2003-2004

HOUSE PENSIONS & RETIREMENT

COMMITTEE MINUTES

NORTH CAROLINA GENERAL ASSEMBLY

Pensions & Retirement
2003 – 2004 SESSION



Rep. Larry Bell
Chair



Rep. Gene Wilson
Chair



Rep. W. Eugene McCombs
Vice chair



Rep. Douglas Yongue
Vice chair



Rep. Bernard Allen
Member



Rep. Bobby Barbee
Member



Rep. Joe Kiser
Member



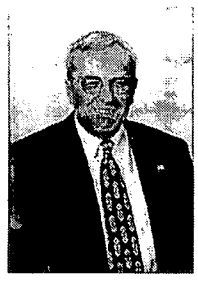
Rep. William McGee
Member



Rep. Marion McLawhorn
Member



Rep. Don Munford
Member



Rep. Raymond Rapp
Member



Rep. Joe Tolson
Member



Rep. Brubaker
Ex-officio



Rep. Culpepper
Ex-officio



Rep. Cunningham
Ex-officio



Rep. Eddins
Ex-officio

House Committee on Pensions & Retirement

Members	Assistant	Phone	Office	Seat
Representatives				
Larry Bell-Chair	Carolyn Edwards Committee Clerk	3-5662	530	96
Gene Wilson-Chair	Rebecca Jones-Cooper Committee Clerk	3-7727	1109	51
W. Eugene McCombs-Vice Chair	Suzanne Erskine	3-5881	514	64
Douglas Yongue-Vice Chair	Kathryn Bishop	3-5821	1303	84
Bernard Allen	Gloria Haywood	3-5772	1325	94
Bobby Barbee	Rosa Murray	3-5908	1025	52
Joe Kiser	Marilyn Holder	3-5782	1326	18
William McGee	Jayne Nelson	3-5863	531	54
Marion McLawhorn	Susan Burleson	3-5757	1217	34
Don Munford	Carla Farmer	3-5809	539	41
Raymond Rapp	Dot Barber	3-5732	2213	118
Joe Tolson	Gayle Christian	5-3024	402	59
Harold Brubaker-Ex-officio	Cindy Coley	5-4946	1229	2
Bill Culpepper-Ex-officio	Dot Crocker	5-3028	404	36
Pete Cunningham-Ex-officio	Valerie Rustin	3-5778	541	7
Rick Eddins-Ex-officio	Dorie Monroe	3-5828	1002	26
Karen Cochrane-Staff	Research	3-2578	1423	
Theresa Matula-Staff	Research	3-2578	1423	
Stanley Moore-Staff	Fiscal Research	3-4910	619	

PENSIONS AND RETIREMENT COMMITTEE ATTENDANCE

2003 Session

DATES	3-12-03	3-19-03	4-02-03	4-09-03	4-10-03	4-16-03	4-23-03	4-24-03	4-30-03	5-07-03	5-21-03	6-11-03	6-25-03	7-16-03		
REP. BELL, CO-CHAIR	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
REP. WILSON, CO-CHAIR	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
REP. MCCOMBS, VICE-CHAIR	X	X	X	X	X	X	X	X	X	X		X	X	X		
REP. YONGUE, VICE-CHAIR	X	X	X		X	X	X	X	X	X	X	X	X	X		
REP. ALLEN	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
REP. BARBEE	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
REP. KISER	X	X	X	X			X		X	X	X	X	X			
REP. MCGEE	X	X	X	X		X	X	X	X	X	X	X	X	X		
REP. MCLAWHORN	X	X	X	X	X	X	X	X	X	X		X	X			
REP. MUNFORD	X	X	X	X	X	X	X			X	X	X	X			
REP. RAPP	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
REP. TOLSON	X		X		X	X	X	X	X	X	X	X		X		
EX-OFFICIO:																
REP. BRUBAKER																
REP. CULPEPPER																
REP. CUNNINGHAM	X															
REP. EDDINS					X	X										
STAFF:																
Karen Cochrane-Brown, Research	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Stanley Moore, Fiscal Research	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Theresa Matula, Research	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
LEGISLATIVE ASSISTANCE:																
Carolyn Edwards	X	X	X	X	X	X	X	X		X	X	X	X			
Rebecca Jones	X	X	X	X	X	X	X	X	X	X	X	X	X	X		

MINUTES

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

MARCH 12, 2003 10:00 A.M.

The House Committee on Pensions and Retirements met at 10:00 a.m. on Wednesday, March 12, 2003 in Room 544 of the Legislative Office Building. The following members were present: ***Chairmen Bell and G. Wilson; Vice Chairs McCombs and Yongue; and Representatives B. Allen, Barbee, Kiser, McGee, McLawhorn, Munford, Rapp, Tolson, and Ex-Officio Cunningham.*** Staff persons present included: Karen Cochrane-Brown and Theresa Matula of Research and Stanley Moore of Fiscal Research. Committee Assistants: Rebecca Jones-Cooper and Carolyn Edwards. The Agenda and Visitor Registration Sheet are attached and incorporated into the minutes.

Representative Bell called the first organizational meeting of the Pensions and Retirement Committee to order. The purpose of the meeting was to allow an introduction of each member and staff. Pages Adrienne Farmer, Jennifer Gold and Sergeant-At-Arms Bill Freeman and James Worth were also introduced.

Representative Bell asked that the staff of the Treasury Department give a briefing on how the Retirement System works for the next meeting in order to insure proper knowledge and assessment of the bills that the committee would later consider.

Chairman Bell adjourned the meeting at 10:30 a.m.

Respectfully submitted,

Carolyn A. Edwards

Carolyn A. Edwards, Committee Assistant

Larry M. Bell

Representative Larry M. Bell
Presiding Chair

AH 1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — MARCH 12, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Laura Harper	SEANC lharper@seanc.org
Benny Scarboro	NCHC
Frank Lewis	OSBM
Michael Williamson	Retirement System
Pam Reardon	" "
Janice Ramsey	CTA
Paul Meyer	NCACC
Patrice Roesler	NCACC
Jim Dyer	SBE

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on PENSIONS AND RETIREMENT will meet as follows:

DAY & DATE: **WEDNESDAY, MARCH 12, 2003**

TIME: **10:00 A.M.**

LOCATION: **544 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):
THIS WILL BE AN ORGANIZATIONAL MEETING

Respectfully,
Representatives Bell and G. Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **12:00 p.m.** on **MARCH 11, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Rebecca Jones-Cooper (Committee Assistant)

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

ORGANIZATIONAL MEETING

March 12, 2003
10:00 a.m.
Room 544 LOB

Co-Chairs

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

INTRODUCTION OF MEMBERS

BILLS TO BE CONSIDERED

ADJOURNMENT

MINUTES

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

MARCH 19, 2003 10:00 A.M.

The House Committee on Pensions and Retirements met at 10:00 a.m. on Wednesday, March 12, 2003 in Room 544 of the Legislative Office Building. The following members were present: ***Chairmen Bell and G. Wilson; Vice Chairs McCombs and Yongue; and Representatives B. Allen, Barbee, Kiser, McGee, McLawhorn, Munford, and Rapp.*** Staff persons present included: Researchers Karen Cochrane-Brown and Theresa Matula and Stanley Moore of Fiscal Research. Committee Assistants: Rebecca Jones-Cooper and Carolyn Edwards. The Agenda and Visitor Registration Sheet are attached and incorporated into the minutes.

Representative Gene Wilson called the meeting to order and introduced Pages Jessica Crossgroff and Gregg McCombs. Sergeant-At-Arms Bill Freeman and Charles Green.

The purpose of the meeting was to enhance the knowledge of the committee about the Retirement System with an overview given by Director Michael Williamson of the Treasury Department. Director Williamson introduced his staff and those present were: Debra Bryant, Deputy Director of Programs, Marshall Barnes, Deputy Director of Operations, Joanne Shearer, Director of Policy, Research and Analysis, Pam Deardorff, Director of External Relations, and John McLawhorn, General Counsel and Legislative Liaison

'Retirement System Legislative Briefing' handouts were distributed and are attached and incorporated in the minutes. Mr. Williamson explained the entire **'Legislative Briefing'** with the use of a slide projector. **(Please refer to the attachment).** He stated that the Treasury Department was working to improve the process of customer service. He informed the committee that they would be coming forth with new technology to allow customers to access information on line.

Chairman G. Wilson adjourned the meeting at 10:50 a.m.

Respectfully submitted,

Carolyn A. Edwards

Carolyn A. Edwards, Committee Assistant

Larry M. Bell

Representative Larry M. Bell
Presiding Chair

Rebecca Jones (Rep. G. Wilson)

m: Carolyn Edwards (Rep. Bell)
nt: Monday, March 17, 2003 5:27 PM
Subject: Pension and Retirement Committe Notice Date

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **PENSION AND RETIREMENT** will meet as follows:

DAY & DATE:	**Wednesday, March 19, 2003**
TIME:	**10:00 AM**
LOCATION:	**LOB 544**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):
VERVIEW OF NORTH CAROLINA RETIREMENT SYSTEMS

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **5:30 P.M.** on **Monday, March 17 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

AH 1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — MARCH 19, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joanne Scharer	Treasurer - Retirement
Laura Harper	SEANC
Frank Lewis	OSBM
Susan Hanson	UCPSS
Debra Bryan	Treasurer Retirement
Marshall Barnes	Treasurer - Retirement
Ellis Hankins	N.C.L.M.
Jerry Hartsell	NC Assoc. Co.
Marge Freeman	NCAE
Ralph Dalton	Bond Assoc.
Roger Coe	Bond Assoc. Treasurer
Gene Causby	NCSFSA

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — MARCH 19, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
	NCPPAPA
Amy Dobson	NC State Health

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

March 19, 2003
10:00 a.m.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

AN OVERVIEW OF NORTH CAROLINA RETIREMENT SYSTEMS
MICHAEL WILLIAMSON - DIRECTOR OF SYSTEMS DIVISION, DEPARTMENT OF STATE TREASURE

ADJOURNMENT

AH2

Retirement System Legislative Briefing



Briefing Sponsors

- North Carolina Association of County Commissioners
- North Carolina Association of Educators
- North Carolina Association of School Administrators
- North Carolina League of Municipalities
- North Carolina Retired Governmental Employees' Association
- North Carolina Retired Highway Patrol Association
- North Carolina Retired Police Officer Association
- North Carolina Retired School Personnel
- State Employees Association of North Carolina

Briefing Objectives

- To provide an overview of the N.C. Retirement Systems
- To develop an understanding of the current and future funding situation for the Retirement Systems
- To report the investment performance of the Retirement Funds
- To share the current customer service challenges and opportunities facing the Retirement System

The NC Retirement Systems: Who We Are

- First created by the General Assembly over sixty years ago
- Now the 9th largest public pension plan in the country
- The 13th largest pension plan overall
  - ✓ Up from 17th and bypassing Boeing, the State of Wisconsin, IBM, and Lucent
- 490,000 active members and 168,000 benefit recipients
- 1 in 8 working North Carolinians are members of system

Purpose of NC Retirement System Benefit Programs

- Help recruit and retain good employees for a career in public service
- Provide deferred income after retirement
- Provide replacement income for disability
- Death Benefits for an employees' survivors

Major Benefit Programs

- Teachers' & State Employees' Retirement System
  - ✓ Active Members: 351,659
  - ✓ Retired Members: 121,306
- Local Governmental Employees' Retirement System
  - ✓ Active Members: 137,452
  - ✓ Retired Members: 33,547
- Consolidated Judicial Retirement System
  - ✓ Active Members: 449
  - ✓ Retired Members: 427
- Legislative Retirement System & Legislative Fund
  - ✓ Active Members: 144
  - ✓ Retired Members: 214

Other Benefit Programs

- Firemen's and Rescue Squad Workers' Pension Fund
- National Guard Pension Plan
- Registers of Deeds Supplemental Pension Plan
- Supplemental Retirement Income Plan [401(k)]
- Disability Income Plan / Teachers and State Employees
- Up to a $50,000 Death Benefit for Teachers and State Employees, Local Government Employees, and Legislators
- Contributory Death Benefit for Retirees

Teachers' & State Employees' Retirement System

Local Governmental Employees' Retirement System

Joint Contributory
Defined Benefit Plans

Defined Benefit Formula for the Teachers' and State Employees' and Local Government Retirement Systems

- Years of Service x Average Final Compensation (48 highest consecutive months) x Accrual Factor (1.82) = Benefit level

North Carolina's Defined Contribution Plans

- NC 401(k)
- 457 Deferred Compensation Plan
- UNC Optional Retirement Program

Employer Provided Healthcare

- North Carolina pays 100% of state employees' cost of the retiree's health insurance premium, provided the retiree has completed 5 years of contributing membership service

Constitutional Mandate

"Neither the General Assembly nor any public officer, employee, or agency shall use or authorize to be used any part of the funds of the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System for any purpose other than retirement system benefits and purposes, administrative expenses, and refunds; ....shall not be applied, diverted, loaned to, or used by the State, any State agency, State officer, public officer, or public employee."

N.C. Constitution
Article V Section 6(2)

Funding Sources

- Employee contributions
- Employer contributions
- Investment income

Repayment of Escrowed Funds

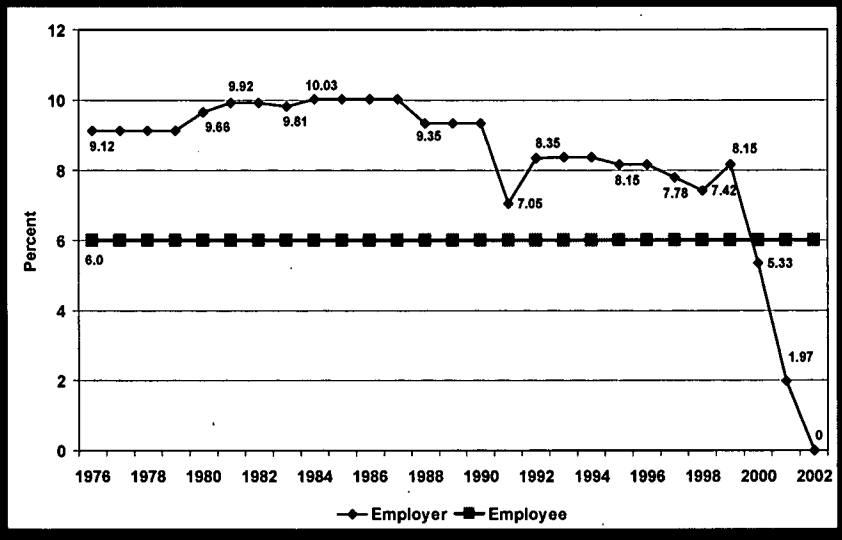
SESSION LAW 2001-513 (HOUSE BILL 231)

RETIREMENT PAYMENT

SECTION 21. It is the intent of the General Assembly to appropriate funds to make the contribution to the Teachers' and State Employees' Retirement System ("System") that would have been made for the fiscal period beginning February 28, 2001, and ending June 30, 2001. Further, it is the intent of the General Assembly that the payment be made with interest at rates determined by the General Assembly ...., it is also the intent of the General Assembly to make the payment by appropriations over a five-year period beginning July 1, 2003.

Contribution Rates

Teachers' & State Employees' Retirement System



Contribution Rates

Local Governmental Employees' Retirement System

- Contribution rates for individual employers varies with the average being approximately 5%
- The Local System has not reduced their base rate
- The Local System has a 20 year amortization period
- Due to the Local System having a longer amortization period and a stable base employer contribution rate, the System has more gains available than the State System

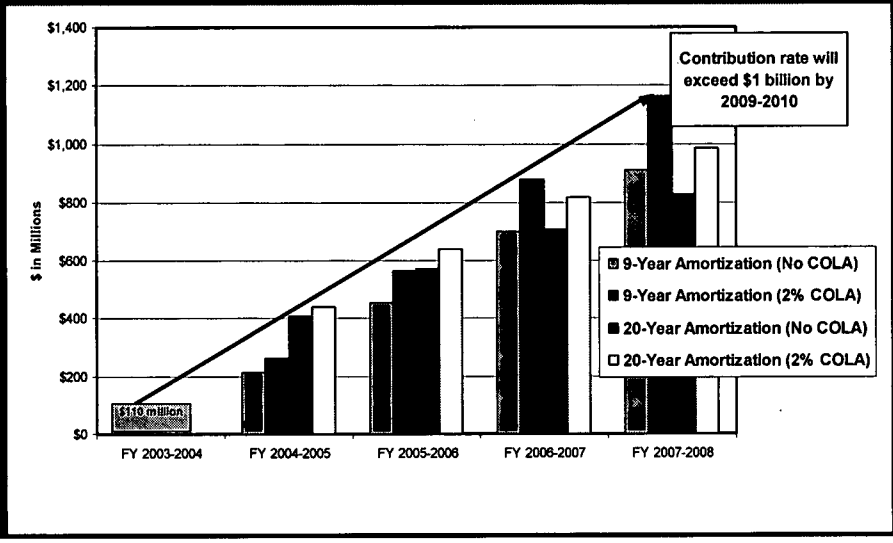
Cost of Living Adjustments (COLAs)

- History of COLAs in NC
- Ad-hoc in NC vs. Statutory
- Historically funded with undistributed gains

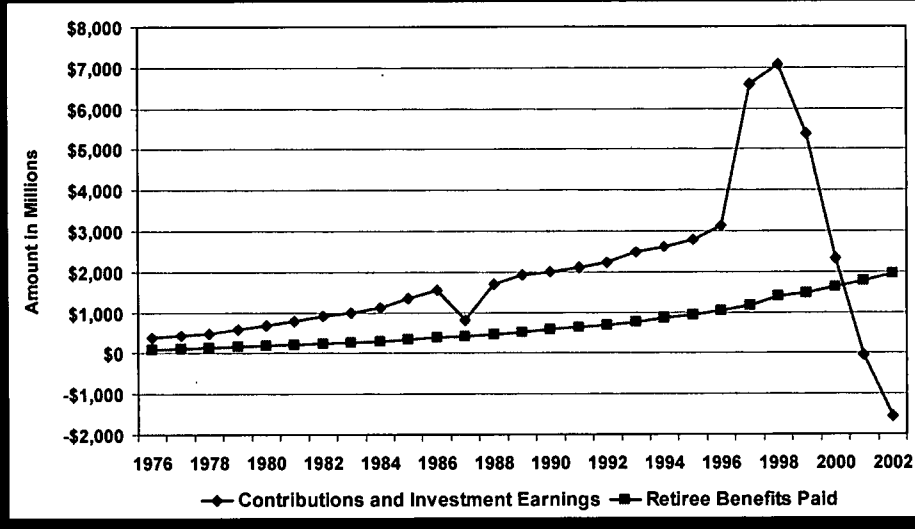
Key Retirement Assumptions

- Interest Rate – 7.25%
- Market Value – 5 year smoothing method
- Amortization Period – 9 years

Required State Contribution to the Teachers' and State Employees' Retirement System



Revenues v. Expenditures: A Historical View



Investment Management

- Among the top performing pension funds in the U.S.

Overall Plan vs. Other Public Funds (As of 12/30/02)				
	Last Six Months	1 Year	3 Year	5 Year
NC Retirement System	-1.02	-5.03	-1.50	4.21
Percentile Rank	8	10	14	8

- Leading advocate for investor reform.

Types Of Investments

- Pension Trust Funds are invested in four different areas
  - ✓Stocks (48.2%)
  - ✓Bonds (48%)
  - ✓Real Estate (3.1%)
  - ✓Alternatives (0.7%)

*Asset allocation as of 12/31/02

What Other States Are Facing

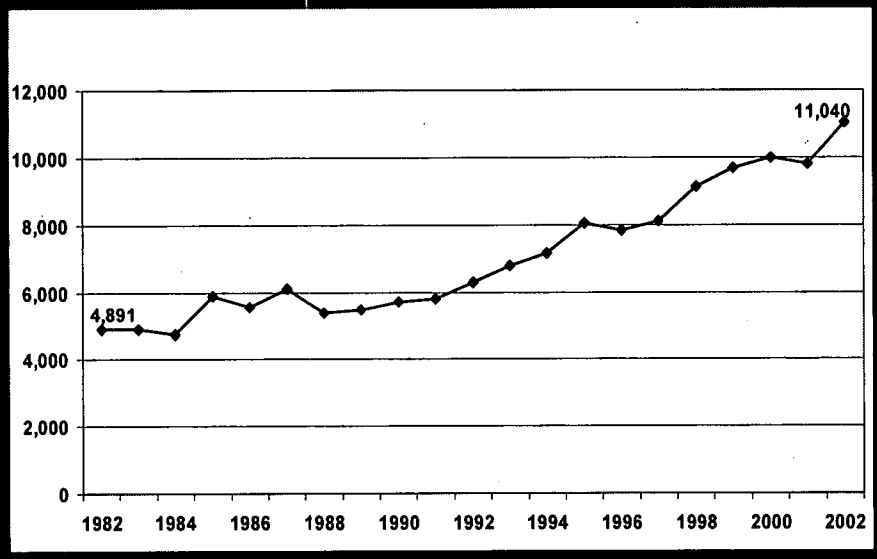
- Governor Davis of California is proposing a bond issue to fund the California plans
- New Jersey has approximately a $1 billion requirement for their plan this year
- Oklahoma, Oregon, Nevada, and West Virginia have unfunded liabilities greater than their entire state budget

Where We Are

- In every key business process over the last decade we've had significant increases sometimes as much as 100%
  - ✓Retirements processed up 62%
  - ✓Refunds processed up 28.6%
  - ✓Enrollments processed up 84.4%
  - ✓Reports of death up 153%
  - ✓Contributory death benefit claims up 100.3%

Retirements

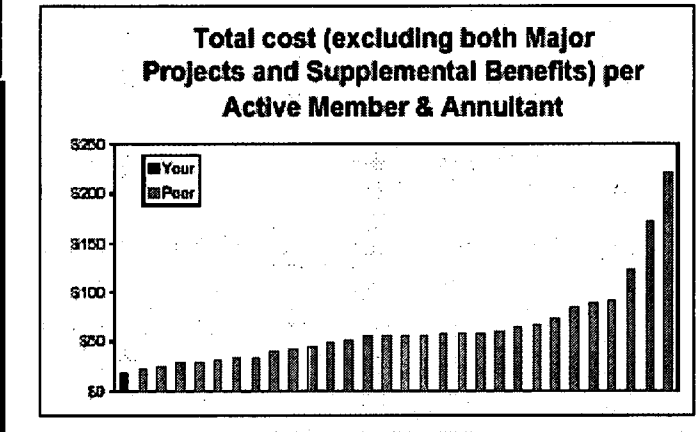
Teachers' and State Employees' and Local Governmental Employees Retirement Systems



Contact Center Customer Service

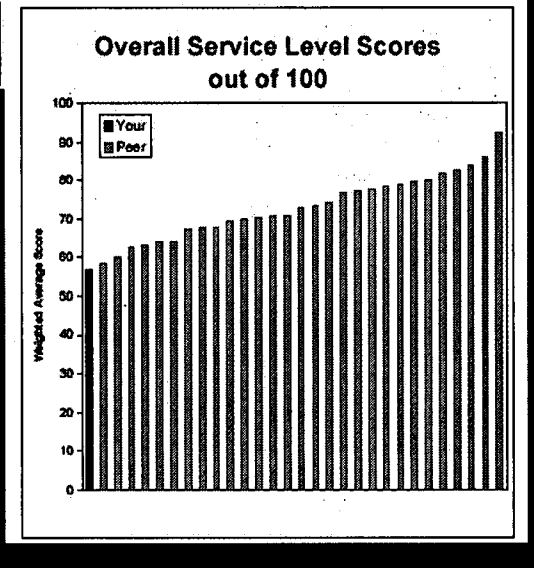
- People are waiting on average 12 minutes to talk with a counselor
- 32 percent of our customers are hanging up before talking with a counselor

Administrative Costs



- NC Retirement System benchmarked against 29 other public retirement systems.

