensions

SPONSOR(S): Senator Warren

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 \$155.

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
Benefit Increase	\$3,871,020	\$3,871,020	\$3,871,020	\$3,871,020	\$3,871,020

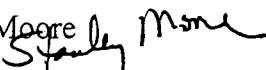
GENERAL ASSEMBLY ACTUARY

	<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
Benefit Increase	\$4,074,678	\$4,074,678	\$4,074,678	\$4,074,678	\$4,074,678

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 30, 2000

BUCK CONSULTANTS

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

May 25, 2000

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

Senate Bill 1268

Dear Mr. Pruitt:

We have received your letter of May 18 regarding Senate Bill 1268 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 nine dollar (\$9.00) 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 \$155.00 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 \$3,871,020. Therefore, this legislation would require additional appropriations of \$1,716,429 for the 2000-2001 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 \$155
FOR CURRENT AND FUTURE RETIRED MEMBERS

Additional contribution for \$9.00 increase:	
Normal	\$ 312,570
Accrued liability	3,558,450
Total	\$ 3,871,020
Available annual contribution due to actuarial gains	
From 6-30-99 valuation	\$ 2,154,591
Additional appropriation required	\$ 1,716,429

As a technical observation, there are no funding provisions included in this Bill.

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:wg
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JC 1950 read 013

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

Jack Pruitt

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 24, 2000

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

Re: Senate Bill 1268: 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 \$155 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	\$5,344,542	\$ 0
4 years	\$4,074,678	\$2,136,524
9 years	\$2,277,797	\$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.

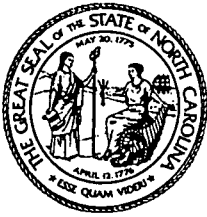
Sincerely,

Mark Hartman

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

MVH/jj

ACTUARIAL NOTE
True & Exact Copy of Original
Certified By *Stanley Moore* Date *6-1-00*
Legislative Fiscal Research



SENATE BILL 1268: Fire and Rescue Squad Pensions.

BILL ANALYSIS

Committee: Senate Pensions, Retirement &
Aging
Date: June 7, 2000
Version: First Edition

Introduced by: Senator Warren
Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

Senate Bill 1268 increases the monthly pension for members of the Firemen's and Rescue Squad Workers' Pension Fund.

BILL ANALYSIS:

Senate Bill 1268 increases the monthly benefit paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from \$146.00 to \$155.00. In order to be eligible for the benefit, members must pay \$10.00 per month for a period of 20 years, be at least 55 years of age and have obtained at least 20 years of service. The benefit would be increased for those already retired and those who retire in the future. In addition, the bill makes an identical increase in the benefit paid to members who become totally and permanently disabled in the line of duty. These benefits were previously increased, effective July 1, 1998.

This bill would become effective July 1, 2000.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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1

SENATE BILL 1287

Short Title: Fire and Rescue Open Enrollment.

(Public)

Sponsors: Senators Warren; Albertson, Carrington, Clodfelter, Jordan, Kinnaird, Martin of Pitt, Perdue, and Rand.

Referred to: Pensions & Retirement and Aging.

May 17, 2000

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~~ 2001. 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, 2001, to pay for this
2 prior service and, if this payment is not made by ~~October 1, 1989~~, June 30, 2001, 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, 2000.



North Carolina General Assembly
Legislative Services Office

ATTACHMENT # 13

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

Gaine 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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Raleigh, NC 27603-5925
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James D. Johnson, Director
Fiscal Research Division
Suite 619, LOB
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Raleigh, NC 27603-5925
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(919) 733-6834

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

May 31, 2000

MEMORANDUM

TO: Senator Ed Warren

FROM: Stanley Moore 
Fiscal Research Division

SUBJECT: Actuarial Note Senate Bill 1287

Re: Allows a open-door enrollment period in the Firemen's and Rescue Squad Workers' Pension Fund from October 1, 2000 until March 31, 2001 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: Chairman, Senate Committee on Pensions & Retirement
Senate Principal Clerk

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, May 25, 2000
- (3) Actuarial Note. Hartman & Associates, May 31, 2000

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 1287

SHORT TITLE: Fire/Rescue Open Enrollment

SPONSOR(S): Senator Warren

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, 2000 to March 31, 2001 for purposes of gaining retroactive membership service based on payment of \$10 per month of service plus interest.

EFFECTIVE DATE: October 1, 2000 to March 31, 2001

ESTIMATED IMPACT ON STATE: Buck Consultants estimates the cost to be \$1,439 per person who elects to purchase prior service. The below estimates are based on 4000 to 6000 new members.

	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Benefit Increase	\$5.8m - \$8.8m	\$5.8m - \$8.8m	\$5.8m - \$8.8m	\$5.8m - \$8.8m	\$5.8m - \$8.8m

GENERAL ASSEMBLY ACTUARY Hartman & Associates estimates the cost based on 4000 to 6000 new members based on 4 year liquidation period.

	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Benefit Increase	\$5.2m - \$7.8m	\$5.2m - \$7.8m	\$5.2m - \$7.8m	\$5.2m - \$7.8m	\$5.2m - \$7.8m

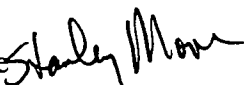
ASSUMPTIONS AND METHODOLOGY: The cost range is based on an estimate of a low of 4,000 new participants and a high of 6,000 new participants who would elect to become members and purchase prior service or current members who would purchase service rendered prior to joining.

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, 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

Senate Bill 1287

Dear Mr. Pruitt:

We have received your letter of May 18 regarding Senate Bill 1287 which affects the Firemen's and Rescue Squad Workers' Pension Fund.

This proposal appears to allow, for a period of time commencing October 1, 2000 and ending June 30, 2001, 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, 2000 and ending June 30, 2001, 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 \$1,439 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 2000-2001 fiscal year would be between \$5,892,000 and \$8,838,000. The cost estimate is based on the June 30, 1999 valuation, a monthly benefit of \$146 and a funding period of approximately 4 years for amortization of the additional unfunded liability. The increase in the cost from our previous correspondence dated March 29, 1999 is due to 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:ws

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JC 1950 RET05 013

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

Buck Consultants, Inc.

770/955-2488 Fax 770/933-8336

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 24, 2000

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

Re: Senate Bill 1287: 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, 2001. 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, 2000.

The estimated annual cost of this bill is calculated as the product of the average cost per member who elects to purchase prior credit and the number of members making such an election. 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, 2000 is shown below. The cost includes both the normal rate and accrued liability components, and costs are shown for three different amortization periods for the additional accrued liability. 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 for Open Enrollment</u>	<u>Reduction in Current Funding</u>
3 years	\$6,487,960 - \$9,731,940	\$ 0
4 years	\$5,183,440 - \$7,775,160	\$2,136,524
9 years	\$3,030,340 - \$4,545,510	\$5,159,757

Mr. Stanley Moore
May 24, 2000

Page 2

These estimates are based on the data contained in the most recent actuarial valuation prepared as of June 30, 1999. Based on that valuation, the amortization period for the unfunded accrued liability is approximately three years.

If you have any questions, let me know.

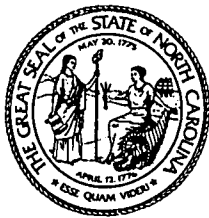
Sincerely,

Mark V. 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



SENATE BILL 1287: Fire and Rescue Open Enrollment.

BILL ANALYSIS

Committee: Senate Pensions, Retirement & Aging
Date: June 7, 2000
Version: First Edition

Introduced by: Senator Warren
Summary by: Karen Cochrane Brown
Committee Counsel

SUMMARY:

Senate Bill 1287 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 31, 2001. 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, 2001.

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, 2000.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S.

1

SENATE BILL 1321

Short Title: Fire Marshals in Pension Fund.

(Public)

Sponsors: Senators Warren; and Albertson.

Referred to: Pensions & Retirement and Aging.

May 18, 2000

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
24 at no less than 36 hours of all drills and meetings in each calendar year. "Eligible

1 firemen" shall also mean those persons meeting the other qualifications of this
2 section, not exceeding 25 volunteer firemen plus one additional volunteer fireman per
3 100 population in the area served by their respective departments. Each department
4 shall annually determine and report the names of those firemen meeting the eligibility
5 qualifications to its respective governing body, which upon determination of the
6 validity and accuracy of the qualification shall promptly certify the list to the board.
7 For the purposes of the preceding sentence, the governing body of a fire department
8 operated: by a county is the county board of commissioners; by a city is the city
9 council; by a sanitary district is the sanitary district board; by a corporation, whether
10 profit or nonprofit, is the corporation's board of directors; and by any other entity is
11 that group designated by the board."