Customer Service



What Are We Doing About It?

- Improving our business processes
- Upgrading information technology
- Requesting additional resources

Questions and Answers

BUILDING BRIGHTER FUTURES
FOR NC PUBLIC EMPLOYEES
North Carolina Retirement Systems

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

April 2, 2003

The House Committee on Pensions and Retirement met Wednesday, April 2, 2003, in Room 544 of the Legislative Office Building at 10:00 A.M. The following members were present: Chairs Bell and G. Wilson, Vice-Chairs McCombs and Yongue, Representatives B. Allen, Barbee, Kiser, McGee, McLawhorn, Munford, Rapp and Tolson. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 1)

Committee Chair, Representative Larry Bell, called the meeting to order to consider the following bills:

Representative Paul Luebke was recognized to explain HB 34, AN ACT TO AUTHORIZE CERTAIN CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN. (Attachment 2) Upon a motion made by Representative Kiser, the bill received a favorable report. (Attachment 3)

Representative Julia Howard was recognized to speak on HB 15 AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUND. (Attachment 4) A committee substitute was offered for HB 15 (Attachment 5) and Representative Bell moved for its adoption for committee consideration. The committee substitute was adopted. Upon motion made by Representative Barbee the committee voted for a favorable report to the committee substitute, unfavorable to the original bill, and be re-referred to the committee on Appropriations. (Attachment 6)

Representative A. Williams was recognized to speak on HB 56 AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUND.

(Attachment 7) A proposed committee substitute was offered for HB 56 (Attachment 8) and Representatives Tolson and McLawhorn moved that it be adopted for committee consideration. The motion passed. Representative Tolson made a motion for a favorable report to the committee substitute, unfavorable to the original bill, and be re-referred to the committee on Appropriations. The motion passed. (Attachment 9)

Representative McGee was recognized to speak on HB 543 AN ACT TO INCLUDE DEPUTY FIRE MARSHALS, ASSISTANT FIRE MARSHALS, AND COUNTY FIRE FIGHTERS AS ELIGIBLE MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND. (Attachment 10) A Proposed Committee Substitute was handed out for this bill (Attachment 11) and a motion was made by Representative Bell to adopt the Committee Substitute. The motion passed. Representative Barbee made a motion for a favorable report as to committee substitute, unfavorable to original bill and be re-referred to the committee on Appropriations. The motion passed. (Attachment 12)

There being no further business, Representative Bell adjourned the meeting at 10:50 a.m.

Attachments

1. Visitation Registration Sheet

2. HB 34, AN ACT TO AUTHORIZE CERTAIN CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN.

3. House Bill 34 Report

4. HB 15 AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUND.

5. Committee Substitute for HB 15

6. House Bill 15 Report

7. HB 56 AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUND.

8. Committee Substitute for HB 56

9. House Bill 56 Report

10. HB 543 AN ACT TO INCLUDE DEPUTY FIRE MARSHALS, ASSISTANT FIRE MARSHALS, AND COUNTY FIRE FIGHTERS AS ELIGIBLE MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

11. Committee Substitute for HB 543

12.House Bill 543 Report

Respectfully Submitted,

Rebecca Jones-Cooper
Committee Clerk

Representative Larry Bell
Presiding Chair

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on PENSIONS AND RETIREMENT will meet as follows:

DAY & DATE: **April 2, 2003**

TIME: **10:00 A.M.**

LOCATION: **544 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 15- AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUND.
Representative Howard

HB 56- AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUND.
Representative A. Williams

HB 543-AN ACT TO INCLUDE DEPUTY FIRE MARSHALS, ASSISTANT FIRE MARSHALS, AND COUNTY FIREFIGHTERS AS ELIGIBLE MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.
Representative McGee

HB 570-AN ACT TO AMEND THE PROVISIONS OF THE CITY OF LUMBERTON FIREMEN'S RELIEF FUND AND SUPPLEMENTARY PENSION FUND.
Representatives Bonner, Sutton, and Yougue

Respectfully,
Representatives Bell and G. Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **12:00** on **March 26, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Rebecca Jones-Cooper (Committee Assistant)

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

April 2, 2003
10:00 a.m.
Room 544 LOB

CHAIRS
REPRESENTATIVES
BELL AND G. WILSON

CALL TO ORDER

OPENING REMARKS

AGENDA ITEMS:

HB 15- AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUND.
Representative Howard
HB 34-AN ACT TO AUTHORIZE CERTAIN CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TSERS
Representative Luebke
HB 56- AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUND.
Representative A. Williams
HB 543-AN ACT TO INCLUDE DEPUTY FIRE MARSHALS, ASSISTANT FIRE MARSHALS, AND COUNTY FIREFIGHTERS AS ELIGIBLE MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.
Representative McGee
HB 570-AN ACT TO AMEND THE PROVISIONS OF THE CITY OF LUMBERTON FIREMEN'S RELIEF FUND AND SUPPLEMENTARY PENSION FUND.
Representatives Bonner, Sutton, and Yougue

ADJOURNMENT

Att. 1

VISITOR REGISTRATION SHEET

Pensions & Retirement — April 2, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Frank Lewis	OSBM
REED JARVIS	FORSYTH CO FIRE MARSHAL NC COUNTY FIRE MARSHAL's ASSOC.
Paul Miller	N.C. State Firemen's Association
Gordon A. Joyner	NC Assoc of Rescue & EMS
ALAN W. PERDUE	Guilford Co. Fire Marshal's Office
GARY POPE	Harnett Co. Fire Marshal Office
Beverly Williams	Harnett Co. Fire Marshal office
DONALD BEARD	MECKLENBURG CO. FIRE MARSHAL'S OFFICE
Rhonda Stevens	Fire & Rescue Pension Fin/Retirement Syst Dept. of the State Treasurer
Debra Bryan	Dept Treasurer, Retirement System
Pam Headorff	" "

AH. 1

VISITOR REGISTRATION SHEET

Pensions & Retirement
Name of Committee

April 2, 2003
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Richard O'Brien	PFPNC
Pam Mayer	NC ACC
ELLIS HANKINS	NCLM
C. C. Dawson	N C Ret Sch personnel
Leigh Hammond	NC Ret. Govt Emp Assn
June Kimbrell	Senior Moves
Larry Landreth	LBA
Cam Cook	BPMHL

AH. 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 34*

Short Title:	Charter Sch. & State Retire. & Med. Plans.	(Public)
Sponsors:	Representative Luebke.	
Referred to:	Education, if favorable, Pensions and Retirement.	

February 18, 2003

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE CERTAIN CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding the time limitations contained in G.S. 135-5.3(b) and G.S. 135-40.3A(b), the board of directors of any charter school that received State Board of Education approval under G.S. 115C-238.29D on or after January 1, 2002, may elect to become a participating employer in the Teachers' and State Employees' Retirement System in accordance with Article 1 of Chapter 135 of the General Statutes and may also elect to become a participating employing unit in the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan in accordance with Article 3 of Chapter 135. The elections authorized by this section shall be made no later than 30 days after the effective date of this act and shall be made in accordance with all other requirements of G.S. 135-5.3 and G.S. 135-40.3A.

SECTION 2. This act is effective when it becomes law.

AH. 3

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Bell and G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for
H.B. 34 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE CERTAIN CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN

☒ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

Att. 4.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

H 1

HOUSE BILL 15

Short Title:	Increase Fire and Rescue Squad Pension.	(Public)
Sponsors:	Representatives Howard; Bowie, Capps, Clary, Cole, Daughtridge, Dickson, Frye, Gillespie, Glazier, Gorman, Hunter, Justice, Justus, LaRoque, McGee, McHenry, Moore, Rapp, Sauls, Sexton, Stiller, Walend, Warren, K. Williams, and Wood.	
Referred to:	Pensions and Retirement, if favorable, Appropriations.	

February 13, 2003

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

The General Assembly of North Carolina enacts:

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

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

Any member who has served 20 years as an "eligible fireman" or "eligible rescue squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly pension from this fund. The monthly pension shall be in the amount of ~~one hundred fifty-six dollars ($156.00)~~ one hundred sixty-five dollars ($165.00) per month. Any retired fireman receiving a pension shall, effective July 1, 2002, receive a pension of ~~one hundred fifty-six dollars ($156.00)~~ one hundred sixty-five dollars ($165.00) per month.

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

A member who is totally and permanently disabled while in the discharge of the member's official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of those official duties and who leaves the fire or rescue squad service because of this disability shall be entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~

~~fifty-six dollars ($156.00)~~ one hundred sixty-five dollars ($165.00) per month beginning the first month after the member's fifty-fifth birthday. All applications for disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application, and annually thereafter. Any disabled member shall not be required to make the monthly payment of ten dollars ($10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

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

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

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

SECTION 2. This act becomes effective July 1, 2003.

AH. 5

PCS FOR HOUSE BILL 15:
Increase Fire and Rescue Squad Pension

BILL ANALYSIS

Committee:	House Pensions & Retirement	**Introduced by:**	Representative Howard
Date:	March 28, 2003	**Summary by:**	Theresa Matula
Version:	PCS for v.1 (H15-CSSH-2)		Committee Staff

SUMMARY: House Bill 15 increases the benefit paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from $156.00 to $165.00 per month.

BILL ANALYSIS:

Section 1.

Chapter 58, Article 86 of the General Statutes pertains to the North Carolina Firemen's and Rescue Squad Workers' Pension Fund. House Bill 15 amends G.S. 58-86-55 to increase the pension paid to a retired "eligible fireman" or "eligible rescue squad" worker from $156.00 to $165.00 per month. The bill also makes a conforming change to increase from $156.00 to $165.00 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.

The PCS make a technical change in the year so that effective July 1, 2003, any retired fireman shall receive a pension of $165.00 per month.

Section 2.

This act would become effective July 1, 2003.

BACKGROUND:

Recent Increases in the Fire and Rescue Pension

Year	*Monthly Pension*	*Increase Over Previous Year*
1994	$110	
1995	$135	$25/month
1997	$141	$6/month
1998	$146	$5/month
2000	$151	$5/month
2002	$156	$5/month
2003	$165 *proposed*	$9/month *proposed*

AH 6

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Bell and G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for
H.B. 15 A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AH. 7

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

HOUSE BILL 56

Short Title:	Increase Fire and Rescue Squad Pension.	(Public)
Sponsors:	Representatives A. Williams; L. Allen, Culp, England, Frye, Gorman, Haire, C. Johnson, McLawhorn, Miller, Nye, Pate, Rhodes, Warner, Warren, K. Williams, Womble, and Wood.	
Referred to:	Pensions and Retirement.	

February 24, 2003

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

The General Assembly of North Carolina enacts:

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

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

Any member who has served 20 years as an "eligible fireman" or "eligible rescue squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly pension from this fund. The monthly pension shall be in the amount of ~~one hundred fifty-six dollars ($156.00)~~one hundred sixty-six dollars ($166.00) per month. Any retired fireman receiving a pension shall, effective July 1, 2002, receive a pension of ~~one hundred fifty-six dollars ($156.00)~~one hundred sixty-six dollars ($166.00) per month.

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

A member who is totally and permanently disabled while in the discharge of the member's official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of those official duties and who leaves the fire or rescue squad service because of this disability shall be entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred fifty-six dollars ($156.00)~~one hundred sixty-six dollars ($166.00) per month beginning

the first month after the member's fifty-fifth birthday. All applications for disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application, and annually thereafter. Any disabled member shall not be required to make the monthly payment of ten dollars ($10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

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

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

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

SECTION 2. This act becomes effective July 1, 2003.

AH. 8

HOUSE BILL 56:
Increase Fire and Rescue Squad Pension.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Rep. Williams
Date:	April 2, 2003	**Summary by:**	Karen Cochrane Brown
Version:	Proposed Committee Substitute H56-PCS80143-LL-1		Committee Counsel

SUMMARY:

The proposed committee substitute for House Bill 56 increases the benefit paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from $156.00 to $158.00 per month.

BILL ANALYSIS:

Section 1.
Chapter 58, Article 86 of the General Statutes pertains to the North Carolina Fireman's and Rescue Squad Workers' Pension Fund. House Bill 15 amends G.S. 58-86-55 to increase the pension paid to a retired "eligible fireman" or "eligible rescue squad" worker from $156.00 to $166.00 per month.

The PCS make a technical change in the year so that the increased payments become effective July 1, 2003. The PCS also changes the monthly benefit from $156.00 to $158.00. The bill also makes a conforming change to increase from $156.00 to $158.00 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.

Section 2.
This act would become effective July 1, 2003.

BACKGROUND:

Recent Increases in the Fire and Rescue Pension

Year	*Monthly Pension*	*Increase Over Previous Year*
1994	$110	
1995	$135	$25/month
1997	$141	$6/month
1998	$146	$5/month
2000	$151	$5/month
2002	$156	$5/month
2003	$158 *proposed*	$2/month *proposed*

AH. 9

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Bell and G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for
H.B. 56 A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKER'S PENSION FUND.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AH.10

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 2

HOUSE BILL 543
Corrected Copy 3/19/03

Short Title:	Broaden Coverage/Fire and Rescue Pension.	(Public)
Sponsors:	Representatives McGee; Cole, Frye, Gulley, Justice, LaRoque, McHenry, Moore, Pate, Sauls, Wainwright, Walker, K. Williams, and Womble.	
Referred to:	Pensions and Retirement.	

March 18, 2003

A BILL TO BE ENTITLED

AN ACT TO INCLUDE DEPUTY FIRE MARSHALS, ASSISTANT FIRE MARSHALS, AND COUNTY FIREFIGHTERS AS ELIGIBLE MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-25 reads as rewritten:

"**§ 58-86-25. "Eligible firemen" defined; determination and certification of volunteers meeting qualifications.**

"Eligible firemen" shall mean all firemen of the State of North Carolina or any political subdivision thereof, including those performing such functions in the protection of life and property through fire fighting within a county or city governmental unit and so certified to the Commissioner of Insurance by the governing body thereof, and who belong to a bona fide fire department which, as determined by the Commissioner, is classified as not less than class "9" or class "A" and "AA" departments in accordance with rating methods, schedules, classifications, underwriting rules, bylaws or regulations effective or applied with respect to the establishment of rates or premiums used or charged pursuant to Article 36 or 40 of this Chapter or by such other reasonable methods as the Commissioner may determine, and which operates fire apparatus and equipment of the value of five thousand dollars ($5,000) or more, and said fire department holds drills and meetings not less than four hours monthly and said firemen attend at least 36 hours of all drills and meetings in each calendar year. "Eligible firemen" shall also mean an employee of a county whose sole duty is to act as fire ~~marshal~~ marshal, deputy fire marshal, assistant fire marshal, or firefighter of the county, provided that the employee is a member of a fire department and that the board of county commissioners of that county certifies the ~~fire marshal's~~ employee's attendance at no less than 36 hours of all drills and meetings in each calendar year. "Eligible firemen" shall also mean those persons meeting the other qualifications of this section, not exceeding 25 volunteer firemen plus one additional volunteer fireman per

100 population in the area served by their respective departments. Each department shall annually determine and report the names of those firemen meeting the eligibility qualifications of this section to its respective governing body, which upon determination of the validity and accuracy of the qualification shall promptly certify the list to the North Carolina State Firemen's Association. The Firemen's Association shall provide a list of those persons meeting the eligibility requirements of this section to the State Treasurer by July 1 of each year. For the purposes of the preceding sentence, the governing body of a fire department operated: by a county is the county board of commissioners; by a city is the city council; by a sanitary district is the sanitary district board; by a corporation, whether profit or nonprofit, is the corporation's board of directors; and by any other entity is that group designated by the board."

SECTION 2. This act becomes effective July 1, 2003.

AH. 11

PCS FOR HOUSE BILL 543:
Broaden Coverage/Fire and Rescue Pension

BILL ANALYSIS

Committee:	House Pensions & Retirement	**Introduced by:**	Representative McGee
Date:	April 1, 2003	**Summary by:**	Theresa Matula
Version:	v.2, PCS (H543-PCS30161-LL-2)		Committee Staff

SUMMARY: ***House Bill 543 amends the definition of "eligible firemen" to include deputy fire marshal, assistant fire marshal, and county firefighter in the Firemen's and Rescue Squad Workers' Pension Fund.***

BILL ANALYSIS:

House Bill 543 amends G.S. 58-86-25 concerning the definition of "eligible firemen" under the North Carolina Firemen's and Rescue Squad Workers' Pension Fund. House Bill 543 would broaden the definition of "eligible firemen" to include an employee of a county whose sole duty is to act as the fire marshal, deputy fire marshal, assistant fire marshal, and firefighter of the county, provided the board of county commissioners certifies the employee's attendance at no less than 36 hours of all drills and meetings each calendar year. Current law includes the county fire marshal in the definition of "eligible firemen."

The PCS (H543-PCS30161-LL-2) eliminates the requirement in the original bill that the employee be a member of a fire department.

This act becomes effective July 1, 2003

BACKGROUND INFORMATION:

In 2000, the definition of "eligible firemen" was amended by S.L. 2000-67, Section 26.22 (House Bill 1840) to include fire marshal.

AH. 12

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Bell and G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for
H.B. 543 A BILL TO BE ENTITLED AN ACT TO INCLUDE DEPUTY FIRE MARSHALS, ASSISTANT FIRE MARSHALS, AND COUNTY FIRE FIGHTERS AS ELIGIBLE MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

MINUTES

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

APRIL 9, 2003 10:00 A.M.

The House Committee on Pensions and Retirements met at 10:00 a.m. on Wednesday, April 9, 2003 in Room 544 of the Legislative Office Building. The following members were present: ***Chairmen Bell and G. Wilson; Vice Chair McCombs; and Representatives B. Allen, Barbee, Kiser, McGee, McLawhorn, Munford, and Rapp.*** Staff persons present included: Researchers Karen Cochrane-Brown and Theresa Matula and Stanley Moore of Fiscal Research. Committee Assistants: Rebecca Jones-Cooper and Carolyn Edwards. The Agenda and Visitor Registration Sheets are attached and incorporated into the minutes.

Representative Gene Wilson called the meeting to order and introduced Pages Megan Dawson, Ann McClendon, and Brady Hauser; Sergeant-at Arms, Bill Freeman and James Worth. The following bills were considered.

Chairman G. Wilson recognized the sponsor, Representative Bell to explain **HB 305, A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR BIENNIAL APPROPRIATIONS TO COVER THE RATE OF NORMAL CONTRIBUTION AND ANY RATE OF ACCRUED LIABILITY CONTRIBUTION, AS DETERMINED BY THE BOARD OF TRUSTEES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.** Representative Bell stated that it was an agency bill and read the summary by Committee Counsel Karen Cochrane Brown: House Bill 305 amends the law governing the Teachers' and State Employees' Retirement System to require a biennial appropriation sufficient to cover the normal contribution rate and the accrued liability contribution rate as determined by the Board of Trustees of the Teachers' and State Employees' Retirement System. Under current law, (G.S. 135-8 (d)) the Board of Trustees is authorized to determine the normal employer contribution rate and the accrued liability contribution rate after each actuarial valuation.

The collection of employers' contributions is to be made by preparing a certified statement of the total amount necessary for the ensuing biennium and directing it to the department of Administration. Employees are required to pay contributions of 6 % of compensation towards the funding of their retirement allowance. This bill does not affect employee contributions.

Director Michael Williamson of the Retirement Systems Division was asked to further explain the bill. He stated that the Board of Trustees is given authority and statues to make recommendations on the setting of the contribution rate for the retirement system. For many years the contribution rate by the employer has exceeded the employee contribution rate. In the last three years that rate has dropped below the 6 % that has historically been given by the employees. This has created consternation among the employees because there was a surplus in the fund of 116 %, then at 111 %. Therefore the employer was able to take a bit of a holiday. This bill would attempt to remove any possible political influence in the future and make the funding of the retirement system based upon the actuarial calculations that are deemed appropriate to fund the system. So all doubt or suspicion would be removed from the 650,000 members and retirees from across the state as we go through the process. The contribution rate has been subject to the financial pressures that have been upon the state in recent years. This bill will allow the board of trustees to establish the contribution rate and the rate would be paid by the state along with any other invoices. This process allows the actuarial to set the amortization period. The legislature was extremely aggressive in the past by paying off the unfunded liability (the mortgage for the retirement system); it had it down to nine years. A move was made and rather than a mortgage, we instead had an inheritance that we earned, and we have been spending that inheritance in a nine year time frame. Standard practice across retirement systems around the country is that the actuary is allowed to set the rate. It normally falls from fifteen to twenty five years for an amortization period to be perceived as a prudent and reasonable level. It attempts to address two areas that have been criticized by membership and players that follow the retirement system. It adds creditability and certainty to the funding of the retirement system in the future.

Staff Counsel, Stanley Moore of Fiscal Research Division expounded further about the HB 305. He stated that it was basically a policy decision by the General Assembly to allow the Board of Trustees to set the rates and all the conditions and then by this bill, monies must appropriated without choice. This is a policy decision that the committee has to make. The amortization period was stretch out in the past to a single digit and was frozen when it got to nine years, still not paying it off and only paying 1/9 of the amount each year. Fifty years from now you still have a nine-year amortization period. The shorter the amortization period the faster things happen. The costs of benefit enhancements are closer to the truth at that point in time, than spreading it on to the next generation of taxpayers. This is why the amortization is at nine.

Representative McGee asked if a cost of living adjustment (cola) would be included in the figure. Mr. Moore answered by stating that there are no assumed colas or pre-funding in any of the retirement systems that the state of North Carolina administers. Normally the colas have been generated with favorable results within the system of actuarial games. Governor Easley appropriated monies to pay for the cola for the first time in several years.

Representative Kiser asked what was an actuarial investigation and who would make the investigation. Michael Williamson explained that the state has an actuarial study or valuation that is conducted every year. It compares the benefit levels that are enacted by the legislature with a revision of the actuarial experience. (How long are people living, are they retiring early, etc). Based upon this data, calculations are made and this gives the amount of monies needed to fund the retirement system in the future. Normally it results in an unfunded liability, which states the amount of debt that you have that is outstanding.

Follow up questions by Representative Kiser were asked. Who does the study? Can you get anyone to do the study? Would all reports be the same no matter who did the study?

Director Williamson stated that the retirement system has used Buck Consultant, an Actuarial Firm since 1941. At the same time the legislature has an actuary firm that is used and therefore creates a check and balance system. Buck Consultant is the predominating firm. The Teachers and State Employees Retirement System are affected by these findings. The ultimate goal is to have a stable contribution rate. Representative McLawhorn moved for a favorable report for HB 305. Rep. Allen second the motion. The bill was given a favorable report and re-referred to the Committee on Appropriations. The Committee Report, Bill, and Bill Analysis are attached and included in these minutes.

Chairman G. Wilson recognized the sponsor, Representative Bell to explain Agency **HB 306, A BILL TO BE ENTITLED AN ACT TO ENHANCE THE BENEFITS PAYABLE FROM THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM**. Representative Bell read the summary by Committee Staff Theresa Matula. House Bill 306 increases retirement benefits for memebers of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement system , and the Legisslative Retirement System. Director Michael Williamson further explained that the bill was a reccommendation that was approved by the board of trustees. It provides a 2 % cost of living adjustment for the up coming year. It also provides a 1.83 accrued interest for the teachers and state employees alone. The 2 % cost of living adjustment would be for all systems except for the Local Government System. There will be a separate bill to address the Local Governments' needs. It is the effort of the Board of Trustees to try to hold the retirees harmless for the effects of inflation. The CPI Index is 2.4, this total package has an impact of 2.5 % increase for retirees. It is recommended by the Board of Trustees and has the support of all the Employee and Retiree Associations. Vice Chair McCombs moved for a favorable report for HB 306. Rep. Allen second the motion. The bill was given a favorable report and re-referred to the Committee on Appropriations. The Committee Report, Bill, and Bill Analysis are attached and included in these minutes.

Chairman G. Wilson recognized the sponsor, Representative Michaux to explain **HB 733, A BILL TO BE ENTITLED AN ACT TO ALLOW RETIRED MEMBERS OF THE DURHAM FIREMEN'S SUPPLEMENTAL RETIREMENT SYSTEM TO SERVE ON THE BOARD OF TRUSTEES OF THE SYSTEM AND TO MAKE THE NAME OF THE SYSTEM GENDER-NEUTRAL.** Representative Allen moved that the Proposed Committee subsitute (PCS) for HB 733 be adpoted and receive a favorable report. The PCS was given a favorable report by the Committee. The Committee Report, Bill, and PCS are attached and included in these minutes.

Chairman G. Wilson adjourned the meeting at 10:50 a.m.

Respectfully submitted,

Carolyn A. Edwards

Carolyn A. Edwards, Committee Assistant

Larry M. Bell

Representative Larry M. Bell
Presiding Chair

AH 1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — APRIL 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kathy Causby	AOC - Human Resources
Laura Harper	SEANC
Frank Lewis	OSBM
Ronnie Condrey	DOT
Steve Hoffman	NCSBA
Jerry Hardesty	J Wooten + Assoc.
Larry Presnell, Jr.	NC Retired School Personnel
Leigh Hammond	NC Retired Governmental Employees Assn
C.C. Dawson	" " School Employees
ELLIS HANKINS	NCLM
[illegible]	NC R&G Gov Employees
James Ramseur	CTA
Jan Coutts	NCASA
Mary Freeman	NCAE

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — APRIL 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mardell Barnes	Dept of State Treasurer
Debra Bryan	Dept State Treasurer
Jaime Schaan	Dept. of State Treasurer
Paul Meyer	NCACC
Pam Deardorff	Retirement Div.
Michael Williamson	" "
Lorin Mueller	NC Coalition of Police
Richard O'Brien	PFFPNC
Elizabeth Dalton	Bone & Associates

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

April 9, 2003
10:00 a.m.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED:

HB 305 – RETIREMENT CONTRIBUTION RATES
REPRESENTATIVE BELL

HB 306 – ENHANCE RETIREMENT BENEFITS
REPRESENTATIVE BELL

HB 570 – CITY OF LUMBERTON FIREMEN'S FUND
REPRESENTATIVE BONNER

HB 733 – AMEND DURHAM FIREFIGHTERS' RETIREMENT
REPRESENTATIVE MICHAUX

ADJOURNMENT

Rebecca Jones (Rep. G. Wilson)

n: Carolyn Edwards (Rep. Bell)
t: Monday, April 07, 2003 11:45 AM
Subject: NOTICE FOR APRIL 9 2003

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **PENSIONS AND RETIREMENT** will meet as follows:

DAY & DATE: **Wednesday, April 9, 2003**

TIME: **10:00 AM**

LOCATION: **LOB 544**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

H 305 - RETIREMENT CONTRIBUTION RATES - REPS. BELL, B. ALLEN, EDDINS, MUNFORD
HB 306 - ENHANCE RETIREMENT BENEFITS - REPS. BELL, G. WILSON
~~**HB 331 - RETIREMENT SYSTEM TECHNICAL CHANGES – REPS. BELL, G. WILSON**~~
HB 570 - CITY OF LUMBERTON FIREMEN'S FUND – REPS. BONNER, SUTTON, YONGUE
HB 733 - AMEND DURHAM FIREFIGHTERS' RETIREMENT - REP. MICHAUX

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **12:00 P.M.** on **April 7, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

AH 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 305*

Short Title:	Retirement Contribution Rates.-AB	(Public)
Sponsors:	Representatives Bell; B. Allen, Eddins, Munford, McLawhorn, and Warren.	
Referred to:	Pensions and Retirement, if favorable.	

March 6, 2003

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR BIENNIAL APPROPRIATIONS TO COVER THE RATE OF NORMAL CONTRIBUTION AND ANY RATE OF ACCRUED LIABILITY CONTRIBUTION, AS DETERMINED BY THE BOARD OF TRUSTEES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-6 is amended by adding a new subsection to read:

"(o1) Based upon the actuarial investigation and valuation made pursuant to subsections (n) and (o) of this section, the Board of Trustees shall determine annually:

(1) The rate of normal employer contribution;

(2) The unfunded accrued liability of the funds;

(3) The amortization period in which the unfunded accrued liability will be liquidated, not to exceed 30 years; and

(4) The rates of contribution for the State expressed as a percentage of compensation of members, to include:

a. The rate of normal employer contribution; and

b. The rate of accrued liability contribution, if any, necessary to liquidate the unfunded accrued liability over the period established by the Board."

SECTION 2. Chapter 135 of the General Statutes is amended by adding a new section to read:

"**§ 135-8.1. Biennial appropriations.**

(a) Each biennial General Assembly shall appropriate funds sufficient to cover the sum of the following:

(1) The rate of normal employer contribution; and

(2) The rate of accrued liability contribution, if any.

(b) The Board of Trustees shall submit the request for these funds to the Office of State Budget and Management. The Board shall provide the Office of State Budget and Management with the actuarial investigation and valuation made pursuant to G.S. 135-6 and any other actuarial information to support the request.

(c) The biennial appropriation specified in subsection (a) of this section shall be paid monthly as a percentage of compensation of members.

(d) The biennial appropriation required by this section shall be deposited in the pension accumulation fund and used only as provided in this Chapter."

SECTION 3. This act becomes effective July 1, 2003.

HOUSE BILL 305:
Retirement Contribution Rates. - AB

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Rep. Bell
Date:	April 9, 2003	**Summary by:**	Karen Cochrane Brown
Version:	First Edition		Committee Counsel

SUMMARY: ***House Bill 305 amends the law governing the Teachers' and State Employees' Retirement System to require a biennial appropriation sufficient to cover the normal contribution rate and the accrued liability contribution rate as determined by the Board of Trustees of the Teachers' and State Employees' Retirement System.***

CURRENT LAW:

Under current law, (G.S. 135-8(d)) the Board of Trustees is authorized to determine the normal employer contribution rate and the accrued liability contribution rate after each actuarial valuation. The collection of employers' contributions is to be made by preparing a certified statement of the total amount necessary for the ensuing biennium and directing it to the Department of Administration. (G.S. 135-8(f))

Employees are required to pay contributions of 6% of compensation towards the funding of their retirement allowance. This bill does not affect employee contributions.

BILL ANALYSIS:

This bill creates a new section, which directs the Board of Trustees to make several determinations annually, based on the actuarial valuation. The determinations include:

- The rate of normal employer contributions;
- The unfunded accrued liability of the funds;
- The amortization period for liquidation of the unfunded accrued liability, not to exceed 30 years;
- The State contribution rate expressed as a percentage of member compensation including the normal employer contribution rate and the accrued liability rate, necessary to liquidate the unfunded accrued liability over the period established by the Board.

The bill also creates a new section directing the General Assembly to appropriate sufficient funds to cover the two employer contribution rates. The Board is directed to submit the request for the funds to the Office of State Budget and Management along with all actuarial information to support the request.

The appropriation is to be paid monthly as a percentage of member compensation and is to be deposited in the pension accumulation fund and used only as provided by the Retirement Law.

The act becomes effective July 1, 2003.

H305-SMRO-001

AH 3

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND E. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 305 A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR BIENNIAL APPROPRIATIONS TO COVER THE RATE OF NORMAL CONTRIBUTION AND ANY RATE OF ACCRUED LIABILITY CONTRIBUTION, AS DETERMINED BY THE BOARD OF TRUSTEES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

☒ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AH 4

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 306*

Short Title:	Enhance Retirement Benefits.-AB	(Public)
Sponsors:	Representatives Bell; G. Wilson, Insko, McLawhorn, and Warren.	
Referred to:	Pensions and Retirement, if favorable.	

March 6, 2003

A BILL TO BE ENTITLED

AN ACT TO ENHANCE THE BENEFITS PAYABLE FROM THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5(b19) reads as rewritten:

"(b19) Service Retirement Allowance of Members Retiring on or After July 1, ~~2002.~~ 2002, but Before July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2002, but before July 1, 2003, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of his creditable service.

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

1. The service retirement allowance payable under G.S. 135-5(b19)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement

date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b19)(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-two hundredths percent (1.82%) 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(b19)(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(b19)(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(b19)(2)a. reduced by five percent (5%) times

the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in ~~G.S. 135-5(b19)b.~~G.S. 135-5(b19)(2)b.

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

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

"(b20) Service Retirement Allowance of Members Retiring on or After July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2003, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-three hundredths percent (1.83%) of his average final compensation, multiplied by the number of years of his creditable service.

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

1. The service retirement allowance payable under G.S. 135-5(b20)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b20)(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-three hundredths percent (1.83%) 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(b20)(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(b20)(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(b20)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b20)(2)b.

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

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

"(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance

provided by Option 2 of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that the following conditions apply:

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with ~~G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c.,~~ G.S. 135-5(b20)(1)b. or G.S. 135-5(b20)(2)c., notwithstanding the requirement of obtaining age 50.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who was living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

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

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

"(lll) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased by two percent (2%) of the allowance payable on June 1, 2003, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2002, and June 30, 2003.

(mmm) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2003. – From and after July 1, 2003, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 2003, shall be increased by five-tenths of one percent (0.5%) of the allowance payable on June 1, 2003. This allowance shall be calculated on the allowance payable and in effect on June 30, 2003, so as not to be compounded on any other increase granted by act of the 2003 General Assembly."

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

"(x) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased

by two percent (2%) of the allowance payable on June 1, 2003. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2002, and June 30, 2003."

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

"(r) In accordance with subsection (a) of this section, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2003, shall be increased by two percent (2%) of the allowance payable on June 1, 2003. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2003, but before June 30, 2003, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2003, and June 30, 2003."

SECTION 7. This act becomes effective July 1, 2003.

HOUSE BILL 306:
Enhance Retirement Benefits - AB

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Representative Bell
Date:	April 8, 2003	**Summary by:**	Theresa Matula
Version:	v.1		Committee Staff

SUMMARY: House Bill 306 increases retirement benefits for members of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System.

BILL ANALYSIS:

SECTIONS 1, 2, 3, AND 4: TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM (TSERS)

Section 1 amends G.S. 135-5(b19) to specify that the benefits outlined under G.S. 135-5(b19) apply to the service retirement allowance of TSERS members retiring after July 1, 2002 but before July 1, 2003.

Section 2 adds G.S. 135-5(b20) to outline the service retirement allowance of TSERS members retiring on or after July 1, 2003 and increases the accrual rate for active members to 1.83% (*previously 1.82%*).

Section 3 makes conforming changes to G.S. 135-5(m) regarding the Survivor's Alternate Benefit.

Section 4 amends G.S. 135-5 by adding two new subsections. G.S. 135-5(lll) increases the retirement allowance by two percent (2%) for beneficiaries whose retirement commenced on or before July 1, 2002. The allowance of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of two percent (2%). G.S. 135-5(mmm) increases the retirement allowance of beneficiaries on the retirement rolls as of June 1, 2003 by five-tenths of one percent (0.5%)

SECTION 5: CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

Section 5 adds a new subsection to G.S. 135-65 that increases the retirement allowance by two percent (2%) for beneficiaries of the Consolidated Judicial Retirement System whose retirement commenced on or before July 1, 2002. The allowance of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of two percent (2%).

SECTION 6: LEGISLATIVE RETIREMENT SYSTEM

Section 6 adds a new subsection to G.S. 120-4.22A that increases the retirement allowance by two percent (2%) for beneficiaries of the Legislative Retirement System whose retirement commenced on or before January 1, 2003. The allowance of beneficiaries whose retirement commenced after January 1, 2003, but before June 30, 2003 shall be increased by a prorated amount of two percent (2%).

SECTION 7: EFFECTIVE DATE

Section 7 states that this act becomes effective July 1, 2003.

AH5

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL and E. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 306 A BILL TO BE ENTITLED AN ACT TO ENHANCE THE BENEFITS PAYABLE FROM THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

☒ With a favorable report as to the committee substitute bill (# 733), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AH6

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

HOUSE BILL 733*

Short Title:	Amend Durham Firefighters' Retirement.	(Public)
Sponsors:	Representative Michaux.	
Referred to:	Pensions and Retirement.	

March 27, 2003

A BILL TO BE ENTITLED

AN ACT TO ALLOW RETIRED MEMBERS OF THE DURHAM FIREMEN'S SUPPLEMENTAL RETIREMENT SYSTEM TO SERVE ON THE BOARD OF TRUSTEES OF THE SYSTEM AND TO MAKE THE NAME OF THE SYSTEM GENDER-NEUTRAL.

The General Assembly of North Carolina enacts:

SECTION 1. Subsection 2(a) of Chapter 576 of the 1951 Session Laws reads as rewritten:

"(a) Two members of said board of trustees shall be chosen as follows: two members from the uniformed membership of the Durham Fire ~~Department and~~ Department, or one member from the uniformed membership of the Durham Fire Department and the other member from the roster of retired uniformed membership of the Durham Fire Department. These two members shall be elected by a majority vote of the uniformed members of the Fire Department of the City of ~~Durham; one of said members shall hold office for a period of one year, and the other member so appointed shall hold office for a period of two years; thereafter, each of said members chosen from the Durham Fire Department shall be appointed for a term of office consisting of a period of two years each.~~ Durham. The members shall hold office for a period of two years."

SECTION 2. Subsection 2(q) of Chapter 576 of the 1951 Session Laws is repealed.

SECTION 3. Chapter 576 of the 1951 Session Laws, as amended by Chapter 577 of the 1951 Session Laws, Chapter 101 of the 1955 Session Laws, Chapter 1237 of the 1955 Session Laws, Chapter 427 of the 1965 Session Laws, Chapter 66 of the 1971 Session Laws, Chapter 614 of the 1971 Session Laws, Chapter 701 of the 1973 Session Laws, Chapter 463 of the 1981 Session Laws, and S.L. 2002-114, is amended by deleting the term "Durham Firemen's Supplemental Retirement System" each time it appears and substituting "Durham Firefighters' Supplemental Retirement System".

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

GENERAL ASSEMBLY OF NORTH CAROLINA

AH 7

SESSION 2003

H D

HOUSE BILL 733*
PROPOSED COMMITTEE SUBSTITUTE H733-CSSH-5 [v.1]

4/8/2003 6:04:33 PM

Short Title: Amend Durham Firefighters' Retirement. (Public)

Sponsors:

Referred to:

March 27, 2003

A BILL TO BE ENTITLED

AN ACT TO ALLOW RETIRED MEMBERS OF THE DURHAM FIREMEN'S SUPPLEMENTAL RETIREMENT SYSTEM TO SERVE ON THE BOARD OF TRUSTEES OF THE SYSTEM AND TO MAKE THE NAME OF THE SYSTEM GENDER-NEUTRAL.

The General Assembly of North Carolina enacts:

SECTION 1. Subsection 2(a) of Chapter 576 of the 1951 Session Laws reads as rewritten:

"(a) Two members of said board of trustees shall be chosen as follows: two members from the uniformed membership of the Durham Fire ~~Department and~~ Department, or one member from the uniformed membership of the Durham Fire Department and the other member from the roster of retired uniformed membership of the Durham Fire Department. These two members shall be elected by a majority vote of the uniformed members of the Fire Department of the City of ~~Durham; one of said members shall hold office for a period of one year, and the other member so appointed shall hold office for a period of two years; thereafter, each of said members chosen from the Durham Fire Department shall be appointed for a term of office consisting of a period of two years each.~~ Durham. The members shall hold office for a period of two years."

SECTION 2. Subsection 2(q) of Chapter 576 of the 1951 Session Laws is repealed.

SECTION 3. Chapter 576 of the 1951 Session Laws, as amended by Chapter 101 of the 1955 Session Laws, Chapter 1237 of the 1955 Session Laws, Chapter 427 of the 1965 Session Laws, Chapter 66 of the 1971 Session Laws, Chapter 614 of the 1971 Session Laws, Chapter 701 of the 1973 Session Laws, Chapter 463 of the 1983 Session Laws, and S.L. 2002-114; and Chapter 577 of the 1951 Session Laws, as amended by S.L. 2002-114, is amended by deleting the term "Durham Firemen's

Supplemental Retirement System" each time it appears and substituting "Durham Firefighters' Supplemental Retirement System".

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

AH 8

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND E. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 733 A BILL TO BE ENTITLED AN ACT TO ALLOW RETIRED MEMBERS OF THE DURHAM FIREMEN'S SUPPLEMENTAL RETIREMENT SYSTEM TO SERVE ON THE BOARD OF TRUSTEES OF THE SYSTEM AND TO MAKE THE NAME OF THE SYSTEM GENDER-NEUTRAL.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

April 10, 2003

The House Committee on Pensions and Retirement met Thursday, April 10, 2003, in Room 605 of the Legislative Office Building at 8:30 A.M. The following members were present: Chairs Bell and G. Wilson, Vice-Chairs McCombs and Yongue, Representatives B. Allen, Barbee, McLawhorn, Munford, Rapp and Tolson. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 1)

Committee Chair, Representative Larry Bell, called the meeting to order to consider a Special Provision (Attachment 2) to Committee Substitute for House Bill 853. (Attachment 3) Representative Thomas Wright was recognized to speak on the provision. Representative Tolson made a motion to approve the Special Provision. The motion passed.

There being no further business, Representative Bell adjourned the meeting at 8:45 a.m.

Attachments

1. Visitation Registration Sheet

2. Special Provision

3. Committee Substitute for HB 853

Respectfully submitted,

Rebecca Jones-Cooper
Committee Assistant

Representative Larry Bell
Presiding Chair

AH.1

VISITOR REGISTRATION SHEET

Pensions & Retirement — 4-11-03

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Marshall Barnes	Dept. of State Treasurer
Pam Deardorff	" " " "
Michael Williamson	" "
Jimmy Hyde	SBE
Jan Crotts	NCASA
Katherine	NCASA
Laura Harper	SEANC
Pam Mayer	NCAE
Frank Lewis	OSBM
John Withrow	NC STATEWATCH

AH. 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

DRAFT
SPECIAL PROVISION

2003-EMP-H8

Employment, Salaries, and Benefits

Requested by: Representative

SALARY RELATED CONTRIBUTIONS/EMPLOYER

SECTION #.(a) Required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employees' salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital-medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

SECTION #.(b) Effective July 1, 2003, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2003-2004 fiscal year are (i) three and ninety-five hundredths percent (3.95%) - Teachers and State Employees; (ii) eight and ninety-five hundredths percent (8.95%) - State Law Enforcement Officers; (iii) ten and forty-one hundredths percent (10.41%) - University Employees' Optional Retirement System; (iv) ten and forty-one hundredths percent (10.41%) - Community College Optional Retirement Program; (v) fourteen and ninety-seven hundredths percent (14.97%) Consolidated Judicial Retirement System; and (vi) three and five hundredths percent (3.05%) - Legislative Retirement System. Each of the foregoing contribution rates includes three and five hundredths percent (3.05%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for the University Employees' Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION #.(c) Effective July 1, 2004, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2004-2005 fiscal year are (i) five and seventy-eight hundredths percent (5.78%) - Teachers and State Employees; (ii) ten and seventy-eight hundredths percent (10.78%) - State Law Enforcement Officers; (iii) ten and forty-one hundredths percent (10.41%) -

University Employees' Optional Retirement System; (iv) ten and forty-one hundredths percent (10.41%) - Community College Optional Retirement Program; (v) fourteen and ninety-seven hundredths percent (14.97%) - Consolidated Judicial Retirement System; and (vi) three and five hundredths percent (3.05%) - Legislative Retirement System. Each of the foregoing contribution rates includes three and five hundredths percent (3.05%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for the University Employees' Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION #.(d) The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2003-2004 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i) Medicare-eligible employees and retirees - two thousand four hundred seventeen dollars ($2,417), and (ii) non-Medicare-eligible employees and retirees - three thousand one hundred seventy-five dollars ($3,175).

SECTION #.(e) The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2004-2005 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i) Medicare-eligible employees and retirees - two thousand four hundred seventy-eight dollars ($2,478), and (ii) non-Medicare-eligible employees and retirees - three thousand two hundred fifty-six dollars ($3,256).

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

DRAFT
SPECIAL PROVISION

2003-EMP-H3

Employment, Salaries, and Benefits

Requested by: Representative

RETIREMENT COLAS

SECTION #.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(lll) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased by one and twenty-eight hundredths percent (1.28%) of the allowance payable on June 1, 2003, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of one and twenty-eight hundredths percent (1.28%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2002, and June 30, 2003.

SECTION #.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(x) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased by one and twenty-eight hundredths percent (1.28%) of the allowance payable on June 1, 2003. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of one and twenty-eight hundredths percent (1.28%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2002, and June 30, 2003."

SECTION #.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(r) In accordance with subsection (a) of this section, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2003, shall be increased by one and twenty-eight hundredths percent (1.28%) of the allowance payable on June 1, 2003. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2003, but before June 30, 2003, shall be increased by a prorated amount of one and twenty-eight hundredths percent (1.28%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2003, and June 30, 2003."

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

DRAFT
SPECIAL PROVISION

2003-EMP-H6

Employment, Salaries, and Benefits

Requested by: Representative

TRANSFER OF SERVICE IN THE LEGISLATIVE RETIREMENT SYSTEM TO THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE JUDICIAL RETIREMENT SYSTEM.

SECTION #.(a) G.S. 120-4.13 reads as rewritten:

"**§ 120-4.13. Transfer of membership and benefits.**

(a) The Board of Trustees shall set up procedures to transfer membership from the Legislative Retirement Fund to the Retirement System and to recompute benefits paid to retirees of the Legislative Retirement Fund who elect to transfer to the Retirement System.

(b) The accumulated contributions and creditable service of any member whose service as a member of the General Assembly has been or is terminated other than by retirement or death and who, while still a member of this Retirement System, became or becomes a member, as defined in G.S. 135-1(13), of the Teachers' and State Employees' Retirement System for a period of five or more years may, upon application of the member, be transferred from this Retirement System to the Teachers' and State Employees' Retirement System. In order to effect the transfer of a member's creditable service from the Legislative Retirement System to the Teachers' and State Employees' Retirement System, there shall be transferred from the Legislative Retirement System to the Teachers' and State Employees' Retirement System the sum of (i) the accumulated contributions of the member credited in the annuity savings fund and (ii) the amount of reserve held in the Legislative Retirement System as a result of previous contributions by the employer on behalf of the transferring member."