12 Section 2. This act becomes effective July 1, 2000.



North Carolina General Assembly
Legislative Services Office

ATTACHMENT # 15

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

Maime 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 1, 2000

MEMORANDUM

TO: Senator Ed Warren

FROM: Stanley Moore *SM*
Fiscal Research Division

SUBJECT: Actuarial Note Senate Bill 1321

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, attached is a certified copy of an original actuarial note on the above subject as prepared by the General Assembly's Consulting Actuary. A certified copy of an original actuarial note on the same subject from the Plan Administrator's Consulting Actuary is also attached for your review.

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

Attachment(s):

- (1) Legislative Actuarial Note
- (2) Actuarial Note, Buck Consultants, May 31, 2000
- (3) Actuarial Note, Hartman & Associates, June 1, 2000

LEGISLATIVE ACTUARIAL NOTE

BILL NUMBER: Senate Bill 1321

SHORT TITLE: Fire Marshals in Pension Fund

SPONSOR(S): Senator Warren

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

FUNDS AFFECTED: General Fund

BILL SUMMARY: 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.

EFFECTIVE DATE: July 1, 2000

ESTIMATED IMPACT ON STATE: Both actuaries estimate the annual cost to be \$130 per person who joins the Pension Fund. If all 100 counties have a fire marshal whose sole duty is that of fire marshal, the cost will be as follows:

	<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
General Fund	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000

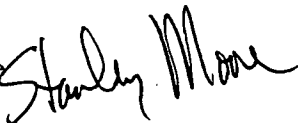
ASSUMPTIONS AND METHODOLOGY: Firemen's and Rescue Squad Workers' Pension Fund:
 : The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the June 30, 1999 actuarial valuation of the fund. The data included 28,008 active members 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 June 1, 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

Dear Mr. Pruitt:

Senate Bill 1321

We have received your letter of May 19 regarding Senate Bill 1321 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, 2000.

The estimated cost of this legislation as an appropriation amount required from the General Fund for the fiscal year 2000-2001 based on the June 30, 1999 valuation would be \$13,000 assuming 100 fire marshalls become members. The annual appropriation amount for each prospective active member is \$129.86.

As a technical observation, Senate Bill 1321 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 *by cr*

Edward A. Macdonald
Principal and Consulting Actuary

EAM:ws

P:\NCFR\2000\DOCS\CORR\SB1321.DOC
JC 1990 RET03 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

June 1, 2000

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

Re: Senate Bill 1321: An Act to Include Full-Time County Fire Marshals in the Firemen's and Rescue Squad Workers' Pension Fund

Dear Mr. Moore:

This bill would rewrite G.S. 58-86-25 to redefine 'eligible firemen' to also mean an employee of a county whose sole duty is to act as the fire marshal of the county. The board of county commissioners must certify the fire marshal's attendance at no less than 36 hours of drills and meetings in each calendar year. This would include such county fire marshals as members of the Firemen's and Rescue Squad Workers' Pension Fund. This act would become effective July 1, 2000.

This bill does not provide retroactive credit to fire marshals. Thus, the approximate annual cost for this bill will be the normal cost per member multiplied by the number of new entrants. Based on the most recent actuarial valuation prepared as of June 30, 1998, this normal cost is \$129.86 per member. Some county fire marshals may not meet the eligibility requirements under this bill. However, assuming the fire marshal in each of one hundred counties becomes eligible, the estimated annual cost of this bill is \$12,986.

If you have any questions, please let me know.

Sincerely,

Mark Hartman

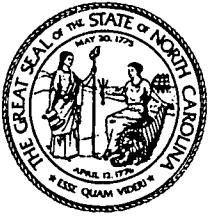
Mark V. Hartman, FSA, MAAA, MCA, EA
Consulting Actuary

MVH/jj

ACTUARIAL NOTE

True & Exact Copy of Original

Certified By: *Stanley Moore* Date: *6-1-00*
Legislative Fiscal Research



SENATE BILL 1321: Fire Marshals in Pension Fund

BILL ANALYSIS

Committee: Senate Pensions & Retirement
Date: June 6, 2000
Version: 1st Edition

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

SUMMARY: *Senate Bill 1321 amends the definition of "eligible firemen" to include county Fire Marshals in the Firemen's and Rescue Squad Workers' Pension Fund.*

BILL ANALYSIS:

Senate Bill 1312 amends G.S. 58-86-25 covering the definition of "eligible firemen" under the North Carolina Firemen's and Rescue Squad Workers' Pension Fund. The amended definition of "eligible firemen" would 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, 2000.