(c) The accumulated contributions and creditable service of any member whose service as a member of the General Assembly has been or is terminated other than by retirement or death and who, while still a member of this Retirement System, became or becomes a member, as defined in G.S. 135-53(11), of the Consolidated Judicial Retirement System for a period of five or more years may, upon application of the member, be transferred from this Retirement System to the Consolidated Judicial Retirement System. In order to effect the transfer of a member's creditable service from the Legislative Retirement System to the Consolidated Judicial Retirement System, there shall be transferred from the Legislative Retirement System to the Consolidated Judicial Retirement System the sum of (i) the accumulated contributions of the member credited in the annuity savings fund and (ii) the amount of reserve held in the Legislative Retirement System as a result of previous contributions by the employer on behalf of the transferring member."

SECTION #.(b) G.S. 135-4 reads as rewritten:

"(j2) The creditable service of a member who was a member of the Local Governmental Employees' Retirement -System or the Consolidated Judicial Retirement System, or the Legislative Retirement System and whose accumulated contributions and reserves are transferred from that System to this System, includes service that was creditable in the Local Governmental Employees' Retirement System, or the Legislative Retirement System, and membership service with those Retirement Systems is membership service with this Retirement System."

SECTION #.(c) Article 1 of Chapter 135 of the General Statutes is amended by adding new section to read:

"**§ 135-18.9 Transfer of members from the Legislative Retirement System or the Consolidated Judicial Retirement System.**

(a) The accumulated contributions, creditable service, and reserves, if any, of a member of the Legislative Retirement System, as provided for in Article 1A of G.S.120, or the Consolidated Judicial Retirement System, as provided for in Article 4 of G.S 135, who later becomes a member of the Teachers' and State Employees' Retirement System for a period of five or more years may, upon application of the member, be transferred from the Legislative Retirement System or the Consolidated Judicial Retirement System. The accumulated contributions, creditable service, and reserves of any member whose service as a member of the Legislative Retirement System or the Consolidated Judicial Retirement System is terminated other than by retirement or death and who later becomes a member of the Teachers' and State Employees' Retirement System may, upon application of the member, be transferred from the Legislative Retirement System or the Consolidated Judicial Retirement System to the Teachers' and State Employees' Retirement System. In order to effect the transfer of a member's creditable service from the Legislative Retirement System or the Consolidated Judicial Retirement System to the Teachers' and State Employees' Retirement System, the accumulated contributions of each member credited in the annuity savings fund in the Legislative Retirement System or the Consolidated Judicial Retirement System shall be transferred and credited to the annuity savings fund in the Teachers' and State Employees' Retirement System.

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

SECTION #.(d) G.S. 135-70 is amended by adding a new subsection to read:

"(a1) The accumulated contributions and creditable service of any member whose service as a member of this Retirement System has been or is terminated other than by retirement or death and who, while still a member of this Retirement System, became or becomes a member, as defined in G.S. 135-1(13), of the Teachers' and State Employees' Retirement System for a period of five or more years may, upon application of the member, be transferred from this Retirement System to the Teachers' and State Employees' Retirement System. In order to effect the transfer of a member's creditable service from this Retirement System to the Teachers' and State Employees' Retirement System, there shall be transferred from this Retirement System to the Teachers' and State Employees' Retirement System the sum of (i) the accumulated contributions of the member credited in the annuity savings fund and (ii) the amount of reserve held in this

Retirement System as a result of previous contributions by the employer on behalf of the transferring member."

SECTION #.(e) G.S. 135-70.1 reads as rewritten:

"§ 135-70.1. Transfer of members from the Local Governmental Employees' Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System.~~ System, or the Legislative Retirement System.

(a) The accumulated contributions, creditable service, and reserves, if any, of a former teacher or employee, as defined in G.S. 135-1(25), 135-1(10), and 128-21(10), respectively, or a former member of the General Assembly, who is a member of the Consolidated Judicial Retirement System for a period of five or more years may, upon application of the member, be transferred from the Local Governmental Employees' Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System~~ System, or the Legislative Retirement System to the Consolidated Judicial Retirement System. The accumulated contributions, creditable service, and reserves of any member whose service as a teacher or employee or member of the General Assembly is terminated other than by retirement or death and who becomes a member of the Consolidated Judicial Retirement System may, upon application of the member, be transferred from the Local Governmental Employees' Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System~~ System, or the Legislative Retirement System to the Consolidated Judicial Retirement System. In order to effect the transfer of a member's creditable service from the Local Governmental Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System~~ System, or the Legislative Retirement System, to the Consolidated Judicial Retirement System, the accumulated contributions of each member credited in the annuity savings fund in the Local Governmental Employees' Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System~~ System, or the Legislative Retirement System shall be transferred and credited to the annuity savings fund in the Consolidated Judicial Retirement System.

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

SECTION #.(f) G.S. 135-56(f) reads as rewritten:

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

SECTION #.(g) G.S. 135-58(a3) reads as rewritten:

"(a3) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2001, but before January 1, 2004, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be

continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) following, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment) would total three-fourths of the member's final compensation:

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

(2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court or as Administrative Officer of the Courts;

(3) Three and two-hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service, rendered as a judge of the district court, district attorney, or clerk of superior court;

(4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and

(5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees' Retirement System to this System as provided in G.S. 135-56."

SECTION #.(h) G.S. 135-58 is amended by adding a new section to read:

"(a4) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after January 1, 2004, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) following, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System,

or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment) would total three-fourths of the member's final compensation:

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

(2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court or as Administrative Officer of the Courts;

(3) Three and two-hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service, rendered as a judge of the district court, district attorney, or clerk of superior court;

(4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and

(5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees' Retirement System or the Legislative Retirement System to this System as provided in G.S. 135-56."

SECTION #.(i) This section becomes effective January 1, 2004.

AH. 3

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: Committee Substitute for House Bill 853

(1) Provides a cost-of-living increase of 1.28% for retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System
(2) Allows for the transfer of service from the Legislative Retirement System to the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System after a member has completed five years of service as either a teacher of State employee or as a person eligible to be in Judicial System.

SHORT TITLE: Governor's Budget Bill

SPECIAL PROVISION: Provides cost-of-living increases of 1.28% for retirees of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System and the Legislative Retirement System.

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Provides a post-retirement increase of 1.28% in the benefits of retirees of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System and Legislative Retirement System.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: Teachers' and State Employees' Retirement System
Retirement System Actuary: Buck Consultants estimates the cost to be 0.38% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$28.6M	$30.5M	$32.6M	$34.8M	$37.1M
Highway Fund	$ 1.4M	$ 1.5M	$ 1.6M	$ 1.7M	$ 1.8M
Receipt Funds	$ 9.2M	$ 9.8M	$10.5M	$11.2M	$11.9M
TOTAL COST	$ 39.2M	$ 41.8M	$ 44.7M	$ 47.7M	$ 50.9M

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.33% of the payroll of all members of the Teachers' and State Employee's Retirement System.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$24.8M	$26.5M	$28.3M	$30.2M	$32.2M
Highway Fund	$ 1.2M	$ 1.3M	$ 1.4M	$ 1.5M	$ 1.6M
Receipt Funds	$ 8.0M	$ 8.5M	$ 9.1M	$ 9.7M	$10.4M
TOTAL COST	$34.0M	$36.3M	$38.8M	$41.4M	$44.2M

Consolidated Judicial Retirement System
Retirement System Actuary: Buck Consultants estimates the cost to be .58% of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$ 0.3M	$ 0.3M	$ 0.3M	$ 0.3M	$ 0.4M

General Assembly Actuary: Hartman & Associates estimates the cost to be .54% of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$ 0.3M	$ 0.3M	$ 0.3M	$ 0.3M	$ 0.4M

Legislative Retirement System

Retirement System Actuary: Charles Dunn and Hartman & Associates estimates the cost to be .50% of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$18,000	$18,000	$18,000	$18,000	$18,000

SPECIAL PROVISION: Allows for the transfer of service from the Legislative Retirement System to the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System after a member has completed five years of service as either a teacher of State employee or as a person eligible to be in Judicial System

EFFECTIVE DATE: January 1, 2004

ESTIMATED IMPACT ON STATE: Both the Fund's actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, agree that the cost is about $250,000 to the Teachers' and State Employees' Retirement System and about $40,000 to the Consolidated Judicial Retirement System to allow for these transfers.

ASSUMPTIONS AND METHODOLOGY: Teachers' & 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, 2001 actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 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, 2001 actuarial valuation of the fund. The data included 487 active members with an annual payroll of $47.8 million and 382 retired members in receipt of annual pensions totaling $16.1 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, 2001 actuarial valuation of the fund. The data included 169 active members with an annual payroll of $3.6 million and 204 retired members in receipt of annual pensions totaling $1,188,931. 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.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC
Charles W. Dunn, Consulting Actuary

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Stanley Moore Stanley Moore

APPROVED BY: James D. Johnson, Director, Fiscal Research Division

DATE: April 9, 2003

BUCK CONSULTANTS®
A Mellon Financial Company™

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

April 9, 2003

Mr. J. Marshall Barnes, III
Deputy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Proposal/1% COLA

Dear Mr. Barnes:

We have received your request of April 9 regarding a Proposal, which affects the Teachers' and State 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.

TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

This proposed 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 1.0% for those who commenced retirement on and before July 1, 2002, and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2002 and before June 30, 2003, with all increases payable effective July 1, 2003. The cost of this proposed change is 0.29% of payroll.

CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

This proposed 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 1.0% for those who commenced retirement on and before July 1, 2002 and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2002 and before June 30, 2003, with all increases payable effective July 1, 2003. The cost of this proposed change is 0.45% 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, Consulting Actuary

EAM:sr

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387 RET03-169

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, 2003

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

Re: 1% COLA for Retirees in the TSERS, CJRS and LRS Systems

Dear Mr. Moore:

You have requested the cost of providing a 1% cost of living adjustment, effective July 1, 2003, for beneficiaries of the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement System (CJRS) and the Legislative Retirement System (LRS). The specific benefit increases are as follows:

1. In the TSERS and CJRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before July 1, 2002, with a prorated increase for retirements between July 1, 2002 and June 30, 2003.

2. In the LRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before January 1, 2003, with a prorated increase for retirements after January 1, 2003 and before June 30, 2003.

The estimated costs for a 1% COLA are shown below for each system. Costs are for the fiscal year beginning July 1, 2003 and are expressed as a percentage of payroll.

System	Retiree COLA	Amort. Period for Unfunded Liability
TSERS	0.26%	9 years
CJRS	0.42	9 years
LRS	0.39	8 years

These estimates are based on the most recent actuarial valuations prepared as of December 31, 2001. Costs for COLA adjustments other than 1% would be proportionate to the above values.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

April 9, 2003

Mr. J. Marshall Barnes, III
Deputy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Special Provision (2003 – EMP – H6)

Dear Mr. Barnes:

We have received your request of April 4 regarding Special Provision (2003 – EMP – H6) which affects the Teachers' and State 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 proposed legislation appears to allow the transfer of service in the Legislative Retirement System to the Teachers' and State Employees' Retirement System and the Judicial Retirement System. Any member who terminates from the Legislative Retirement System, who does not retire or receive a refund of member contributions, who subsequently becomes an active member of the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System may, after 5 years of additional service, transfer their creditable service in the Legislative Retirement System to the other applicable System. There shall be transferred from the Legislative Retirement System to the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System, the sum of (i) the accumulated contributions of the member credited in the annuity savings fund and (ii) the amount of reserve held in the Legislative Retirement System as a result of previous contributions by the employer on behalf of the transferring member.

The estimated annual cost of this proposal is $250,000 under the Teachers' and State Employees' Retirement System and $40,000 under the Consolidated Judicial Retirement System based on 9-year amortization of the additional unfunded accrued liability.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sr

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387 RETD-169

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

April 9, 2003

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

Re: Special Provision: Transfer of Service from the LRS to the TSERS and CJRS

Dear Mr. Moore:

This provision amends G.S. 120-4.13 and various sections of G.S. 135 to allow a transfer of creditable service from the Legislative Retirement System(LRS) to the Teachers' and State Employees' Retirement System (TSERS) or the Consolidated Judicial Retirement System (CJRS) and to allow transfer of service from the CJRS to the TSERS. Creditable service would be transferred for any member whose service in the LRS or CJRS terminated other than by retirement or death and who became or becomes a member of the TSERS or CJRS for a period of five or more years. Any service transferred will be credited at the benefit level for service in the TSERS. In order to effect the transfer of a member's service, the accumulated contributions credited to that member in the prior system plus the reserve held as a result of previous employer contributions on behalf of the transferring member will be transferred the new system. This provision is effective January 1, 2004.

Based on the data provided by the retirement system, this act would currently affect 22 employees. The transfer of service would produce a benefit increase for these employees because the benefit for the transferred service would be based on higher average salary in the TSERS or CJRS as opposed to his salary in the prior system.

These provisions increase the unfunded accrued liability in the TSERS and CJRS by the value of benefits granted for transferred service less the amounts transferred from the prior system. The transfer of service should not have a material impact on the LRS.

The net increase in accrued liability in the TSERS is estimated at $1,630,000. Liquidating this amount over 9 years produces an annual cost of approximately $251,000. The net increase in accrued liability in the CJRS is estimated at $295,000. Liquidating this amount over 9 years produces an annual cost of approximately $40,000. This does not include any provision for transferring service for any LRS members that become members of the TSERS or CJRS in the future.

These estimates are based on the most recent actuarial valuations prepared as of December 31, 2001, and information provided by you regarding members of the LRS with service in the TSERS or CJRS.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

MINUTES

HOUSE COMMITTEE ON PENSIONS AND RETIREMENT

APRIL 16, 2003 10:00 A.M.

The House Committee on Pensions and Retirements met at 10:00 a.m. on Wednesday, April 16, 2003 in Room 544 of the Legislative Office Building. The following members were present: *Chairmen Bell and G. Wilson; Vice Chairs McCombs and Yongue; and Representatives B. Allen, Barbee, Kiser, McLawhorn, Munford, Rapp, and Tolson.* Staff persons present included: Researchers Karen Cochrane-Brown and Theresa Matula and Stanley Moore of Fiscal Research. Committee Assistants: Rebecca Jones-Cooper and Carolyn Edwards. The Agenda and Visitor Registration Sheets are attached and incorporated into the minutes.

Representative Gene Wilson called the meeting to order and introduced Pages L. Johnson, Elizabeth Cornhouser; Sergeant-at Arms, Brian Daughtry, Bill Freeman and James Worth. The following bills were considered:

Chairman G. Wilson recognized the sponsor, Representative Alexander to explain **HB 474, A BILL TO BE ENTITLED AN ACT TO AMEND THE EMERGENCY PENSION FUND FOR LAW ENFORCEMENT OFFICERS IN MECKLENBURG COUNTY.** Representative Alexander asked that the Proposed Committee Substitute (PCS) be accepted before the Committee. It was so moved and 2nd by Representative Munford. Stanley Moore of Fiscal Research Division expounded further about the HB 474. He stated that this is a pay as you go basis to provide a death benefit to those that are killed in the line of duty in Mecklenburg County. Representative McLawhorn moved for a favorable report to the PCS and unfavorable to the original bill. The bill was given a favorable report to the PCS by the Committee. The Committee Report, Bill, Bill Analysis and the PCS are attached and included in these minutes.

Representative Yongue was recognized to explain **HB 570, A BILL TO BE ENTITLED AN ACT TO AMEND THE PROVISIONS OF THE CITY OF LUMBERTON FIREMEN'S RELIEF FUND AND SUPPLEMENTARY PENSION FUND.** It was moved and seconded to accept the PCS . Representative Rapp moved for a favorable report for HB 570. The bill was given a favprable report. The Committee Report, PCS, Bill, Bill Analysis and the Actuarial/Fiscal Notes are attached and included in these minutes.

Representative Rapp was recognized to explain **HB 812, A BILL TO BE ENTITLED AN ACT TO AMEND THE EARNINGS RESTRICTION ON RETIREES UNDER THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM BY ELIMINATING THE APPLICATION OF THE RESTRICTION TO THE TWELVE-MONTH PERIOD IMMEDIATELY FOLLOWING THE DATE OF RETIREMENT**. The major concerned is about the teacher and principle shortage facing the state of North Carolina. He questioned why there were no actuarial reports submitted when the provision of twelve months was put in last year. He noted that it was put into the appropriations bill last year without impact and this year it has a 4.1 million dollar impact. Why was there know change in the overall budget when it was taken out of the budget last year. Representative Rapp stated that if the restrictions were lifted on the health premium cost for one year, we would save money on the retiree. Stanley Moore of Fiscal Research Division expounded further about the bill and stated that last year there was no data to produce actuary notes and this year we have two years worth of data, which is the bases and reason for the 4.1 million dollar impact.

Katherine Joyce of the North Carolina Association of School Administrators stated the desperation for the restriction to be lifted to address the shortages and to keep the expertise of those retired teachers in the state and take advantage of their knowledge. She urged the committee to support the bill.

Representative Barbee asked why a person could not work the day after they retired. Stanley Moore stated that the IRS has never given us a clear answer to this question. All of our systems are a qualified plan, meaning that the IRS deduct 6 % of the salary each month and send it to the retirement system. The 6 % contribution is with pretax dollars and no state or federal taxes are paid on the monies or any accrued benefits earned during the year. We have to adhere to IRS rules!

Carolyn McKinney President of the Association of Educators stated that they favored the bill and needed the return teachers to be able to stay for the entire year as opposed to a half-year. She urged support of the bill.

Representative Munford opposed the bill and stated three reasons. The proposal does not meet the facts and circumstances tested, the whole concept of retiring and double dipping distinguishes the people who participate in it from other state employees who don't have that privilege. It is simply not fair. Representative McLawhorn supported the bill because of the constituents in her rural district. Representative Allen supported the bill and asked Stanley Moore if this was going on with other state employees other than the teachers. Stanley stated that for the most part it is common practice in the schools. The Department of Public Instruction did a survey and showed that 1,570 people were double dipping this year with a total payroll of six million dollars per month, which equates to 70 million dollars a year that the retirement system is not getting any contributions on and plus they are paying out half the amount. Representative Barbee asked if they continue to work, would they have to pay the retirement benefit into the system. Stanley Moore stated that during the time that a person continues to work, they do not pay into the system at all and do not earn any additional service credits during that time. Representative Yongue stated that there was nothing illegal about double dipping and that we were losing a lot of good qualified teachers who are moving to other states. Representative Bell agreed and thought that it serves as an incentive for a person to return and utilize the skills that they have; He also stated that the bill is time sensitive and he would rather hire within the state and employ the experience and skills of retired teachers. Representative Allen moved for a favorable report and the bill was voted on

and approved by the Committee. The Committee Report, Bill, Bill Analysis and the Actuarial/Fiscal Notes are attached and included in these minutes.

Representative Moore was recognized to explain **HB 151, A BILL TO BE ENTITLED AN ACT TO ALLOW LAW ENFORCEMENT OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO RETIRE WITH UNREDUCED BENEFITS AFTER COMPLETING TWENTY-FIVE YEARS OF SERVICE.** Rep. Munford rescued himself from taking part in the discussion or the vote because his law firm represented the Troopers Association. Representative Barbee spoke in favor of the bill and the tremendous pressure that the job entails. Paul Miller, Executive Director of the North Carolina Firemen's Association, stated that the 48,000 Firefighters and other emergency service workers must be included in this bill. Andy Romanet, North Carolina League of Municipalities stood for local government in non-support of the bill. He stated that the problems are the preferential benefits that are decided by the General Assembly and the cost of 33 million dollars of unfunded mandate over a biennium. **(Please refer to the Actuarial Note).** Representative McGee asked what is the cost for funding to go from 25-year bases down to 30-year bases. Stanley Moore of Fiscal Research answered by stating that it would cost about 5 million dollars a year to the state and 14 million dollars a year to the local government beginning July 1, 2003 for only law enforcement officers. John Midzette of the North Carolina Police Benevolence Association spoke on behalf of the bill and the health factor of all men and women involved. Representative Rapp asked if an amendment could be made so that the state could pick up a portion of the 14 million dollar cost that the local government would be required to handle. Stanly Moore stated that the state could pay for the whole bill if they so desired. Representative McCombs opposed the idea made by the question Representative Rapp asked because we have already taken monies from the local government and they cannot afford to pay for the bill. Don Penix, President of North Carolina Fraternal Order of Police noted that the life expectancy of a police officer is 59 ½ years old and the level of productivity diminishes toward retirement. When the older officer retires the new officer will always come in at

a lower rate of pay, this was not taken into consideration during calculations. This bill is to be continued at the next meeting. The Bill, Bill Analysis, and Actuarial Note are included in these minutes.

Chairman G. Wilson adjourned the meeting at 10:50 a.m.

Respectfully submitted,

Carolyn A. Edwards, Committee Assistant

Representative Larry M. Bell
Presiding Chair

AH 1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — APRIL 16, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lorin Mueller	NC Coalition of Police
Paul Meyer	NCACC
Frank Lewis	OSBM
Greg Kingsbury	NC PBA
Randy Miller	NC PBA
Robert Wright	NCPBA
Chris B Viverette	NC PBA
Andy Romanet	NCLM
Jo Williams	CCPS
Cam Cover	BPMHL

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — APRIL 16, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
MICHAEL CALFEE	F.O.P. Fayetteville P.D.
Jay L Leonard	City County Bureau of Identification
Phil Watson	FOP Fayetteville Police
MR Tucker	WCSD
G.E. Burrell	WCSD
Camille Stall	KCLH
Elizabeth J Dalton	Bone & Associates
Larry Pressnell	NC Retired School Personnel
Richard O'Brien	PFPNC
Katherine Joyce	NCASA
W.S. Rolfe	RPD

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — APRIL 16, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bobby Biddle	PFFPNC
Michael Buccino	PBA
BRETT MOYER	NC P.B.A.
Kathy Causby	AOC Human Resources
TERRY HAKE JR	WCSO
Ralph Southerland	LVCSD
ALAN BEANE	WAKE SO - FOP
James C. Boyette	Wake SO - FOP
Mike Aponte	Wake Co. Sheriff. Office.
Michael Houser	NCAE
Carolyn McKinney	NCAE

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — APRIL 16, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Paul Miller	N.C. State Firemen's Assoc.
Robbie Robbins	NC Fraternal Order of Police
Don Penix	" " "
Pam Deardorff	Retirement Division / OST
K.E. Pearce	WAKE CO. SHERIFF'S DEPT.
Laura Harper	SEANC
Joel Keith	Wake County ABC law Enforcement
Andy Miller	Durham Police Dept / NCPBA
Sheree Lee Bethet	Durham Police Dept / NCPBA
Rickey Padgett	Durham Co. Sheriff's Office / NCPBA
Arlene Cheek	Durham Police Dept / NCPBA
John Mudgett	NC PBA.
Lloyd L. Snader, Jr.	NC PBA

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

April 16, 2003
10:00 a.m.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED:

HB 474 – AMEND MECKLENBURG LAW ENFORCE. PENSION FUND
REPRESENTATIVE ALEXANDER

HB 812 –AMEND RETIREES' EARNINGS RESTRICTION
REPRESENTATIVE RAPP

HB 151 – LAW OFFICERS' 25-YEAR RETIREMENT
REPRESENTATIVES MOORE, MICHAUX

HB 271 – JOB-SHARING FOR SCHOOL COUNSELORS / STUDY
REPRESENTATIVES GLAZIER, WARNER, LUCAS, INSKO

HB 331 – RETIREMENT SYSTEM TECHNICAL CHANGES
REPRESENTATIVES BELL, G. WILSON

HB 570 – CITY OF LUMBERTON FIREMEN'S FUND
REPRESENTATIVES BONNER, SUTTON, YONGUE

ADJOURNMENT

Rebecca Jones (Rep. G. Wilson)

[redacted]: Carolyn Edwards (Rep. Bell)
Sent: Thursday, April 10, 2003 5:41 PM
Subject: Pension and Retirement Committee Notice Date

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **PENSIONS AND RETIREMENT** will meet as follows:

DAY & DATE:	**Wednesday, April 16, 2003**
TIME:	**10:00 AM**
LOCATION:	**LOB 544**

[redacted]llowing bills will be considered (Bill # & Short Title & Bill Sponsor):
H[redacted]1 – LAW OFFICERS' 25-YEAR RETIREMENT – Reps. Moore, Michaux
HB 219 – MODIFY RETIRED TEACHER OPTION – Rep. Glazier
HB 271 – JOB-SHARING FOR SCHOOL COUNSELORS / STUDY – Reps. Glazier, Warner, Lucas, Insko
HB 331 – RETIREMENT SYSTEM TECHNICAL CHANGES – Reps. Bell, G. Wilson
HB 474 – AMEND MECKLENBURG LAW ENFORCE. PENSION FUND – Rep. Alexander
HB 570 – CITY OF LUMBERTON FIREMEN'S FUND – Reps. Bonner, Sutton, Yongue
HB 812 – AMEND RETIREES' EARNINGS RESTRICTION – Rep. Rapp

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **5:00 P.M.** on **Thursday, April 10, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

[redacted]yn A. Edwards (Committee Assistant)

4/15/2003

AH 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 474*

Short Title:	Amend Mecklenburg Law Enforce. Pension Fund.	(Local)
Sponsors:	Representatives Alexander; Earle, Carney, C. Wilson, Cunningham, and McMahan.	
Referred to:	Pensions and Retirement.	