Referred to Pensions + Ret + Aging

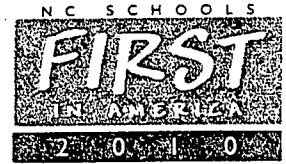


Pensions, Ret.

STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
20301 MAIL SERVICE CENTER • RALEIGH, NC 27699-0301

JAMES B. HUNT JR.
GOVERNOR

May 15, 2000



The Honorable Dennis Wicker
Lieutenant Governor
State Capitol
Raleigh, NC 27603-8006

Dear Lieutenant Governor:

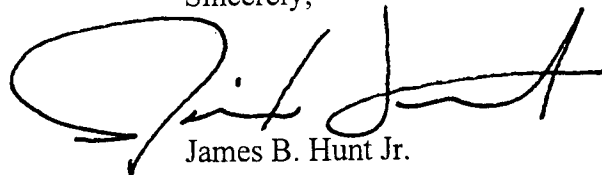
Pursuant to North Carolina General Statute 135-6, I hereby reappoint the following individuals to the Board of Trustees for the Teachers' and State Employees' Retirement System and submit their names for confirmation by North Carolina Senate. Please also note the attached resumes of these individuals.

- Mr. Kevin G. Harris, reappointed for a term expiring on March 31, 2004.
- Mr. Leigh S. Wilson, reappointed for a term expiring on March 31, 2004.
- Mr. Paschal W. Swann, reappointed for a term expiring on March 31, 2004.

Please contact my office of Boards and Commissions if you need further information on any of these individuals. Thank you for your attention to this important matter.

My warmest personal regards.

Sincerely,



James B. Hunt Jr.

JBH/jb

cc: The Honorable Marc Basnight
Janet Pruitt

Janet Pruitt
MAY 22 2000

MAY 22 2000

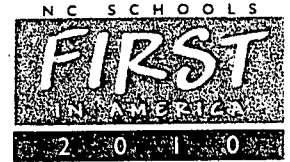




STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
20301 MAIL SERVICE CENTER • RALEIGH, NC 27699-0301

JAMES B. HUNT JR.
GOVERNOR

May 15, 2000



The Honorable Marc Basnight
Senate President Pro Tempore
Legislative Building
Raleigh, NC 27603

Dear Mr. President Pro Tempore:

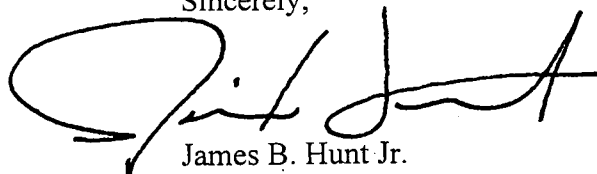
Pursuant to North Carolina General Statute 135-6, I hereby reappoint the following individuals to the Board of Trustees for the Teachers' and State Employees' Retirement System and submit their names for confirmation by North Carolina Senate. Please also note the attached resumes of these individuals.

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- Mr. Leigh S. Wilson, reappointed for a term expiring on March 31, 2004.
- Mr. Paschal W. Swann, reappointed for a term expiring on March 31, 2004.

Please contact my office of Boards and Commissions if you need further information on any of these individuals. Thank you for your attention to this important matter.

My warmest personal regards.

Sincerely,



James B. Hunt Jr.

JBH/jb

cc: The Honorable Dennis Wicker
Janet Pruitt



S. LEIGH WILSON
Executive Director Emeritus
North Carolina League of Municipalities

1942 **B.A. Degree in Political Science,**
 University of North Carolina at Chapel Hill

1942 - 1946 **U.S. Army, World War II,**
 Served in Infantry and Combat Engineers
 Major, U.S. Army Reserve (Ret.)