March 13, 2003

A BILL TO BE ENTITLED

AN ACT TO AMEND THE EMERGENCY PENSION FUND FOR LAW ENFORCEMENT OFFICERS IN MECKLENBURG COUNTY.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 709 of the 1965 Session Laws and Chapter 305 of the 1967 Session Laws are repealed.

SECTION 2. Chapter 446 of the Public-Local Laws of 1931 reads as rewritten:

"Section 1. This act shall be known and may be cited as "The Emergency ~~and~~ Pension Fund for Sworn Law Enforcement Officers of Mecklenburg ~~County", and~~ County." This act shall apply to all ~~law enforcement officers except as otherwise provided herein~~ sworn law enforcement officers employed by any city, county, or town law enforcement agency in Mecklenburg County engaged in the enforcement of the criminal laws of the State of North Carolina within the County of ~~Mecklenburg.~~ Mecklenburg who are killed or permanently injured while in the discharge of their official duties.

Sec. 2. "Law enforcement officers" shall be deemed to include all State-certified sworn peace officers employed in any city, county, or town law enforcement agency in Mecklenburg County who are required by the terms of their employment to give their full time to the enforcement of laws, ~~the preservation of perfect order,~~ the protection of life and ~~property~~ property, and the detection and prevention of ~~crime and such special or part-time peace officers as may be killed or permanently injured while in the actual discharge of official duties as such officers: Provided, such officers, in order to share in the benefits provided for in this act, shall register with the Officers Relief board provided for on blanks to be furnished for that purpose and in a manner to be prescribed by said board giving such information as to the duty of employment, etc., that may be prescribed by said board.~~crime. "Law enforcement officers" shall also be deemed to

include any reserve officer of an agency of Mecklenburg County and any detention officer employed by the Sheriff of Mecklenburg County.

Sec. 3. That the Mayor of the City of Charlotte, the Chief of Police of the ~~City of Charlotte,~~ Charlotte-Mecklenburg Police Department, the Chairman of the Mecklenburg County Board of Commissioners, the Sheriff of Mecklenburg County, ~~the Chief of Rural Police~~ or their designees, and their successors in office be and they are hereby constituted members ex officio of a board to be known as ~~"The Officers Relief Board of Mecklenburg County",~~"The Emergency Pension Fund for Sworn Law Enforcement Officers of Mecklenburg County", to administer the provisions of this act and said board shall elect its own chairman and appoint an officer of the Board to be known as "Commissioner of the Emergency Pension Fund for Sworn Law Enforcement Officers of ~~the County of Mecklenburg",~~ Mecklenburg County", who shall also act as Secretary and Treasurer of the Board and shall act under the instructions of the Board in all matters pertaining to the administration of this act. And the Board shall require the Secretary and Treasurer to give good and sufficient bond, the amount to be determined in the discretion of the Board, for the proper performance of his duties as such. The premium of said bond shall be paid out of the fund herein provided for. Each ex officio member of the board may appoint an employee of the member's agency to act as the member's designee. The designee shall have the authority to cast a binding vote on behalf of the ex officio member.

~~Sec. 4. That in order to provide funds for "The Emergency Pension Fund of the County of Mecklenburg" herein set out, there shall be taxed in the bill of costs in all criminal cases in any Court other than that of Justice of Peace wherein there is a conviction or a plea of guilty, a fee of one ($1.00) dollar to be known as "The Emergency and Pension Fee" and the same shall be collected by the Clerk of the City Recorder's Court, the Clerk of the County Recorder's Court and the Clerk of the Superior Court and shall be paid to the Treasurer of the "Officers Relief Board of Mecklenburg County" or in cases of appeal from said City Recorder's Court or County Recorder's Court to the Superior Court, the Clerk of the Superior Court shall collect said fees and pay the same to the Treasurer of the "Officers Relief Board of Mecklenburg County." All money collected by the Clerk of the City Recorder's Court, Clerk of the County Recorder's Court shall be paid over to the Treasurer of the "Officers Relief Board of Mecklenburg County" once each week and all of said money collected by the Clerk of the Superior Court shall be paid over to the Treasurer of the "Officers Relief Board of Mecklenburg County" on the first day of each and every month and they shall accompany such remittance with a detailed and itemized statement of the cases in which said funds have been collected, the blank forms for said statement shall be furnished by the "Officers Relief Board of Mecklenburg County" herein provided for. In all cases where the defendant is committed to the roads, the fee herein provided shall not be charged against said defendant where said defendant serves the sentence imposed by the Court and it is further provided that the one dollar ($1.00) fee hereinbefore set out shall not be collected in cases of conviction or plea of guilty for the violation of the traffic or highway laws by use of a motor vehicle where the punishment provided by the Statute is not in excess of fifty dollars ($50.00) fine or thirty days (30) imprisonment; the said~~

~~fee shall be collected in all other cases for violation of said laws where the punishment fixed by the Statute is in excess of the penalties herein before mentioned; Provided further, that where the defendant is convicted on more than one charge, the fee hereinbefore provided for shall only be taxed in the cost in one conviction.~~

Sec. 5. The funds accumulated under this act shall be known as ~~the "Emergency and~~ "The Emergency Pension Fund ~~of the County of Mecklenburg",~~ for Sworn Law Enforcement Officers of Mecklenburg County", and shall be used as a fund for all ~~arresting~~ law enforcement officers, as defined in section two hereof, and their families, under the following terms and ~~conditions, that is to say: If an officer while in the actual performance of his duties shall become disabled, there shall be paid to him a sum not in excess of five hundred dollars ($500.00). and a monthly pension while so disabled not in excess of seventy five dollars ($75.00) per month, and the board may pay to such disabled officer an additional sum not in excess of twenty dollars ($20.00) per month for each child or dependent under the age of eighteen years while the disability of such officers may exist and while the said officer shall live; and in case of death resulting while in the actual performance of his duties, if the officer shall be married, the board may pay immediately to the widow of such officer a sum not in excess of five hundred dollars ($500.00), and may further pay a sum not in excess of fifty dollars ($50.00) per month for said widow during widowhood, and, in addition thereto, the board may pay the said widow for the support of any dependent children she may have, a sum not in excess of twenty dollars ($20.00) per month for each child until said child shall reach the age of eighteen (18) years; and in case of death resulting while in the actual performance of official duties under this act where the individual or officer as herein defined may be unmarried, the board may pay to the nearest dependent next of kin of deceased a sum not in excess of five hundred ($500.00) dollars, or in lieu thereof the board may pay the funeral expenses of deceased not in excess of five hundred ($500.00) dollars; and it is further the true intent, meaning and purpose of this act that the board shall be empowered hereunder, in its discretion, to pay any amount less than the maximum enumerated, and said board may refuse to make a payment of any amount in any case in any or all of the classes herein enumerated.**conditions:**

(1) If a law enforcement officer is killed while in the actual performance of the officer's duties, then the Board may pay from the Fund the amount of ten thousand dollars ($10,000) as a death benefit to the surviving spouse of the deceased officer. If the law enforcement officer is not married at the time of death, the board may pay the death benefit to the nearest dependent next of kin of the deceased; or

(2) If the law enforcement officer is permanently and totally physically disabled due to a physical injury received in the actual performance of the officer's duties, then the Board may pay from the Fund to the law enforcement officer the amount of ten thousand dollars ($10,000). In the event the law enforcement officer is temporarily and totally physically disabled due to a physical injury received in the performance of the officer's duties, then the Board may pay from the Fund to the law enforcement officer a disability supplement of five

hundred dollars ($500.00) a month during the time that the officer is temporarily and totally disabled up to a maximum of ten thousand dollars ($10,000). In any event, a temporarily or permanently physically disabled law enforcement officer shall not receive more than that ten thousand dollars ($10,000).

(3) If a law enforcement officer is killed while in the actual performance of the officer's duties or is permanently and totally disabled, then the Board may award college scholarships to the officer's children up to a maximum amount of ten thousand dollars ($10,000). Such scholarships may be awarded if the child is between the ages of 17 and 22 and has been accepted or is attending a fully accredited college or university.

Sec. 6. The Board created under the provisions of this act shall serve without compensation. The Secretary and Treasurer of said Board shall receive such compensation as may be provided by the Board not to exceed the sum of fifty ($50.00) dollars per month, and the said Board shall have full power and authority to pay all expenses for administering this act including the purchase of supplies, legal advice, etc., out of the fund provided for herein. The Board shall have authority to make such rules, regulations and provisions as may be necessary to the proper administration of this act. The Board may retain an investment firm to manage the Fund and upon a unanimous vote of the Board may increase the amount of the maximum lump sum payments by up to ten percent (10%) once every five years.

~~Sec. 7. Any person or officer of Court covered by the provisions of this act who shall fail to comply with the provisions of this act and make proper accounting and remittance to the Treasurer designated by the Board, or to the Secretary, funds collected under and by virtue of this act, as provided herein, shall be guilty of a misdemeanor, and, upon conviction, shall be fined or imprisoned, in the discretion of the Court.~~

Sec. 8. All laws and clauses of laws in conflict with this act are hereby repealed, and if any section hereof be decided by the Courts to be unconstitutional or invalid, the same shall not affect the validity of this act as a whole or any part thereof, other than the part decided to be unconstitutional or invalid.

Sec. 9. This act shall be in force and effect from and after the first day of June, one thousand nine hundred and thirty-one, but disbursement of funds in accordance with the act, except for necessary expenses of administration, and organization, shall not commence until the first day of December, one thousand nine hundred and thirty-one."

SECTION 3. This act becomes effective July 1, 2003.

AH 3

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 474*
PROPOSED COMMITTEE SUBSTITUTE H474-PCS60252-LL-3

Short Title: Amend Mecklenburg Law Enforce. Pension Fund. (Local)

Sponsors:

Referred to:

March 13, 2003

A BILL TO BE ENTITLED

AN ACT TO AMEND THE EMERGENCY PENSION FUND FOR LAW ENFORCEMENT OFFICERS IN MECKLENBURG COUNTY.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 709 of the 1965 Session Laws and Chapter 305 of the 1967 Session Laws are repealed.

SECTION 2. Chapter 446 of the Public-Local Laws of 1931, as amended by Section 28.26 of Chapter 18 of the 1996 Second Extra Session, reads as rewritten:

"Section 1. This act shall be known and may be cited as "The Emergency ~~and~~ Pension Fund for Sworn Law Enforcement Officers of Mecklenburg ~~County", and~~ County." This act shall apply to all ~~law enforcement officers except as otherwise provided herein~~ sworn law enforcement officers employed by any city, county, or town law enforcement agency in Mecklenburg County engaged in the enforcement of the criminal laws of the State of North Carolina within the County of ~~Mecklenburg.~~ Mecklenburg who are killed or permanently injured while in the discharge of their official duties.

Sec. 2. "Law enforcement officers" shall be deemed to include all State-certified sworn peace officers employed in any city, county, or town law enforcement agency in Mecklenburg County who are required by the terms of their employment to give their full time to the enforcement of laws, ~~the preservation of perfect order,~~ the protection of life and ~~property~~ property, and the detection and prevention of ~~crime and such special or part-time peace officers as may be killed or permanently injured while in the actual discharge of official duties as such officers: Provided, such officers, in order to share in the benefits provided for in this act, shall register with the Officers Relief board provided for on blanks to be furnished for that purpose and in a manner to be prescribed by said board giving such information as to the duty of employment, etc., that may be prescribed by said board.~~crime. "Law enforcement officers" shall also be deemed to

include any reserve officer of an agency of Mecklenburg County and any detention officer employed by the Sheriff of Mecklenburg County.

Sec. 3. That the Mayor of the City of Charlotte, the Chief of Police of the ~~City of Charlotte,~~ Charlotte-Mecklenburg Police Department, the Chairman of the Mecklenburg County Board of Commissioners, the Sheriff of Mecklenburg County, ~~the Chief of Rural Police~~ or their designees, and their successors in office be and they are hereby constituted members ex officio of a board to be known as ~~"The Officers Relief Board of Mecklenburg County",~~ "The Emergency Pension Fund for Sworn Law Enforcement Officers of Mecklenburg County", to administer the provisions of this act and said board shall elect its own chairman and appoint an officer of the Board to be known as "Commissioner of the Emergency Pension Fund for Sworn Law Enforcement Officers of ~~the County of Mecklenburg",~~ Mecklenburg County", who shall also act as Secretary and Treasurer of the Board and shall act under the instructions of the Board in all matters pertaining to the administration of this act. And the Board shall require the Secretary and Treasurer to give good and sufficient bond, the amount to be determined in the discretion of the Board, for the proper performance of his duties as such. The premium of said bond shall be paid out of the fund herein provided for. Each ex officio member of the board may appoint an employee of the member's agency to act as the member's designee. The designee shall have the authority to cast a binding vote on behalf of the ex officio member.

~~Sec. 4. That in order to provide funds for "The Emergency Pension Fund of the County of Mecklenburg" herein set out, there shall be taxed in the bill of costs in all criminal cases in any Court other than that of Justice of Peace wherein there is a conviction or a plea of guilty, a fee of one ($1.00) dollar to be known as "The Emergency and Pension Fee" and the same shall be collected by the Clerk of the City Recorder's Court, the Clerk of the County Recorder's Court and the Clerk of the Superior Court and shall be paid to the Treasurer of the "Officers Relief Board of Mecklenburg County" or in cases of appeal from said City Recorder's Court or County Recorder's Court to the Superior Court, the Clerk of the Superior Court shall collect said fees and pay the same to the Treasurer of the "Officers Relief Board of Mecklenburg County." All money collected by the Clerk of the City Recorder's Court, Clerk of the County Recorder's Court shall be paid over to the Treasurer of the "Officers Relief Board of Mecklenburg County" once each week and all of said money collected by the Clerk of the Superior Court shall be paid over to the Treasurer of the "Officers Relief Board of Mecklenburg County" on the first day of each and every month and they shall accompany such remittance with a detailed and itemized statement of the cases in which said funds have been collected, the blank forms for said statement shall be furnished by the "Officers Relief Board of Mecklenburg County" herein provided for. In all cases where the defendant is committed to the roads, the fee herein provided shall not be charged against said defendant where said defendant serves the sentence imposed by the Court and it is further provided that the one dollar ($1.00) fee hereinbefore set out shall not be collected in cases of conviction or plea of guilty for the violation of the traffic or highway laws by use of a motor vehicle where the punishment provided by the Statute is not in excess of fifty dollars ($50.00) fine or thirty days (30) imprisonment; the said~~

~~fee shall be collected in all other cases for violation of said laws where the punishment fixed by the Statute is in excess of the penalties herein before mentioned; Provided further, that where the defendant is convicted on more than one charge, the fee hereinbefore provided for shall only be taxed in the cost in one conviction.~~

Sec. 5. The funds accumulated under this act shall be known as ~~the "Emergency and~~ "The Emergency Pension Fund ~~of the County of Mecklenburg",~~ for Sworn Law Enforcement Officers of Mecklenburg County", and shall be used as a fund for all ~~arresting~~ law enforcement officers, as defined in Section 2 of this act, and their ~~families.If an officer while in the actual performance of that officer's duties is killed, the board may pay any amount up to a maximum of ten thousand dollars ($10,000) as a death benefit to the surviving spouse of the deceased officer. If the officer is not married at the time of death, the board may pay any amount up to a maximum of ten thousand dollars ($10,000) to the nearest dependent next of kin of the deceased. It is further the true intent, meaning, and purpose of this act that the board may pay any amount less than the amount specified, and the board may refuse to make a payment of any amount in any case in any or all of the classes enumerated in this act. Further, the board may use monies from the fund to award scholarships to dependent children of officers who are either killed while in the performance of their duties or who are rendered totally disabled as a result of an injury received while in the performance of their duties. The maximum scholarship amount shall be two thousand five hundred dollars ($2,500) per child.~~ families, under the following terms and conditions:

(1) If a law enforcement officer is killed while in the actual performance of the officer's duties, then the Board may pay from the Fund the amount of ten thousand dollars ($10,000) as a death benefit to the surviving spouse of the deceased officer. If the law enforcement officer is not married at the time of death, the Board may pay the death benefit to the nearest dependent next of kin of the deceased.

(2) If the law enforcement officer is permanently and totally physically disabled due to a physical injury received in the actual performance of the officer's duties, then the Board may pay from the Fund to the law enforcement officer the amount of ten thousand dollars ($10,000). In the event the law enforcement officer is temporarily and totally physically disabled due to a physical injury received in the performance of the officer's duties, then the Board may pay from the Fund to the law enforcement officer a disability supplement of five hundred dollars ($500.00) a month during the time that the officer is temporarily and totally disabled up to a maximum of ten thousand dollars ($10,000). In any event, a temporarily or permanently physically disabled law enforcement officer shall not receive more than that ten thousand dollars ($10,000).

(3) If a law enforcement officer is killed while in the actual performance of the officer's duties or is permanently and totally disabled, then the Board may award college scholarships to the officer's children up to a maximum amount of ten thousand dollars ($10,000). Such

scholarships may be awarded if the child is between the ages of 17 and 22 and has been accepted or is attending a fully accredited college or university.

Sec. 6. The Board created under the provisions of this act shall serve without compensation. The Secretary and Treasurer of said Board shall receive such compensation as may be provided by the Board not to exceed the sum of fifty ($50.00) dollars per month, and the said Board shall have full power and authority to pay all expenses for administering this act including the purchase of supplies, legal advice, etc., out of the fund provided for herein. The Board shall have authority to make such rules, regulations and provisions as may be necessary to the proper administration of this act. The Board may retain an investment firm to manage the Fund and upon a unanimous vote of the Board may increase the amount of the maximum lump sum payments by up to ten percent (10%) once every five years.

~~Sec. 7. Any person or officer of Court covered by the provisions of this act who shall fail to comply with the provisions of this act and make proper accounting and remittance to the Treasurer designated by the Board, or to the Secretary, funds collected under and by virtue of this act, as provided herein, shall be guilty of a misdemeanor, and, upon conviction, shall be fined or imprisoned, in the discretion of the Court.~~

Sec. 8. All laws and clauses of laws in conflict with this act are hereby repealed, and if any section hereof be decided by the Courts to be unconstitutional or invalid, the same shall not affect the validity of this act as a whole or any part thereof, other than the part decided to be unconstitutional or invalid.

Sec. 9. This act shall be in force and effect from and after the first day of June, one thousand nine hundred and thirty-one, but disbursement of funds in accordance with the act, except for necessary expenses of administration, and organization, shall not commence until the first day of December, one thousand nine hundred and thirty-one."

SECTION 3. This act becomes effective July 1, 2003.

PCS FOR HOUSE BILL 474:
Amend Mecklenburg Law Enforce. Pension Fund

BILL ANALYSIS

Committee:	House Pensions & Retirement	**Introduced by:**	Representative Alexander
Date:	April 15, 2003	**Summary by:**	Theresa Matula
Version:	v.1; H474-PCS60252-LL-3		Committee Staff

SUMMARY: ***House Bill 474 amends The Emergency Pension Fund for Sworn Law Enforcement Officers of Mecklenburg County.***

BACKGROUND:

Chapter 446 of Public-Local Laws of 1931 established The Emergency and Pension Fund of Mecklenburg County to provide benefits for law enforcement officers who die or become disabled while in the actual performance of duties. If an officer, while in the performance of duties, became disabled, the officer received: a sum not exceeding $500, a monthly pension not exceeding $75 per month, and an additional sum not exceeding $20 per month per child/dependent under 18. If an officer died while in the performance of duties, the officer's widow received: a sum not exceeding $500, a sum not exceeding $50 per month, and an additional sum not exceeding $20 per month per child/dependent under 18. If the officer was unmarried: the board was allowed to pay a sum not exceeding $500 to the nearest dependent next of kin; or the funeral expenses not exceeding $500.

Chapter 709 of the 1965 Session Laws added Section 5.1 to Chapter 446 of the Public-Local and Private Laws of 1931 which provided that in lieu of disability benefits, the board may provide for payment of monthly disability benefits in an amount not in excess of the difference between the amount of benefits received under Workmen's Compensation, if any, and the amount of monthly salary of the eligible member at the time of disability.

Chapter 305 of the 1967 Session Laws amended Section 5 of Chapter 446 of the Public-Local Laws of 1931 by adding language allowing the monthly disability benefits to be increased annually at the rate of 1% of the total compensation paid the eligible member during the preceding year, provided that the monthly disability benefits paid by the fund does not exceed 80% of the member's monthly salary at the time of disability.

Section 28.26 of Chapter 18 of the 1996 Second Extra Session granted the board the authority to award scholarships not exceeding $2,500 per child to dependent children of officers who were rendered totally disabled as a result of an injury received while in the performance of their duties. Additionally, the benefits were amended so that the surviving spouse, or nearest dependent next of kin, of an officer who died while in the actual performance of duties could receive up to $10,000 as a death benefit and the board was granted the authority to award scholarships not exceeding $2,500 per child to dependent children.

BILL ANALYSIS:

Section 1 of House Bill 474 repeals Chapter 709 of the 1965 Session Laws, and Chapter 305 of the 1967 Session Laws. (*See description of these provisions above.*)

(Continued on Back)

Section 2 amends Chapter 446 of the Public-Local Laws of 1931, as amended by Section 28.26 of Chapter 18 of the 1996 Second Extra Session. The amendments are as follows:

- Amends the title of the Fund from The Emergency and Pension Fund of Mecklenburg County to The Emergency Pension Fund for Sworn Law Enforcement Officers of Mecklenburg County.
- Amends the membership of the Fund to consist of sworn law enforcement officers employed by any city, county or town law enforcement agency in Mecklenburg County engaged in the enforcement of the criminal laws of the State of North Carolina within the County who are killed or permanently injured while in the discharge of their official duties.
- Amends the definition of "law enforcement officers" to include all State-certified sworn peace officers employed in any city, county, or town law enforcement agency; any reserve officer of any agency of Mecklenburg County; and any detention officer employed by the Sheriff of Mecklenburg County.
- Adds a provision to allow each ex officio member of the board to appoint an employee of the member's agency to act as the designee and grants the designee the authority to cast a binding vote on behalf of the ex officio member. (Ex officio members: Mayor of the City of Charlotte, Chief of Police of the Charlotte-Mecklenburg Police Department, Chairman of the Mecklenburg County Board of Commissioners, Sheriff of Mecklenburg County.)
- Deletes Section 4 of Chapter 446 of the Public-Local Laws of 1931 outlining the funding of the Pension Fund.
- Clarifies the death benefit; amends the disability award to an amount not exceeding $10,000 for permanent and total physical disability, or $500 per month for temporary and total disability up to a maximum of $10,000; and allows the board to award college scholarships not exceeding $10,000 to children of an officer who is killed or permanently and totally disabled. Any child receiving the scholarship must between the ages of 17 and 22 and have been accepted or attending a fully accredited college or university.
- Adds language allowing the Board to retain an investment firm to manage the Fund; and to allow the Board, upon an unanimous vote, to increase the maximum lump sum payments by up to 10% once every five years.
- Deletes the penalty for improper acts.
- Makes other conforming, and updating amendments of a technical nature.

The Proposed Committee Substitute (H474-PCS60252-LL-3) incorporates the amendments by Section 28.26 of Chapter 18 of the 1996 Second Extra Session, which were not included in the First Edition of House Bill 474.

Section 3 of House Bill 474 establishes that this act becomes effective July 1, 2003.

AH 4

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 474 A BILL TO BE ENTITLED AN ACT AN ACT TO AMEND THE EMERGENCY PENSION FUND FOR LAW ENFORCEMENT OFFICERS IN MECKLENBURG COUNTY.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AH 5

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 570*

Short Title:	City of Lumberton Firemen's Fund.	(Local)
Sponsors:	Representatives Bonner, Sutton, and Yongue (Primary Sponsors).	
Referred to:	Pensions and Retirement.	

March 20, 2003

A BILL TO BE ENTITLED

AN ACT TO AMEND THE PROVISIONS OF THE CITY OF LUMBERTON FIREMEN'S RELIEF FUND AND SUPPLEMENTARY PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Section 3 of Chapter 100 of the 1955 Session Laws, as amended by Chapter 960 of the 1973 Session Laws, Chapter 357 of the 1989 Session Laws, and Chapter 792 of the 1991 Session Laws, reads as rewritten:

"Sec. 3. Any person who is a full time paid member of the Lumberton Fire Department, as shown by the records of the City of Lumberton as of February 25, 1955, or any person who shall become a full-time paid member thereafter shall be eligible for benefits from the 'Supplementary Pension ~~Fund': Provided that~~Fund'. Any eligible firefighters who become permanently disabled during the term of their employment with the City of Lumberton shall receive retirement benefits based upon 30 years of service. However, no such person shall be eligible for benefits from the 'Supplementary Pension Fund' unless or until the person has been retired as a member of the Lumberton Fire Department under the provisions of the North Carolina Local Governmental Employees' Retirement System as set out in Article 3 of Chapter 128 of the General Statutes and as participated in by the City of Lumberton. It is further provided that this act does not modify or alter in any way the Workers' Compensation Laws of the State of North Carolina."

SECTION 2. This act is effective when it becomes law.

AH 6

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 570*
PROPOSED COMMITTEE SUBSTITUTE H570-CSST-9 [v.3]

4/9/2003 9:50:31 AM

Short Title: City of Lumberton Firemen's Fund. (Local)

Sponsors:

Referred to:

March 20, 2003

A BILL TO BE ENTITLED

AN ACT TO AMEND THE PROVISIONS OF THE CITY OF LUMBERTON FIREMEN'S RELIEF FUND AND SUPPLEMENTARY PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Section 4 of Chapter 792 of the 1991 Session Laws, as amended by S.L. 1995-699 reads as rewritten:

"Sec. 4. Any full time paid member of the fire department who retires or is retired under the provisions of Section 3 of this act shall receive monthly for the remainder of his life from the 'Supplementary Pension Fund' an amount equal to three dollars and twenty-five cents ($3.25) for each full year of service with the Fire ~~Department, with the exception that, if a person who has been retired as a member of the Lumberton Fire Department is receiving disability retirement benefits under the provisions of~~ Department. Any eligible member of the fire department who becomes permanently disabled and retires or is retired from the North Carolina Local Governmental Employees' Retirement System ~~as set out in Article 3 of Chapter 128 of the General Statutes and as participated in by the City of Lumberton,~~in accordance with G.S. 128-27(c), ~~that person~~ shall receive from the Fund the benefit amount equivalent to which a person retired with 30 years of service is entitled. If, for any reason, the Fund created and made available for any purpose covered by this Chapter shall be insufficient to pay in full any pension benefits, or other changes, then all benefits and payments shall be reduced pro rata for as long as the deficiency in amount exists. No claim shall accrue with respect to any amount by which a pension or benefit payment shall have been reduced.

SECTION 2. This act is effective when it becomes law.

HOUSE BILL 570:
City of Lumberton Firemen's Fund.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Reps. Bonner, Sutton, Yongue
Date:	April 16, 2003	**Summary by:**	Karen Cochrane Brown
Version:	Proposed Committee Substitute H570-CSST-9[v.3]		Committee Counsel

SUMMARY: ***House Bill 570 amends the provisions of the City of Lumberton Firemen's Relief Fund and Supplementary Pension Fund to clarify the disability retirement benefit.***

CURRENT LAW:

In 1955, the General Assembly authorized the creation of the Supplementary Pension Fund for the Fire Department of the City of Lumberton. Under the current version of the law, any full time paid member of the Lumberton Fire Department is eligible for benefits from the Fund when the member retires from the Lumberton Fire Department under the provisions of the Local Governmental Employees' Retirement System.

The current law provides a benefit of $3.25 for each year of service with the Fire Department. It also provides that if the member is receiving disability retirement benefits from the Local Governmental Employees' Retirement System, the member shall receive benefits from the Supplementary Fund in an amount equal to what a person with 30 years of service would receive.

BILL ANALYSIS:

The Proposed Committee Substitute amends the benefit provision in the law to clarify that any eligible member of the fire department who becomes permanently disabled and retires for disability from the Local Governmental Employees' Retirement System shall receive a benefit equal to the amount to which a person with 30 years of service would be entitled.

This act would become effective when it becomes law.

H510-SMRO-001

AH 7

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 570 A BILL TO BE ENTITLED AN ACT TO AMEND THE PROVISIONS OF THE CITY OF LUMBERTON FIREMEN'S RELIEF FUND AND SUPPLEMENTARY PENSION FUND.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AH 8

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 812

Short Title:	Amend Retirees' Earnings Restriction.	(Public)
Sponsors:	Representatives Rapp; B. Allen, Carney, England, Farmer-Butterfield, Glazier, Goforth, Jeffus, C. Johnson, McHenry, Nye, Parmon, and Pate.	
Referred to:	Pensions and Retirement.	

March 31, 2003

A BILL TO BE ENTITLED

AN ACT TO AMEND THE EARNINGS RESTRICTION ON RETIREES UNDER THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM BY ELIMINATING THE APPLICATION OF THE RESTRICTION TO THE TWELVE-MONTH PERIOD IMMEDIATELY FOLLOWING THE DATE OF RETIREMENT.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-3(8)c. reads as rewritten:

"c. 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 ~~during the 12-month period immediately following the effective date of retirement or~~ 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 six months and has not been employed in any capacity, except as a substitute teacher or a part-time tutor, with a public school for at least six months immediately preceding the effective date of reemployment, shall not include earnings 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."

SECTION 2. G.S. 128-24(5)c. reads as rewritten:

"c. Should a beneficiary who retired on an early or service retirement allowance be reemployed, or otherwise engaged to perform services, by an employer participating in the Retirement System on a part-time, temporary, interim, or on fee-for-service basis, whether contractual or otherwise, and if such beneficiary earns an amount ~~during the 12 month period immediately following the effective date of retirement or~~ 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%)."

SECTION 3. This act becomes effective July 1, 2003, and applies to members retiring on or after that date.

HOUSE BILL 812:
Amend Retirees' Earning Restriction.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Rep. Rapp
Date:	April 16, 2003	**Summary by:**	Karen Cochrane Brown
Version:	First Edition		Committee Counsel

SUMMARY: ***House Bill 812 amends the law relating to earnings after retirement from the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System. The amendment removes a provision that was added to the law last year and that makes the earnings restriction applicable to the twelve-month period immediately following retirement.***

CURRENT LAW:

A retiree from the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System may return to employment with an employer who participates in the system from which the retiree retired and earn up to 50% of the salary earned during the last year of service or $24,180.00, whichever is greater. Prior to last year, this limitation was applied on a calendar year basis only, so that someone who retired in the middle of the year could continue to earn basically a full salary for the remainder of that calendar year and half of the following calendar year, while also receiving a retirement allowance.

In last year's Appropriations Act, the General Assembly added language to the law to provide that the earning limitation would be applied during the 12-month period immediately following retirement or in any calendar year. The change did not apply during the 2002-2003 fiscal year to any person who was retired on or before September 1, 2002, and also had entered into any employment contract or commitment for some or all of that year.

In addition, the State Treasurer was directed to seek a private letter ruling from the Internal Revenue Service relating to what constitutes a "bona fide termination of employment" and the period of time a member of the Retirement System must be separated from service before they can be reemployed either on a full-time or contract basis while continuing to receive retirement benefits.

The earning limitation applies to all retirees; however, another provision allows retired teachers to return to teaching after a six-month break in service and earn a full salary while continuing to receive a full retirement allowance.

BILL ANALYSIS:

This bill deletes the language that was added last year and restores the law, so that the earnings limitation would only apply on a calendar year basis.

This act would become effective July 1, 2003, and apply to members retiring on or after that date.

H812-SMRO-001

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2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT.**

☐ Committee Substitute for
H.B. 812 A BILL TO BE ENTITLED AN ACT TO AMEND THE EARNINGS RESTRICTION ON RETIREES UNDER THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM BY ELIMINATING THE APPLICATION OF THE RESTRICTION TO THE TWELVE-MONTH PERIOD IMMEDIATELY FOLLOWING THE DATE OF RETIREMENT.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

April 23, 2003

The House Committee on Pensions and Retirement met Wednesday, April 23, 2003, in Room 544 of the Legislative Office Building at 10:00 A.M. The following members were present: Chairs Bell and G. Wilson, Vice-Chairs McCombs and Yongue, Representatives B. Allen, Barbee, Kiser, McGee, McLawhorn, Munford, Rapp, Tolson and Eddins. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 1)

Committee Chair, Representative Larry Bell, called the meeting to order.

Representative Bell recognized Representative Michaux to speak on House Bill 151 AN ACT TO ALLOW LAW ENFORCEMENT OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO RETIRE WITH UNREDUCED BENEFITS AFTER COMPLETING TWENTY-FIVE YEARS OF SERVICE. (Attachment 2) Representative Michaux passed out a fact sheet from the North Carolina Police Benevolent Association to the committee. (Attachment 3)

Representative Bell recognized the past President of the North Carolina Troopers Association, Randy Sales. His comments have been made part of these minutes. (Attachment 4)

Representative Barbee made a motion for a favorable report and that it be re-referred to the committee on Appropriations. The motion passed. Committee Report (Attachment 5)

Representative Bell recognized Michael Williamson to give a presentation by the North Carolina Retirement Systems Division. His presentation has been made part of these minutes. (Attachment 6)

There being no further business, Representative Bell adjourned the meeting at 10:50 a.m.

Attachments

1. Visitation Registration Sheet

2. House Bill 151

3. North Carolina Police Benevolent Association Fact Sheet

4. Randy Sales Remarks

5. Committee Report

6. Presentation by the North Carolina Retirement Systems Division

Respectfully submitted,

Rebecca Jones-Cooper
Committee Assistant

Representative Larry Bell
Presiding Chair

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

DAY & DATE: **April 23, 2003**

TIME: **10:00 A.M.**

LOCATION: **544**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 151 – LAW OFFICERS' 25-YEAR RETIREMENT – Reps. Moore, Michaux

HB 271 – JOB-SHARING FOR SCHOOL COUNSELORS / STUDY – Reps. Glazier, Warner, Lucas, Insko

HB 331 – RETIREMENT SYSTEM TECHNICAL CHANGES – Reps. Bell, G. Wilson

Respectfully,
Representatives Bell and G. Wilson
Chairs

I hereby certify the committee assistant at the following offices filed this notice at **12:00 pm** on **April 17, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Rebecca Jones (Committee Assistant)

VISITOR REGISTRATION SHEET

Pensions & Retirement
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Steve Hoffman	NCSBA
Rachel McLaughlin	Mecklenburg Co. Clerk of Court
Mary Foreman	NCAE
Betty Hunter	Charlotte Chamber
E.F. Dehart Jr	Charlotte Chamber
Roger Bone	Bone & Associates
Jane Meyer	NCAE

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VISITOR REGISTRATION SHEET

Pensions & Retirement
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joel Keith	Wake County ABC Law Enforcement
Kathy Causby	AOC - Human Resources
Andy Miller	Durham Police Dept / NCPBA
TERRY MANGUM	DURHAM POLICE DEPT / N.C. F.O.P.
	DWDP-CPSV
RALPH SOUTHERLAND	Wake County Sheriff's Office
Arthur J O'Brien	Fuquay-Varina Police Dept. / NCPBA / NCFOP
TERRY L HALE JR	WCSO
ALAN M. BEANE	WAKE CO. SHERIFF - FOP
Phil Watson	FOP Fayetteville Police
Charles Kimble	FOP - Fayetteville Police

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VISITOR REGISTRATION SHEET

Pensions & Retirement — 4-23-03

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mark R. Tucker	Wake Co. Sheriff + WC FOP
Kim Hibbard	NCLM
Michael Hauser	NCAE
Gina Meng	NC PBA
Ardis Walker	SEANC
Phil T. Williams	NC F.O.P.
William M. Evans	NC FOP
Craig Monrony	NC FOP
C. Robert Stell	Wake Co Sheriffs office
Robby Davis	NC FOB
Phil Wiggins	N.C. FOP

AH. 1

VISITOR REGISTRATION SHEET

Pensions & Retirement
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jeff Gray	Fraternal Order of Police (FOP)
Gary E. Burrell	Wake Co. Sheriff's Ofc.
Lorin Mueller	NC Coalition of Police
Gene Causby	NC SCA
Jan Coats	NC ASA
Leigh N. Kazemore	NC Ret. Gov't Emp. Assn
Paul Miller	N.C. State Firemen's Assoc.
Frank Lewis	OSBM
[illegible]	[illegible]
Richard Z. O'Brien	PFFPNC
[illegible]	PFFPNC

AH. 2

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

H 1

HOUSE BILL 151*

Short Title:	Law Officers' 25-Year Retirement.	(Public)
Sponsors:	Representatives Moore, Michaux (Primary Sponsors); and Eddins.	
Referred to:	Pensions and Retirement, if favorable, Appropriations.	

March 3, 2003

A BILL TO BE ENTITLED

AN ACT TO ALLOW LAW ENFORCEMENT OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO RETIRE WITH UNREDUCED BENEFITS AFTER COMPLETING TWENTY-FIVE YEARS OF SERVICE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5(b19) reads as rewritten:

"(b19) Service Retirement Allowance of Members Retiring on or After July 1, ~~2002.~~ 2002, but Before July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2002, but before July 1, 2003, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of his creditable service.

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

1. The service retirement allowance payable under G.S. 135-5(b19)(1)a. reduced by one-third of one percent (1/3

of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b19)(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-two hundredths percent (1.82%) 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(b19)(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(b19)(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(b19)(2)a. reduced by five percent (5%) times

the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b19)b.

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

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

"(b20) Service Retirement Allowance of Members Retiring on or After July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2003, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 25 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 135-5(b20)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b20)(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-two hundredths percent (1.82%) 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(b20)(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(b20)(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(b20)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or
3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 135-5(b20)b.

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

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

"(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of subsection (g) above computed by assuming that the member

had retired on the first day of the month following the date of his death, provided that the following conditions apply:

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with ~~G.S. 135-5(b19)(1)b.~~ G.S. 135-5(b20)(1)b. or ~~G.S. 135-5(b19)(2)c.,~~ G.S. 135-5(b20)(2)c., notwithstanding the requirement of obtaining age 50.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who was living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

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

SECTION 4. G.S. 128-27(b20) reads as rewritten:

"(b20) Service Retirement Allowance of Member Retiring on or After July 1, ~~2002.~~ 2002, but Before July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2002, but before July 1, 2003, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) 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(b20)(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;
2. The service retirement allowance as computed under G.S. 128-27(b20)(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 eighty-two hundredths percent (1.82%) 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(b20)(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(b20)(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(b20)(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(b20)(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:

"(b21) Service Retirement Allowance of Member Retiring on or After July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2003, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 25 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b21)(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;

2. The service retirement allowance as computed under G.S. 128-27(b21)(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 eighty-two hundredths percent (1.82%) 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(b21)(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(b21)(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(b21)(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(b21)(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 member had retired on the first day of the month following the date of his death, provided that all three of the following conditions apply:

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with ~~G.S. 128-27(b20)(1)b.~~ G.S. 128-27(b21)(1)b. or ~~G.S. 128-27(b20)(2)c.,~~ G.S. 128-27(b21)(2)c., notwithstanding the requirement of obtaining age 50.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who is living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

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

SECTION 7. G.S. 143-166.41(a) reads as rewritten:

"(a) Notwithstanding any other provision of law, every sworn law-enforcement officer as defined by G.S. 135-1(11b) or G.S. 143-166.30(a)(4) employed by a State department, agency, or institution who qualifies under this section shall receive, beginning on the last day of the month in which he retires on a basic service retirement under the provisions of G.S. 135-5(a) or G.S. 143-166(y), an annual separation allowance equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation most recently applicable to him for each year of creditable service. The allowance shall be paid in 12 equal installments on the last day of each month. To qualify for the allowance the officer shall:

(1) Have (i) completed ~~30~~ 25 or more years of creditable service or, (ii) have attained 55 years of age and completed five or more years of creditable service; and

(2) Not have attained 62 years of age; and
(3) Have completed at least five years of continuous service as a law enforcement officer as herein defined immediately preceding a service retirement. Any break in the continuous service required by this subsection because of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive the allowance, provided the officer returns to service within 45 days after the disability benefits cease and is otherwise qualified to receive the allowance."

SECTION 8. This act becomes effective July 1, 2003.

North Carolina General Assembly
Legislative Services Office

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March 19, 2003

MEMORANDUM

TO: Representative Mickey Michaux
Representative Timothy Moore

FROM: Stanley Moore
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 151

Re: **Reduces the years of service required for an unreduced benefit from 30 years to 25 years for law enforcement officers in the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System.**

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, March 11, 2003
(3) Actuarial Note. Hartman & Associates, March 13, 2003

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 151

SHORT TITLE: Law Officers' 25-Year Retirement

SPONSOR(S): Representatives Moore & Michaux

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 in order to qualify to receive the special separation allowance of .85% of salary for each year of service.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: **Teachers' and State Employee's Retirement System**
Retirement System Actuary: Buck Consultants estimates the normal cost will increase by .01% and the accrued liability cost will increase by .03% for a total increase of .04% of the payroll of all members of the Teachers' and State Employee's Retirement System.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$3,008,400	$3,212,069	$3,429,526	$3,661,705	$3,909,602
Highway Fund	$147,480	$157,464	$168,125	$ 179,507	$ 191,659
Receipt Funds	$969,080	$1,034,687	$1,104,735	$1,179,526	$1,259,379
Total Retirement Cost	$4,124,960	$4,404,220	$4,702,385	$5,020,737	$5,360,641
Separation Allowance	$883,500	$1,021,000	$1,182,000	$1,417,500	$1,675,000
TOTAL COST	**$5,008,460**	**$5,425,220**	**$5,884,385**	**$6,438,237**	**$7,035,641**

General Assembly Actuary: Hartman & Associates estimates the normal cost will increase by .01% and the accrued liability cost will increase by .03% for a total increase of .04% of the payroll of all members of the Teachers' and State Employee's Retirement System.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$3,008,400	$3,212,069	$3,429,526	$3,661,705	$3,909,602
Highway Fund	$147,480	$157,464	$168,125	$ 179,507	$ 191,659
Receipt Funds	$969,080	$1,034,687	$1,104,735	$1,179,526	$1,259,379
Total Retirement Cost	$4,124,960	$4,404,220	$4,702,385	$5,020,737	$5,360,641
Separation Allowance	$1,046,812	$2,102,266	$2,304,181	$2,532,125	$2,796,631
TOTAL COST	**$5,171,772**	**$6,506,486**	**$7,006,566**	**$7,552,862**	**$8,157,272**

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 5.92% for a net increase of .65% of the payroll of law enforcement officers. Buck Consultants estimates that the first year annual cost to pay the unfunded accrued liability will be $5,825,000 based on a 15 year amortization period.

	2003-04	2004-05	2005-06	2006-07	2007-08
Normal Cost Increase	$4,368,000	$4,189,872	$4,460,119	$4,747,796	$5,054,029
Accrued Liability	$5,825,000	$5,055,311	$5,381,378	$5,728,477	$6,097,964
Total Retirement Cost	$10,193,000	$9,245,183	$9,841,497	$10,476,273	$11,151,993
Separation Allowance	$ 4,177,000	$5,682,000	$6,900,500	$7,700,500	$8,377,000
Total Local Funds	$14,370,000	$16,617,409	$18,631,516	$20,285,794	$21,879,010

General Assembly Actuary: Hartman & Associates estimates the normal cost will increase from 5.27% of payroll to 5.84% for a net increase of 0.57% of the payroll of law enforcement officers. They also estimates that the annual cost to pay the unfunded accrued liability will increase 1.08% .

	2003-04	2004-05	2005-06	2006-07	2007-08
Normal Cost Increase	$3,830,400	$4,089,718	$4,366,592	$4,662,210	$4,977,842
Accrued Liability	$7,257,600	$7,748,940	$8,273,543	$8,833,662	$9,431,700
Total Retirement Cost	$11,088,000	$11,838,658	$12,640,135	$13,495,872	$14,409,542
Separation Allowance	$3,465,733	$7,052,300	$8,118,253	$8,672,187	$9,330,249
Total Local Funds	$14,553,733	$18,890,958	$20,758,388	$22,168,509	$23,739,791

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, 2001 actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 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.