1947 - 1955 **Field Consultant,**
 N.C. League of Municipalities

1955 - 1969 **Assistant Director,**
 N.C. League of Municipalities

1969 - 1986 **Executive Director,**
 N.C. League of Municipalities

1987 - 1988 **Staff, Lt. Governor of North Carolina, as Assistant for Local Government**
 and Legislative Affairs, and Executive Director, N.C. Commission
 on Jobs and Economic Growth

**NATIONAL
AFFAIRS:**

Former Member:
Board of Directors, National League of Cities
Board of Directors, National Association of Regional Councils
Former:
National Chairman State League Directors Association
Life Member:
American Public Works Association

**REGIONAL
AFFAIRS:**

**FORMER
Member:**
Regional Leadership Council Task Force and Economic Development Task
Force, Triangle J Council of Governments
Former Member:
Local Government Advisory Council
Southern Growth Policies Board

**STATE
AFFAIRS:**

MEMBER: Board Of Trustees-State Retirement Systems
Member - Board of Directors:
N.C. Retired Governmental Employees' Association (President 1996-1998)
Poe Center for Health Education - Former Member

Former Member:
Local Government Advocacy Council
Community Development Council
Governors's Law and Order Committee
Governor's Productivity Commission
Commission on Reorganization of State Government
Advisory Committee, Water Resource Institute, UNC
Advisory Committee, N.C. Board of Water
Commissioners (Now Environmental Management Commission)
State Emergency Construction and Housing Task Force
Advisory Board, Institute for Transportation, Research and Education, UNC
Board of Directors, Keep North Carolina Clean and Beautiful

HONORS:

Named - Executive Director, Emeritus N.C. League of Municipalities
(October 1986)
Elected - Honorary Lifetime Member, International City Management
Association (1986)
Elected - Honorary Lifetime Member, North Carolina City/County
Management Association (1986)
Elected - Honorary Lifetime Member, North Carolina Association of
Municipal Clerks (1986)
Named - N.C. League Building Named: S. Leigh Wilson Building
(Dedicated October 1986)
Recipient- National League of Cities, John G. Stutts Service Award (1972)
Elected - Honorary Lifetime Member, N.C. League of Municipalities
(October 1989)
Recipient- Raleigh's Thad Eure, Jr. Memorial Award (1992)

**LOCAL
AFFAIRS:**

Founding Chairman of the Board:
Raleigh Convention and Visitors Bureau (1987-1992)
Former Chairman:
Raleigh Convention Center Task Force (1987)
Member:
Raleigh Rotary Club (President 1972-73)
Charter Member:
Former Vestryman and Sunday School Teacher
St. Michael's Episcopal Church, Raleigh, N.C.
Member:
Carolina Country Club

PERSONAL:

Born: Norfolk, Virginia, January 16, 1921
Married: Former Nancy Barwick of Raleigh, 1943
Two children and five grandchildren

RESUME

Paschal W. Swann (Pat)
2984 Ormond Drive
Winston-Salem, NC 27106

Residence 336 768-0236

Personal Data

Married with three children and three grandchildren
Served in Army Artillery from 1954-1956
Registered Engineer in State of North Carolina

Education

North Carolina State University	Bachelor of Science in Civil Engineering with Honors-1959
Department of Commerce Bureau Of Public Roads	6 months of transportation study in Washington, DC- 1960
University of North Carolina At Chapel Hill	Municipal Administration Course-1963

Experience

Retired from the City of Winston-Salem in December of 1995 with 35 years of service.

December 1995- Present

I have worked part time as an Engineering Consultant and have been active as a volunteer with Habitat for Humanity, NC State Engineering Foundation, Baptist Retirement Homes of NC, Inc. and Serving as a member of the Winston-Salem/Forsyth County Utilities Commission

November 1981-December, 1995

Assistant City Manager in Charge of Public Works for City of Winston-Salem

My duties were the same as listed under Director of Public Works except for the addition of the division of Roadway Appearance and Public Transportation.
In my area of responsibility there were approximately 1200 employees and an operating budget of \$81,000,000 and a capital budget of \$33,000,000.

September 1975-1981

Director of Public works for the City of Winston-Salem

Responsible for activities of Building Inspections, Management of Buildings and Property, Traffic Engineering, Street construction and Maintenance, Solid Waste Collection and Disposal, Vehicle Maintenance, Water Treatment, Water Distribution, Waste Water Collection and Waste Water Treatment. The Department consisted of approximately 900 people with an operating budget of \$36,000,000. In addition to on-going operations, the Public Works Department was responsible for the management of a five-year, \$60,000,000 Capital Improvement Program.

September, 1973- March 1975

Director of Recreation, City of Winston -Salem

1969 to September 1973

Assistant Director of Public Works, City of Winston-Salem

1963-1969

Superintendent of the Street Division for the City of Winston-Salem

1961 - 1963

Civil Engineer for City of Winston-Salem

Kevin G. Harris
1232 Drivers Circle
Rocky Mount, NC 27804

residence: 252.972.7606
business: 252.454.8286
e-mail: Kharris@Centura.com

Education

- 1976 - 80 **Virginia State University, Petersburg, VA**
 BS Business Administration, Accounting concentration
- 1994 - 97 **Graduate School of Banking at Louisiana State University**

Experience

- Centura Bank, Rocky Mount, NC**
- 1994 - Present **Community Development Group Manager-SVP, Rocky Mount, NC**
 Responsible for coordinating community outreach and CRA product development and promotion. Management of six Regional Community Development Officers. Coordinating efforts of 40 Financial Service Officers identified to devote time to community development initiatives. Accomplishments include establishing the Community Development unit and positioning it on the business development side of the bank.
- 1990 - 1994 **Senior Commercial Lender-VP, Greensboro, NC**
 Managed \$40mm commercial portfolio as well as overseeing problem credits. Managed Note Teller personnel.
- 1987 - 1990 **Loan Review Manager-VP, Rocky Mount, NC**
 Responsible for evaluating, grading and reporting to senior management the quality of the commercial loan portfolio, and included management of four Loan Review Officers.
- 1986 - 1987 **Commercial Loan Administrator-AVP, Rocky Mount**
 Administered, analyzed and approved commercial loan activity for six markets. Presented loan requests to Senior Loan Committee for approval, and instructed credit schools.
- 1985 - 1986 **Loan Review Officer-AVP, Rocky Mount**
 Evaluated the bank's commercial loan portfolios across the state and reported findings.
- Sovran Bank (now Nations), Norfolk, VA**
- 1983 - 1985 **Credit Analysis Officer;** Duties included spreading and analyzing business financial statements for loan requests in excess of \$500,000. Also prepared and reported recommendations to the Loan Committee.
- 1982 - 1983 **Management Associate**
- 1980 - 1982 **Virginia Bureau of Financial Institutions, Richmond, VA**
 Bank Examiner, Examined State banks for safety and soundness. Duties included examining bank operations and evaluating loans and investments.

Volunteerism

- Wildacres Leadership Initiative - Human Relations and Leadership Fellowship
 Board of Trustees - NC Teachers' and State Employees' Retirement System (Governor Appointed)
 Board Member - Rocky Mount Redevelopment Commission
 Executive Board - NC Low Income Housing Coalition
 Board Vice President - Rocky Mount Boys and Girls Club
 Board Member - Down East Partnership for Children



North Carolina General Assembly
Senate Chamber
State Legislative Building
Raleigh 27601-2808

June 7, 2000

The President and Members of the Senate
North Carolina General Assembly
State Legislative Building
Raleigh, North Carolina 27601-2808

Dear Mr. President and Members of the Senate:

In compliance with the provisions of North Carolina General Statute 135-6, Requiring appointees to the Board of Trustees for the Teachers' and State Employees' Retirement System to be confirmed by the General Assembly, Governor Hunt has submitted his appointees, Mr. Kevin G. Harris, Mr. Leigh S. Wilson, and Mr. Paschal W. Swann, for confirmation. Their terms will begin immediately and will expire on March 31, 2004.

The Senate Committee on Pensions & Retirement and Aging has considered the appointment and makes the following recommendation to the General Assembly:

That the appointment of Kevin Harris, Leigh Wilson and Paschal Swann beginning immediately and expiring March 31, 2004, be confirmed.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jim Phillips, Sr.", written over a horizontal line.

Jim Phillips, Sr. Chairman
Senate Committee on Pensions &
Retirement and Aging



VISITOR REGISTRATION SHEET

Pensions & Retirement and Aging

Wednesday, June 7, 2000

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

<i>Robby Joyner</i>	<i>N.C. State Firemen Association</i>
<i>Paul Miller</i>	<i>N.C. State Firemen's Association</i>
<i>Gordon A. Joyner</i>	<i>NC Assoc of Res & EMS</i>
<i>Doris Weaver</i>	<i>NC CWA Political Council</i>
<i>Ruhul O'Brien</i>	<i>Prof Fire Fighters & Paramedics of NC</i>
<i>David Anders</i>	<i>" " " " ; " "</i>
<i>Crispet P. Porter</i>	<i>Bone & Associates</i>
<i>Jennifer Bennett</i>	<i>NC-DPI</i>
<i>Frank Lewis</i>	<i>OSBM</i>
<i>Glenn Lamar</i>	<i>UTU.</i>
<i>Dana Lopez</i>	<i>DOL SEANUC</i>
<i>Regina Bone</i>	<i>Bone & Assoc</i>
<i>Maurice King</i>	<i>OSBM</i>