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, 2001 actuarial valuation of the fund. The data included 118,580 active members with an annual payroll of $3.6 billion and 31,352 retired members in receipt of annual pensions totaling $392.7 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, LLC

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: March 17, 2003

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

March 11, 2003

Ms. Pam Deardorff
Director of External Relations
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 151

Dear Ms. Deardorff:

We have received your letter of March 7 regarding House Bill 151 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. 143-161.41 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
Normal	.01%
Accrued Liability	.03
Total	.04%

Buck Consultants, Inc.
770 1955-2488 Fax 770 1933-8336

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 5.92% of covered payroll. The increase from the current employer normal rate of 5.27% would be 0.65% in perpetuity, which would require additional annual normal contributions of approximately $3,946,000 in the first year. The additional unfunded accrued liability created on account of this legislation is $67,646,000, which would require additional accrued liability contributions of approximately $5,825,000 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 $9,771,000. 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. Also, the statutory reference G.S. 135-5(620) b as it appears on page 4, line 39 is incorrect and should be G.S. 135-5(b20)(2)b.0.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sr

Enclosure

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

P:\North Carolina Teachers\2003\Correspondence\House Bill 151.doc
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Projection of additional Special Separation Allowances payable under proposed House Bill 151

Year	State	Local
2002	$ 302,000	$ 1,306,000
2003	788,000	3,396,000
2004	979,000	4,958,000
2005	1,063,000	6,407,000
2006	1,301,000	7,394,000
2007	1,534,000	8,007,000
2008	1,816,000	8,747,000
2009	2,211,000	9,113,000
2010	2,458,000	9,292,000
2011	2,502,000	9,997,000

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of Proposal for 25 Year
Retirement for Law Enforcement Officers

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70005	Aberdeen, Town Of	19	566,564	1,816,310	0.25%	3,683	4,541	8,224
70007	Ahoskie, Town Of	17	397,913	1,317,155	0.36%	2,586	4,742	7,328
70020	Alamance County	76	2,427,016	20,011,981	0.12%	15,776	24,014	39,790
70030	Albemarle, City Of	47	1,503,053	7,976,716	0.26%	9,770	20,739	30,509
70032	Alexander County	22	653,737	3,688,625	0.11%	4,249	4,057	8,306
70035	Alleghany County	9	279,374	2,171,216	0.06%	1,816	1,303	3,119
70036	Andrews, Town Of	10	193,736	567,678	0.05%	1,259	284	1,543
70038	Angier, Town Of	11	237,423	713,068	0.21%	1,543	1,497	3,040
70040	Anson County	25	625,728	5,272,087	0.05%	4,067	2,636	6,703
70050	Apex, Town Of	38	1,393,168	6,892,198	0.16%	9,056	11,028	20,084
70063	Archdale, City Of	22	719,254	1,547,493	0.72%	4,675	11,142	15,817
70064	Asheboro, City Of	65	2,158,301	9,372,824	0.27%	14,029	25,307	39,336
70065	Ashe County	17	423,704	3,668,986	0.05%	2,754	1,834	4,588
70070	Asheville, City Of	157	6,009,758	31,246,989	0.21%	39,063	65,619	104,682
70072	Asheville A.B.C. Board	2	82,990	1,390,723	0.09%	539	1,252	1,791
70074	Asheville Regional Airport Authority	15	550,940	1,022,632	0.34%	3,581	3,477	7,058
70075	Atkinson, Town Of	1	10,712	10,712	0.00%	70	0	70
70080	Atlantic Beach, Town Of	10	319,160	319,160	0.10%	2,075	319	2,394
70082	Aulander, Town Of	1	27,580	145,032	0.27%	179	392	571
70085	Aurora, Town Of	1	30,345	143,315	0.11%	197	158	355
70090	Avery County	23	441,548	3,161,817	0.00%	2,870	0	2,870
70100	Ayden, Town Of	18	517,264	1,928,906	0.30%	3,362	5,787	9,149
70103	Badin, Town Of	7	124,101	243,586	0.05%	807	122	929
70104	Bailey, Town Of	4	74,433	175,893	0.16%	484	281	765
70105	Bakersville, Town Of	1	23,088	63,591	0.00%	150	0	150
70107	Village Of Bald Head Island	11	334,035	985,180	0.00%	2,171	0	2,171
70110	Banner Elk, Town Of	6	153,754	336,248	0.50%	999	1,681	2,680
70130	Beaufort County	46	1,318,945	8,533,801	0.09%	8,573	7,680	16,253
70145	Beaufort, Town Of	16	421,390	1,686,304	0.05%	2,739	843	3,582
70146	Beech Mountain, Town Of	8	222,594	1,019,315	0.09%	1,447	917	2,364
70147	Belhaven, Town Of	9	198,331	877,127	0.04%	1,289	351	1,640
70150	Belmont, City Of	30	960,961	2,954,402	0.25%	6,246	7,386	13,632
70157	Bethel, Town Of	10	199,409	369,617	0.00%	1,296	0	1,296
70160	Beulaville, Town Of	4	110,144	289,431	0.41%	716	1,187	1,903
70170	Benson, Town Of	15	326,984	1,259,033	0.12%	2,125	1,511	3,636

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of Proposal for 25 Year
Retirement for Law Enforcement Officers

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70180	Bertie County	18	476,072	3,273,868	0.08%	3,094	2,619	5,713
70190	Biltmore Forest, Town Of	10	308,632	796,930	0.19%	2,006	1,514	3,520
70192	Biscoe, Town Of	8	187,336	427,432	0.74%	1,218	3,163	4,381
70195	Black Creek, Town Of	2	53,427	186,467	0.00%	347	0	347
70200	Black Mountain, Town Of	17	483,186	2,029,613	0.18%	3,141	3,653	6,794
70210	Bladen County	41	1,144,543	14,724,014	0.06%	7,440	8,834	16,274
70215	Bladenboro, Town Of	8	178,136	406,492	0.31%	1,158	1,260	2,418
70220	Blowing Rock, Town Of	10	295,754	1,340,895	0.25%	1,922	3,352	5,274
70225	Boiling Spring Lakes, City Of	5	109,133	372,993	0.03%	709	112	821
70230	Boiling Springs, Town Of	6	156,473	409,404	0.10%	1,017	409	1,426
70235	Bolton, Town Of	1	22,313	22,313	0.00%	145	0	145
70240	Boone, Town Of	36	1,117,762	4,055,903	0.48%	7,265	19,468	26,733
70250	Boonville, Town Of	2	60,860	227,902	0.48%	396	1,094	1,490
70260	Brevard, City Of	23	768,782	2,546,348	0.42%	4,997	10,695	15,692
70265	Broadway, Town Of	4	77,283	223,622	0.00%	502	0	502
70270	Brookford, Town Of	2	35,930	118,118	0.00%	234	0	234
70280	Brunswick County	76	2,573,462	13,220,262	0.13%	16,728	17,186	33,914
70285	Bryson City, Town Of	6	147,789	476,643	0.07%	961	334	1,295
70290	Buncombe County	200	6,237,344	42,352,402	0.06%	40,543	25,411	65,954
70295	Bunn, Town Of	1	27,227	79,435	0.27%	177	214	391
70300	Burgaw, Town Of	9	282,083	908,563	0.13%	1,834	1,181	3,015
70310	Burke County	82	2,274,096	7,758,856	0.31%	14,782	24,052	38,834
70320	Burlington, City Of	106	4,225,659	18,418,815	0.34%	27,467	62,624	90,091
70330	Burnsville, Town Of	10	187,551	542,427	0.17%	1,219	922	2,141
70340	Cabarrus County	141	4,705,260	24,333,665	0.16%	30,584	38,934	69,518
70350	Caldwell County	61	1,746,588	14,518,053	0.12%	11,353	17,422	28,775
70357	Camden County	8	176,647	989,560	0.00%	1,148	0	1,148
70358	Cameron, Town Of	1	29,784	86,955	0.14%	194	122	316
70360	Candor, Town Of	4	70,018	148,714	0.00%	455	0	455
70362	Canton, Town Of	12	411,381	1,993,013	0.08%	2,674	1,594	4,268
70365	Cape Carteret, Town Of	6	109,962	231,221	0.04%	715	92	807
70372	Carrboro, Town Of	35	1,333,658	4,825,615	0.28%	8,669	13,512	22,181
70375	Carolina Beach, Town Of	25	671,564	2,166,057	0.09%	4,365	1,949	6,314
70380	Carteret County	39	1,063,966	9,383,556	0.05%	6,916	4,692	11,608
70385	Carteret County A.B.C. Board	1	29,348	537,393	0.00%	191	0	191

North Carolina Local Governmental Employees Retirement System
Cost to Individual Units of Proposal for 25 Year
Retirement for Law Enforcement Officers

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70390	Carthage, Town Of	9	216,913	586,100	0.26%	1,410	1,524	2,934
70400	Cary, Town Of	128	5,512,118	31,975,628	0.16%	35,829	51,161	86,990
70405	Caswell Beach, Town Of	4	112,820	173,409	0.05%	733	87	820
70415	Caswell County	26	727,705	3,864,069	0.11%	4,730	4,250	8,980
70430	Catawba County	104	3,253,489	34,348,956	0.04%	21,148	13,740	34,888
70440	Catawba County A.B.C. Board	1	41,545	870,152	0.00%	270	0	270
70441	Catawba, Town Of	1	27,578	124,885	0.00%	179	0	179
70450	Chadbourn, Town Of	8	190,997	452,564	0.17%	1,241	769	2,010
70470	Chapel Hill, Town Of	107	4,429,208	21,486,319	0.22%	28,790	47,270	76,060
70480	Charlotte, City Of	1,534	69,672,126	185,696,216	0.49%	452,869	909,911	1,362,780
70490	Chatham County	55	1,700,692	10,308,437	0.07%	11,054	7,216	18,270
70500	Cherokee County	22	521,685	5,402,521	0.02%	3,391	1,081	4,472
70505	Eastern Band Of Cherokee Indians	26	1,041,224	1,041,224	0.63%	6,768	6,560	13,328
70520	Cherryville, City Of	16	467,569	1,886,220	0.18%	3,039	3,395	6,434
70522	China Grove, Town Of	9	215,899	649,214	0.47%	1,403	3,051	4,454
70525	Chocowinity, Town Of	2	53,050	226,366	0.28%	345	634	979
70530	Chowan County	17	614,092	4,211,330	0.05%	3,992	2,106	6,098
70535	Claremont, Town Of	8	203,545	437,018	0.36%	1,323	1,573	2,896
70537	Clarkton, Town Of	2	49,921	190,441	0.21%	324	400	724
70538	Clay County	10	275,215	2,138,780	0.00%	1,789	0	1,789
70540	Clayton, Town Of	32	1,180,000	3,986,607	0.18%	7,670	7,176	14,846
70550	Cleveland County	83	2,419,657	19,216,689	0.08%	15,728	15,373	31,101
70552	Cleveland, Town Of	4	86,356	263,266	0.12%	561	316	877
70555	Clinton, City Of	32	946,078	3,321,144	0.17%	6,150	5,646	11,796
70570	Coats, Town Of	5	156,287	431,416	0.16%	1,016	690	1,706
70580	Columbus County	57	1,485,390	11,290,711	0.06%	9,655	6,774	16,429
70581	Columbus, Town Of	6	118,926	427,782	0.32%	773	1,369	2,142
70590	Concord, City Of	122	4,653,063	25,117,476	0.18%	30,245	45,211	75,456
70610	Conover, Town Of	21	684,940	2,511,507	0.28%	4,452	7,032	11,484
70620	Conway, Town Of	1	32,800	151,760	0.53%	213	804	1,017
70625	Cornelius, Town Of	34	1,090,045	2,396,880	0.13%	7,085	3,116	10,201
70640	Cramerton, Town Of	9	290,292	661,499	0.63%	1,887	4,167	6,054
70650	Craven County	61	1,854,406	16,450,443	0.07%	12,054	11,515	23,569
70660	Creedmoor, City Of	9	249,035	543,123	0.24%	1,619	1,303	2,922
70680	Cumberland County	283	9,514,877	66,725,404	0.06%	61,847	40,035	101,882

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70685	Cumberland County A.B.C. Board.....	6	196,010	1,051,620	0.40%	1,274	4,206	5,480
70700	Currituck County.....	41	1,223,022	5,192,129	0.06%	7,950	3,115	11,065
70705	Dallas, Town Of.....	11	286,057	980,430	0.11%	1,859	1,078	2,937
70720	Dare County.....	52	1,629,984	18,123,624	0.09%	10,595	16,311	26,906
70723	Davidson County.....	127	4,100,526	28,939,061	0.07%	26,653	20,257	46,910
70724	Davidson, Town Of.....	15	513,904	1,170,684	0.14%	3,340	1,639	4,979
70725	Davie County.....	33	896,200	8,179,691	0.02%	5,825	1,636	7,461
70730	Denton, Town Of.....	6	155,670	521,185	0.21%	1,012	1,094	2,106
70735	Dobson, Town Of.....	4	115,582	311,364	0.40%	751	1,245	1,996
70745	Drexel, Town Of.....	5	142,708	382,207	0.32%	928	1,223	2,151
70760	Dunn, Town Of.....	44	1,287,883	3,441,301	0.25%	8,371	8,603	16,974
70770	Duplin County.....	52	1,492,425	11,646,410	0.08%	9,701	9,317	19,018
70780	Durham, City Of.....	421	17,435,679	67,488,684	0.32%	113,332	215,964	329,296
70790	Durham County.....	145	5,359,280	56,603,376	0.07%	34,835	39,622	74,457
70800	Durham County A.B.C. Board.....	4	130,700	1,548,296	0.00%	850	0	850
70805	East Bend,Town Of.....	2	39,738	90,457	0.67%	258	606	864
70812	East Spencer, Town Of.....	6	82,974	172,329	0.00%	539	0	539
70815	Eden, City Of.....	52	1,938,274	5,697,160	0.34%	12,599	19,370	31,969
70817	Edenton, Town Of.....	14	431,773	1,750,184	0.19%	2,807	3,325	6,132
70820	Edgecombe County.....	46	1,533,872	13,700,110	0.14%	9,970	19,180	29,150
70840	Elizabeth City.....	51	1,622,211	7,170,983	0.18%	10,544	12,908	23,452
70850	Elizabethtown, Town Of.....	17	427,008	1,060,391	0.38%	2,776	4,029	6,805
70855	Elkin, Town Of.....	19	495,503	1,401,429	0.08%	3,221	1,121	4,342
70860	Elk Park, Town Of.....	1	25,168	56,596	0.99%	164	560	724
70880	Elon College, Town Of.....	12	424,416	1,117,676	0.16%	2,759	1,788	4,547
70890	Emerald Isle, Town Of.....	17	540,175	1,698,327	0.36%	3,511	6,114	9,625
70895	Enfield, Town Of.....	14	331,262	950,971	0.05%	2,153	475	2,628
70900	Erwin, Town Of.....	9	282,280	863,941	0.36%	1,835	3,110	4,945
70905	Eureka, Town Of.....	1	22,597	32,444	0.00%	147	0	147
70908	Fair Bluff, Town Of.....	4	81,254	155,718	0.06%	528	93	621
70910	Fairmont, Town Of.....	13	328,766	857,583	0.25%	2,137	2,144	4,281
70920	Faison,Town Of.....	2	60,134	147,878	0.00%	391	0	391
70930	Farmville, City Of.....	18	588,465	2,354,022	0.06%	3,825	1,412	5,237
70940	Fayetteville, City Of.....	285	11,252,903	37,802,115	0.25%	73,144	94,505	167,649
70943	Fletcher, Town Of.....	11	367,768	926,403	0.00%	2,390	0	2,390

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
70950	Forest City	32	992,885	3,818,496	0.23%	6,454	8,783	15,237
70951	Forsyth County	227	8,318,554	61,753,410	0.12%	54,071	74,104	128,175
70953	Foxfire Village	2	71,717	126,225	0.92%	466	1,161	1,627
70954	Four Oaks, Town Of	6	131,425	309,106	0.01%	854	31	885
70955	Franklin, Town Of	17	464,086	1,287,989	0.49%	3,017	6,311	9,328
70960	Franklin County	40	1,246,941	10,455,588	0.06%	8,105	6,273	14,378
70970	Franklinton, Town Of	6	181,643	539,003	0.35%	1,181	1,887	3,068
70980	Fremont, Town Of	4	81,070	507,800	0.00%	527	0	527
70990	Fuquay-Varina, Town Of	25	810,265	3,717,708	0.08%	5,267	2,974	8,241
71000	Garland, Town Of	2	28,106	105,138	0.00%	183	0	183
71010	Garner, Town Of	47	2,276,775	5,138,947	0.65%	14,799	33,403	48,202
71020	Garysburg, Town Of	2	43,464	70,694	0.00%	283	0	283
71030	Gaston County	226	8,997,902	43,116,948	0.21%	58,486	90,546	149,032
71032	Gaston, Town Of	2	46,480	109,891	0.00%	302	0	302
71040	Gastonia, City Of	182	7,074,019	33,336,180	0.29%	45,981	96,675	142,656
71050	Gates County	8	196,113	1,265,752	0.11%	1,275	1,392	2,667
71051	Gibson, Town Of	2	26,964	93,941	0.00%	175	0	175
71060	Gibsonville, Town Of	14	364,786	1,164,436	0.06%	2,371	699	3,070
71065	Glen Alpine, Town Of	2	60,226	111,899	0.22%	391	246	637
71070	Goldsboro, City Of	104	3,344,223	13,586,089	0.17%	21,737	23,096	44,833
71080	Graham, City Of	30	856,738	3,325,427	0.10%	5,569	3,325	8,894
71085	Graham County	12	208,887	1,347,240	0.00%	1,358	0	1,358
71090	Granite Falls, Town Of	13	309,507	1,432,687	0.13%	2,012	1,862	3,874
71105	Granite Quarry, Town Of	4	100,171	211,757	0.16%	651	339	990
71110	Granville County	36	1,132,971	14,495,317	0.06%	7,364	8,697	16,061
71130	Greene County	29	477,967	3,333,844	0.07%	3,107	2,334	5,441
71140	Greensboro, City Of	499	22,633,569	103,043,415	0.32%	147,118	329,739	476,857
71150	Greensboro A.B.C. Board	3	125,077	1,790,298	0.01%	813	179	992
71160	Greenville, City Of	154	6,559,387	24,859,410	0.28%	42,636	69,606	112,242
71170	Grifton, Town Of	7	125,031	292,489	0.09%	813	263	1,076
71178	Grover, Town Of	1	40,885	96,314	0.00%	266	0	266
71180	Guilford, County Of	227	9,551,356	94,784,386	0.11%	62,084	104,263	166,347
71200	Halifax County	52	1,595,008	16,977,535	0.09%	10,368	15,280	25,648
71220	Hamlet, City Of	18	652,036	2,419,632	0.14%	4,238	3,387	7,625
71230	Harnett County	75	2,128,568	16,898,289	0.06%	13,836	10,139	23,975

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						Normal	A.L.	Total
71240	Havelock, City Of	27	767,062	2,671,174	0.35%	4,986	9,349	14,335
71245	Haw River, Town Of	8	255,559	616,717	0.81%	1,661	4,995	6,656
71250	Haywood County	50	1,418,501	11,400,088	0.04%	9,220	4,560	13,780
71270	Henderson, City Of	57	1,789,681	6,856,577	0.31%	11,633	21,255	32,888
71275	Henderson County	114	4,230,571	18,919,687	0.22%	27,499	41,623	69,122
71280	Hendersonville, City Of	33	1,156,941	3,299,265	0.30%	7,520	9,898	17,418
71300	Hertford, Town Of	8	208,735	738,173	0.04%	1,357	295	1,652
71310	Hertford County	16	443,440	4,107,049	0.06%	2,882	2,464	5,346
71330	Hickory, City Of	103	3,504,794	20,232,512	0.17%	22,781	34,395	57,176
71335	Highlands, Town Of	10	222,761	1,320,171	0.18%	1,448	2,376	3,824
71340	High Point, City Of	193	8,000,276	45,250,587	0.23%	52,002	104,076	156,078
71360	Hillsborough, Town Of	22	813,328	2,551,409	0.17%	5,287	4,337	9,624
71370	Hoke County	38	937,327	5,592,551	0.00%	6,093	0	6,093
71375	Holden Beach, Town Of	8	216,825	650,722	0.09%	1,409	586	1,995
71380	Holly Ridge, Town Of	5	122,282	288,278	0.00%	795	0	795
71385	Holly Springs, Town Of	22	718,227	3,912,922	0.07%	4,668	2,739	7,407
71390	Hope Mills, Town Of	26	762,522	2,267,527	0.01%	4,956	227	5,183
71392	Hot Springs, Town Of	1	34,898	34,898	0.00%	227	0	227
71395	Hudson, Town Of	12	282,944	657,719	0.39%	1,839	2,565	4,404
71397	Huntersville,Town Of	53	1,822,303	3,167,814	0.34%	11,845	10,771	22,616
71400	Hyde County	10	257,226	2,490,970	0.02%	1,672	498	2,170
71405	Indian Beach, Town Of	4	161,289	193,064	1.37%	1,048	2,645	3,693
71420	Iredell County	95	3,468,617	21,490,346	0.13%	22,546	27,937	50,483
71430	Jackson County	39	956,131	6,833,294	0.07%	6,215	4,783	10,998
71435	Jackson, Town Of	1	34,861	100,639	0.00%	227	0	227
71440	Jacksonville, City Of	105	3,305,244	12,171,374	0.23%	21,484	27,994	49,478
71447	Jefferson, Town Of	3	84,526	377,701	0.51%	549	1,926	2,475
71460	Johnston County	84	2,518,301	46,467,007	0.04%	16,369	18,587	34,956
71465	Jones County	11	252,460	2,274,486	0.00%	1,641	0	1,641
71467	Jonesville, Town Of	9	180,879	486,444	0.08%	1,176	389	1,565
71468	Kannapolis, Town Of	74	2,942,005	6,923,023	0.62%	19,123	42,923	62,046
71469	Kenansville, Town Of	3	64,556	193,300	0.20%	420	387	807
71470	Kernersville, Town Of	52	1,718,087	6,257,805	0.27%	11,168	16,896	28,064
71472	Kenly, Town Of	10	226,786	438,525	0.00%	1,474	0	1,474
71480	Kill Devil Hills, Town Of	27	940,651	3,527,724	0.28%	6,114	9,878	15,992

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
71487	King, Town Of	17	523,194	1,897,526	0.21%	3,401	3,985	7,386
71490	Kings Mountain, City Of	28	805,278	3,961,184	0.09%	5,234	3,565	8,799
71500	Kinston, City Of	75	2,758,523	13,194,737	0.22%	17,930	29,028	46,958
71507	Kitty Hawk, Town Of	16	584,458	1,105,529	0.78%	3,799	8,623	12,422
71510	Knightdale, Town Of	15	538,823	1,402,506	0.19%	3,502	2,665	6,167
71515	Kure Beach, Town Of	7	246,300	644,201	0.11%	1,601	709	2,310
71517	Lagrange, Town Of	9	246,474	876,776	0.36%	1,602	3,156	4,758
71518	Lake Lure, Town Of	9	250,458	919,225	0.12%	1,628	1,103	2,731
71519	Lake Waccamaw, Town Of	3	74,200	273,533	0.02%	482	55	537
71522	Landis, Town Of	9	289,318	1,002,164	0.26%	1,881	2,606	4,487
71525	Laurel Park, Town Of	7	161,431	477,967	0.00%	1,049	0	1,049
71530	Laurinburg, City Of	31	1,127,774	4,768,982	0.22%	7,331	10,492	17,823
71535	Lee County	33	1,177,544	9,818,469	0.10%	7,654	9,818	17,472
71540	Leland, Town Of	13	219,279	380,522	0.48%	1,425	1,827	3,252
71550	Lenoir County	52	1,472,899	11,627,951	0.17%	9,574	19,768	29,342
71552	City Of Lenior	57	1,536,614	6,944,737	0.22%	9,988	15,278	25,266
71556	Lewiston-Woodville, Town Of	2	40,056	105,037	0.00%	260	0	260
71570	Lexington, City Of	65	2,061,494	11,423,404	0.22%	13,400	25,131	38,531
71582	Liberty, Town Of	11	299,437	819,484	0.30%	1,946	2,458	4,404
71584	Lilesville, Town Of	1	30,058	73,594	0.44%	195	324	519
71585	Lillington, Town Of	8	217,110	689,373	0.29%	1,411	1,999	3,410
71590	Lincoln County	72	2,018,169	12,891,364	0.09%	13,118	11,602	24,720
71600	Lincolnton, City Of	29	993,026	4,603,982	0.18%	6,455	8,287	14,742
71615	Littleton, Town Of	2	57,523	135,367	0.62%	374	839	1,213
71620	Locust, City Of	6	139,927	206,808	0.69%	910	1,427	2,337
71630	Oak Island, Town Of	26	848,902	2,964,629	0.07%	5,518	2,075	7,593
71640	Long View, Town Of	15	416,038	1,101,639	0.44%	2,704	4,847	7,551
71650	Louisburg, Town Of	12	366,752	1,684,854	0.06%	2,384	1,011	3,395
71655	Lowell, Town Of	7	194,381	377,866	0.30%	1,263	1,134	2,397
71660	Lucama, Town Of	3	74,712	294,053	0.16%	486	470	956
71670	Lumberton, City Of	77	2,228,020	9,553,752	0.24%	14,482	22,929	37,411
71680	Macon County	41	1,006,249	8,059,670	0.03%	6,541	2,418	8,959
71683	Madison, Town Of	16	478,759	1,349,451	0.23%	3,112	3,104	6,216
71684	Madison County	14	291,693	3,736,852	0.00%	1,896	0	1,896
71685	Maggie Valley, Town Of	6	175,896	372,195	0.58%	1,143	2,159	3,302