VISITOR REGISTRATION SHEET

Pensions & Retirement and Aging

Wednesday, June 7, 2000

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Tamara Wade	PENC
Katherine Joyce	SEARC
Wendy Mills	SEARC
ELLIS HANKINS	NCLM
Bill Wilson	NCAE
LYNN WILSON	SEARC
Jude Auger	NCLSA
Paul Presnell	NC Retired School Personnel
A.C. Dawson	" " " "
Leigh Hammond	N.C. Retired Gov't Emp. Assn.
Robin Chastant	NCLSA Legal Research Div

**Senate Pensions & Retirement and Aging Committee
Thursday, June 22, 2000
9:00 am
Room 423, Legislative Office Building**

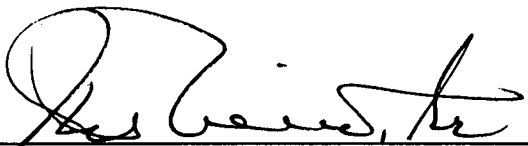
MINUTES

The Senate Pensions & Retirement and Aging Committee met at 9:10 am on Thursday, June 22, 2000 in Room 423, Legislative Office Building. Seven members of the committee were present. Senator Jim Phillips, Sr. presided.

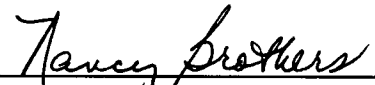
Sen. Phillips called on Fiscal Analyst, Mr. Stanley Moore to brief the committee on an amendment to G.S. 135-3(8)c Senate Special Provision to the budget: *An Act to Allow Retired Teachers to Teach Without Losing Retirement Benefits* (see Attachment 1).

After questions from members on the above, and discussion of the provisions in the amendment to encourage experienced teachers to return to the classroom , Senator Aaron Plyler spoke in favor of the proposed amendment and moved a favorable report. The motion passed unanimously.

The meeting adjourned at 10:45 a.m.



Senator Jim Phillips, Sr.


Nancy Brothers, Clerk

Requested by: Senators Lee, Dalton, Plyler, Perdue, Odom
ENCOURAGE RETIRED TEACHERS TO RETURN TO THE CLASSROOM

Section 8.24. G.S. 135-3(8)c. reads as rewritten:

"c. (Effective until July 1, 2003) Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed, or otherwise engaged to perform services, by an employer participating in the Retirement System on a part-time, temporary, interim, or on a 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%).

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 on a substitute, interim, or permanent 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."

BUCK
CONSULTANTS

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

June 16, 2000

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

Senate Special Provision

Dear Mr. Pruitt:

We have received your letter of June 16 regarding a Senate Special Provision which affects the Teachers' and State Employees' Retirement System.

This special provision 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,

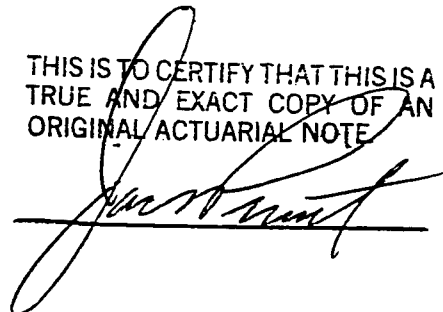
Edward A. Macdonald *by ct*

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



HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

Phone: (336) 731-4038

Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

June 16, 2000

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

Re: Senate Special Provision: An Act to Allow Retired Teachers to Teach
Without Losing Retirement Benefits

Dear Mr. Moore:

This provision 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 provision deletes the three conditions listed above for excluding earnings from the postretirement earnings test. This 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 provision 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.

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: 6-21-00
Legislative Fiscal Research

MVH/mt

VISITOR REGISTRATION SHEET

Senate Pensions & Retirement and Aging

Thursday, June 22, 2000

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

David Ferrell	Hofer, McNamara, Caldwell et al
Susan Hanner	WCPSS
Marsha Glen	DOA
Becki Street	PPAB
Lugh Alhammad	NC Ret. Govt Emp. Assn.
T. Bryan	Dept. State Treasurer, Retirement
Jack Pruitt	Dept. State Treasurer, Retirement
Frank Lewis	OSBM