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						Normal	A.L.	Total
71690	Magnolia, Town Of	2	50,410	142,586	0.00%	328	0	328
71700	Maiden, Town Of	17	433,667	1,481,247	0.16%	2,819	2,370	5,189
71705	Manteo, Town Of	7	226,043	890,386	0.24%	1,469	2,137	3,606
71710	Marion, Town Of	21	494,327	2,156,431	0.02%	3,213	431	3,644
71711	Marshall, Town Of	2	38,760	162,791	0.12%	252	195	447
71718	Mars Hill, Town Of	5	129,293	465,827	0.00%	840	0	840
71720	Marshville, Town Of	8	232,422	516,039	0.49%	1,511	2,529	4,040
71730	Martin County	34	980,912	4,614,016	0.16%	6,376	7,382	13,758
71740	Matthews, Town Of	48	1,809,609	3,839,140	0.28%	11,762	10,750	22,512
71745	Maysville, Town Of	1	10,801	106,199	0.04%	70	42	112
71750	Maxton, Town Of	14	258,621	258,621	0.67%	1,681	1,733	3,414
71755	Mayodan, Town Of	11	344,700	1,058,922	0.58%	2,241	6,142	8,383
71760	Mcadenville, Town Of	4	121,998	151,593	0.41%	793	622	1,415
71762	Mc Dowell County	39	1,152,592	6,747,742	0.10%	7,492	6,748	14,240
71765	Mebane, Town Of	4	107,884	107,884	0.00%	701	0	701
71770	Mecklenburg County	301	12,653,734	153,474,144	0.08%	82,249	122,779	205,028
71780	Mecklenburg County A.B.C. Board	12	603,918	5,011,650	0.13%	3,925	6,515	10,440
71785	Middlesex, Town Of	5	126,275	207,769	0.00%	821	0	821
71788	Mitchell County	13	325,715	2,999,563	0.14%	2,117	4,199	6,316
71790	Mocksville, Town Of	14	415,362	1,246,629	0.24%	2,700	2,992	5,692
71800	Monroe, City Of	72	2,819,591	12,970,259	0.21%	18,327	27,238	45,565
71815	Montgomery County	29	806,496	4,560,211	0.12%	5,242	5,472	10,714
71820	Montreat, Town Of	6	112,948	386,923	0.72%	734	2,786	3,520
71830	Moore County	63	2,079,657	15,863,477	0.14%	13,518	22,209	35,727
71840	Moore County A.B.C. Board	3	86,689	415,800	0.14%	563	582	1,145
71850	Mooresville, City Of	47	1,628,981	7,210,170	0.15%	10,588	10,815	21,403
71860	Morehead City, Town Of	36	1,196,150	3,783,987	0.22%	7,775	8,325	16,100
71870	Morganton, City Of	67	2,298,795	8,626,807	0.31%	14,942	26,743	41,685
71880	Morganton A.B.C. Board	1	40,867	188,398	0.78%	266	1,470	1,736
71910	Mount Airy, Town Of	37	1,197,412	4,951,062	0.28%	7,783	13,863	21,646
71920	Mount Gilead, Town Of	7	173,659	389,248	0.64%	1,129	2,491	3,620
71930	Mt. Holly, City Of	28	900,818	3,317,831	0.20%	5,855	6,636	12,491
71940	Mount Olive, Town Of	17	346,296	1,102,315	0.38%	2,251	4,189	6,440
71970	Murfreesboro, Town Of	9	241,740	652,227	0.28%	1,571	1,826	3,397
71975	Murphy, Town Of	11	257,426	796,167	0.00%	1,673	0	1,673

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71980	Nags Head, Town Of	21	771,135	3,416,087	0.26%	5,012	8,882	13,894
71990	Nash County	63	1,897,242	16,250,975	0.09%	12,332	14,626	26,958
71995	Nashville, Town Of	11	277,068	1,141,513	0.01%	1,801	114	1,915
72000	Nash County A.B.C. Board	1	43,178	544,985	0.22%	281	1,199	1,480
72020	New Bern, City Of	84	3,077,303	12,361,563	0.13%	20,002	16,070	36,072
72024	New Hanover Airport Authority	10	364,783	1,147,215	0.03%	2,371	344	2,715
72030	New Hanover County	234	9,433,284	47,195,113	0.08%	61,316	37,756	99,072
72032	Newland, Town Of	5	110,752	260,806	0.00%	720	0	720
72035	Newport, Town Of	7	232,960	764,006	0.14%	1,514	1,070	2,584
72040	Newton, Town Of	35	1,178,694	5,257,132	0.18%	7,662	9,463	17,125
72050	Newton Grove, Town Of	3	54,967	88,955	0.00%	357	0	357
72055	Norlina, Town Of	5	100,096	165,184	0.03%	651	50	701
72060	Northampton County	21	471,866	5,884,369	0.03%	3,067	1,765	4,832
72076	City Of Northwest	3	63,069	113,277	0.00%	410	0	410
72105	North Wilkesboro, Town Of	24	600,310	1,768,941	0.22%	3,902	3,892	7,794
72110	Norwood, Town Of	6	123,705	450,983	0.23%	804	1,037	1,841
72120	Oakboro, Town Of	4	90,081	322,408	0.00%	586	0	586
72135	Ocean Isle Beach, Town Of	11	324,000	749,060	0.00%	2,106	0	2,106
72140	Old Fort, Town Of	8	170,437	498,842	0.09%	1,108	449	1,557
72150	Onslow County	96	2,950,554	30,840,105	0.03%	19,179	9,252	28,431
72170	Orange County	100	3,371,697	25,247,115	0.08%	21,916	20,198	42,114
72195	Oriental, Town Of	2	71,219	163,083	0.00%	463	0	463
72200	Oxford, City Of	31	993,589	2,902,623	0.25%	6,458	7,257	13,715
72210	Pamlico County	11	323,262	2,746,629	0.02%	2,101	549	2,650
72220	Pasquotank County	34	987,603	5,272,822	0.13%	6,419	6,855	13,274
72228	Pembroke, Town Of	15	387,032	953,200	0.35%	2,516	3,336	5,852
72235	Pender County	49	1,160,684	7,368,338	0.02%	7,544	1,474	9,018
72245	Perquimans County	8	168,982	1,544,045	0.03%	1,098	463	1,561
72250	Person County	39	1,131,096	8,851,345	0.07%	7,352	6,196	13,548
72265	Piedmont Triad Airport Authority	13	281,106	281,106	0.04%	1,827	112	1,939
72270	Pikeville, Town Of	2	27,313	123,936	0.38%	178	471	649
72280	Pilot Mountain, Town Of	9	197,093	538,052	0.68%	1,281	3,659	4,940
72285	Pinebluff, Town Of	2	38,947	195,004	0.12%	253	234	487
72287	Pinehurst, Village Of	23	708,284	3,043,978	0.08%	4,604	2,435	7,039
72290	Pine Knoll Shores, Town Of	9	240,894	486,472	0.50%	1,566	2,432	3,998

North Carolina Local Governmental Employees Retirement System
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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
72295	Pine Level, Town Of	3	73,839	233,796	0.20%	480	468	948
72296	Pinetops, Town Of	7	165,584	522,903	0.09%	1,076	471	1,547
72300	Pineville, Town Of	29	1,066,159	2,481,703	0.18%	6,930	4,467	11,397
72305	Pink Hill, Town Of	1	31,389	112,991	0.20%	204	226	430
72310	Pitt County	104	3,614,773	30,993,379	0.12%	23,496	37,192	60,688
72320	Pitt County A.B.C. Board	2	66,319	758,761	0.07%	431	531	962
72330	Pittsboro, Town Of	9	287,402	867,202	0.47%	1,868	4,076	5,944
72335	Plymouth, Town Of	13	323,849	514,425	0.56%	2,105	2,881	4,986
72340	Polk County	25	573,979	2,779,839	0.04%	3,731	1,112	4,843
72349	Princeton, Town Of	4	126,682	197,497	0.00%	823	0	823
72351	Princeville, Town Of	5	85,836	265,946	0.00%	558	0	558
72355	Raeford, Town Of	15	465,924	1,527,421	0.07%	3,029	1,069	4,098
72360	Raleigh, City Of	617	28,860,534	114,171,050	0.37%	187,593	422,433	610,026
72370	Raleigh-Durham Airport Authority	28	1,216,505	8,032,364	0.14%	7,907	11,245	19,152
72375	Ramseur, Town Of	7	192,129	461,349	0.08%	1,249	369	1,618
72377	Randleman, City Of	13	310,959	1,409,030	0.02%	2,021	282	2,303
72380	Randolph County	120	3,515,116	16,750,680	0.12%	22,848	20,101	42,949
72390	Ranlo, Town Of	7	159,897	418,425	0.27%	1,039	1,130	2,169
72395	Red Springs, Town of	16	385,470	1,429,282	0.14%	2,506	2,001	4,507
72400	Reidsville, Town Of	44	1,598,063	5,433,472	0.33%	10,387	17,930	28,317
72410	Rhodhiss, Town Of	1	12,760	12,760	1.29%	83	165	248
72420	Richlands, Town Of	4	87,427	256,456	0.00%	568	0	568
72430	Richmond County	42	1,367,752	8,366,294	0.10%	8,890	8,366	17,256
72432	Rich Square, Town Of	1	15,600	72,359	0.00%	101	0	101
72435	River Bend, Town Of	4	131,956	367,224	0.31%	858	1,138	1,996
72440	Roanoke Rapids, City Of	40	1,253,412	4,307,884	0.35%	8,147	15,078	23,225
72443	Robbins, Town Of	8	178,138	574,953	0.32%	1,158	1,840	2,998
72445	Robersonville, Town Of	7	161,475	722,561	0.00%	1,050	0	1,050
72450	Robeson County	101	2,760,307	23,752,210	0.09%	17,942	21,377	39,319
72460	Rockingham, City Of	31	780,493	3,431,704	0.16%	5,073	5,491	10,564
72470	Rockingham County	92	2,998,338	23,119,432	0.09%	19,489	20,807	40,296
72475	Rockwell, Town Of	1	26,305	134,150	0.00%	171	0	171
72480	Rocky Mount, City Of	129	4,829,736	26,489,459	0.19%	31,393	50,330	81,723
72485	Rolesville, Town Of	5	118,340	235,575	0.94%	769	2,214	2,983
72486	Roseboro, Town Of	6	86,410	292,483	0.01%	562	29	591

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
72487	Rose Hill, Town Of	4	111,075	392,805	0.00%	722	0	722
72490	Rowan County	90	3,171,958	20,131,854	0.14%	20,618	28,185	48,803
72500	Rowan County A.B.C. Board	2	89,634	806,537	0.17%	583	1,371	1,954
72510	Rowland, Town Of	6	148,470	434,130	0.43%	965	1,867	2,832
72520	Roxboro, City Of	32	922,284	3,815,338	0.20%	5,995	7,631	13,626
72530	Rutherford County	61	1,986,208	9,565,395	0.16%	12,910	15,305	28,215
72535	Rutherfordton, Town Of	15	411,201	1,063,167	0.41%	2,673	4,359	7,032
72540	St. Pauls, Town Of	12	354,655	839,037	0.16%	2,305	1,342	3,647
72547	Salemburg, Town Of	1	21,044	87,048	0.00%	137	0	137
72550	Salisbury, City Of	84	2,958,255	14,219,699	0.29%	19,229	41,237	60,466
72560	Saluda, Town Of	4	105,230	212,027	0.00%	684	0	684
72563	Sampson County	52	1,256,706	10,206,741	0.05%	8,169	5,103	13,272
72565	Sanford, City Of	75	2,673,507	10,408,610	0.29%	17,378	30,185	47,563
72580	Scotland County	33	1,005,025	9,099,634	0.10%	6,533	9,100	15,633
72590	Scotland Neck, Town Of	7	155,553	809,744	0.00%	1,011	0	1,011
72591	Seaboard, Town Of	1	35,580	35,580	0.60%	231	213	444
72593	Seagrove, Town Of	1	20,638	20,638	2.61%	134	539	673
72594	Selma, Town Of	21	599,134	1,854,304	0.50%	3,894	9,272	13,166
72595	Severn, Town Of	1	35,254	59,319	0.00%	229	0	229
72597	Shallotte, Town Of	8	207,024	702,301	0.18%	1,346	1,264	2,610
72600	Sharpsburg, Town Of	9	279,693	279,693	0.37%	1,818	1,035	2,853
72610	Shelby, City Of	71	1,994,481	9,656,038	0.16%	12,964	15,450	28,414
72625	Siler City, Town Of	18	585,482	2,201,164	0.23%	3,806	5,063	8,869
72626	Simpson, Village Of	2	40,151	68,660	0.00%	261	0	261
72630	Smithfield, Town Of	29	979,382	4,592,317	0.15%	6,366	6,888	13,254
72640	Southern Pines, Town Of	25	876,867	3,645,865	0.32%	5,700	11,667	17,367
72645	Southern Shores, Town Of	9	285,646	569,972	0.18%	1,857	1,026	2,883
72650	Southport, City Of	9	281,686	1,111,659	0.09%	1,831	1,000	2,831
72657	Sparta, Town Of	3	86,538	86,538	0.00%	562	0	562
72665	Spencer, Town Of	12	295,242	655,780	0.24%	1,919	1,574	3,493
72670	Spindale, Town Of	13	417,325	1,321,622	0.59%	2,713	7,798	10,511
72675	Spring Hope, Town Of	7	130,923	330,450	0.55%	851	1,817	2,668
72676	Spring Lake, Town Of	21	657,685	2,435,265	0.14%	4,275	3,409	7,684
72678	Spruce Pine, Town Of	9	229,036	614,918	0.61%	1,489	3,751	5,240
72680	Stanfield, Town Of	4	88,304	125,081	0.62%	574	776	1,350

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
72682	Stanley, Town Of	11	318,252	833,685	0.57%	2,069	4,752	6,821
72683	Stanly County	43	1,056,895	9,913,355	0.03%	6,870	2,974	9,844
72684	Stantonsburg, Town Of	3	92,719	415,290	0.06%	603	249	852
72685	Star, Town Of	4	121,170	273,038	0.27%	788	737	1,525
72700	Statesville, City Of	70	2,209,531	10,748,511	0.23%	14,362	24,722	39,084
72710	Statesville A.B.C. Board	1	31,713	219,880	0.00%	206	0	206
72715	Stedman, Town Of	1	33,643	109,845	0.90%	219	989	1,208
72720	Stokes County	46	1,158,264	7,851,298	0.06%	7,529	4,711	12,240
72721	Stoneville, Town Of	5	99,803	272,322	0.34%	649	926	1,575
72723	Sunset Beach, Town Of	12	419,724	939,572	0.28%	2,728	2,631	5,359
72725	Surf City	11	333,181	837,178	0.00%	2,166	0	2,166
72730	Surry County	54	1,610,691	14,869,682	0.12%	10,469	17,844	28,313
72740	Swain County	13	331,017	3,764,777	0.00%	2,152	0	2,152
72745	Swansboro, Town Of	8	184,579	517,560	0.00%	1,200	0	1,200
72750	Sylva, Town Of	11	323,923	563,838	0.56%	2,105	3,157	5,262
72760	Tabor City, Town Of	10	185,443	510,195	0.11%	1,205	561	1,766
72770	Tarboro, Town Of	29	1,074,772	5,463,620	0.25%	6,986	13,659	20,645
72775	Taylorsville, Town Of	11	318,677	650,877	0.31%	2,071	2,018	4,089
72776	Taylortown, Town Of	1	24,753	48,665	0.00%	161	0	161
72780	Thomasville, City Of	61	1,701,722	7,669,882	0.22%	11,061	16,874	27,935
72789	North Topsail Beach, Town Of	10	262,747	563,601	0.27%	1,708	1,522	3,230
72790	Topsail Beach, Town Of	9	220,329	546,095	0.65%	1,432	3,550	4,982
72800	Transylvania County	40	1,251,312	7,788,791	0.17%	8,134	13,241	21,375
72810	Trent Woods, Town Of	4	168,613	289,389	0.33%	1,096	955	2,051
72815	Troutman, Town Of	7	178,359	178,359	0.24%	1,159	428	1,587
72822	Troy, Town Of	9	237,318	800,687	0.04%	1,543	320	1,863
72823	Tryon, Town Of	8	251,115	1,190,527	0.20%	1,632	2,381	4,013
72825	Tyrrell County	7	169,542	1,068,419	0.00%	1,102	0	1,102
72830	Union County	125	4,129,498	23,829,235	0.19%	26,842	45,276	72,118
72883	Valdese, Town Of	11	333,117	2,145,094	0.18%	2,165	3,861	6,026
72890	Vance County	39	1,118,626	7,445,402	0.07%	7,271	5,212	12,483
72910	Vanceboro, Town Of	2	50,575	225,427	0.20%	329	451	780
72920	Vass, Town Of	4	91,832	145,564	0.70%	597	1,019	1,616
72930	Wadesboro, Town Of	19	571,438	1,681,683	0.33%	3,714	5,550	9,264
72935	Wagram, Town Of	4	63,304	112,959	0.00%	411	0	411

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LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
72940	Wake County	295	12,139,245	105,297,512	0.15%	78,905	157,946	236,851
72950	Wake County A.B.C. Board	6	302,358	2,397,403	0.28%	1,965	6,713	8,678
72960	Wake Forest, Town Of	32	1,284,715	4,399,163	0.20%	8,351	8,798	17,149
72970	Wallace, Town Of	14	291,855	1,207,454	0.14%	1,897	1,690	3,587
72975	Walnut Cove, Town Of	5	115,418	280,955	0.44%	750	1,236	1,986
72977	Walnut Creek, Village Of	1	42,744	42,744	0.00%	278	0	278
72980	Warren County	22	586,629	5,767,542	0.02%	3,813	1,154	4,967
72981	Warsaw, Town Of	11	311,072	731,507	0.01%	2,022	73	2,095
72983	Watauga County	27	832,870	6,143,765	0.11%	5,414	6,758	12,172
72985	Washinton County	20	447,915	2,914,713	0.01%	2,911	291	3,202
72990	Washington,City Of	29	1,006,502	6,659,667	0.21%	6,542	13,985	20,527
72995	Waxhaw, Town Of	5	142,900	277,180	0.22%	929	610	1,539
72997	Wayne County	74	2,038,666	18,868,024	0.05%	13,251	9,434	22,685
73010	Waynesville, Town Of	31	1,047,342	4,475,224	0.18%	6,808	8,055	14,863
73016	Weaverville, Town Of	12	314,768	1,589,612	0.10%	2,046	1,590	3,636
73017	Weldon, Town Of	8	191,312	682,282	0.13%	1,244	887	2,131
73020	Wendell, Town Of	12	458,195	1,339,942	0.39%	2,978	5,226	8,204
73025	West Jefferson, Town Of	7	163,931	448,761	0.25%	1,066	1,122	2,188
73040	Whispering Pines, Village Of	7	214,153	398,347	0.68%	1,392	2,709	4,101
73045	Whitakers, Town Of	2	39,075	108,675	0.00%	254	0	254
73050	White Lake, Town Of	5	132,190	368,689	0.22%	859	811	1,670
73060	Whiteville, City Of	24	630,757	1,886,357	0.12%	4,100	2,264	6,364
73072	Wilkesboro, Town Of	16	395,060	1,422,853	0.40%	2,568	5,691	8,259
73075	Wilkes County	67	1,734,309	10,644,370	0.13%	11,273	13,838	25,111
73080	Williamston, City Of	22	556,583	1,963,870	0.18%	3,618	3,535	7,153
73090	Wilmington, City Of	239	8,728,050	33,593,483	0.24%	56,732	80,624	137,356
73100	Wilson, City Of	105	3,771,568	21,959,327	0.19%	24,515	41,723	66,238
73110	Wilson County	63	2,070,144	17,580,301	0.10%	13,456	17,580	31,036
73122	Windsor, Town Of	8	263,530	811,221	0.20%	1,713	1,622	3,335
73124	Winfall, Town Of	1	24,195	68,218	0.00%	157	0	157
73125	Wingate, Town Of	8	211,337	404,537	0.00%	1,374	0	1,374
73130	Winston-Salem, City Of	408	17,103,334	81,203,120	0.22%	111,172	178,647	289,819
73140	Winston-Salem A.B.C. Board	7	302,178	1,743,466	0.25%	1,964	4,359	6,323
73150	Winterville, Town Of	15	360,979	1,139,538	0.09%	2,346	1,026	3,372
73155	Winton,Town Of	2	57,998	255,817	0.27%	377	691	1,068

North Carolina Local Govern[redacted]al Employees Retirement System
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Retirement for Law Enforcement Officers

LEO No.	Name	No. LEO	LEO Payroll	Total Payroll	Incr. A.L. Rate (%)	Additional Cost		
						Normal	A.L.	Total
73160	Woodfin, Town Of.....	11	250,681	475,865	0.44%	1,629	2,094	3,723
73162	Woodland, Town Of.....	1	34,023	121,140	0.00%	221	0	221
73165	Wrightsville Beach, Town Of.....	22	747,859	2,587,722	0.22%	4,861	5,693	10,554
73170	Yadkin County.....	36	983,475	6,970,193	0.05%	6,393	3,485	9,878
73180	Yadkinville, Town Of.....	10	300,703	1,037,080	0.33%	1,955	3,422	5,377
73190	Yancey County.....	16	458,035	2,632,358	0.10%	2,977	2,632	5,609
73192	Yanceyville, Town Of.....	7	90,190	295,128	0.00%	586	0	586
73200	Youngsville, Town Of.....	9	188,177	317,690	0.04%	1,223	127	1,350
73210	Zebulon, Town Of.....	20	679,639	2,093,011	0.28%	4,418	5,860	10,278
		17,165	607,103,769	3,174,728,615		3,946,172	5,824,514	9,770,686

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668 Link Road
Lexington, NC 27295

March 13, 2003

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

Re: House Bill 151: 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 and G.S. 128-27 to modify the benefit provisions applicable to law enforcement officers in the Teachers' and State Employees' Retirement System (TSERS) and in the Local Governmental Employees' Retirement System (LGERS).

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.

In addition, this bill modifies G.S. 143-166 to extend the separation allowance for law enforcement officers. 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. This bill 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 becomes effective July 1, 2003 and applies to members retiring on or after that date. These changes 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 total payroll, is an increase in the normal rate of 0.01% of pay and an increase in the accrued liability rate of 0.03%. This corresponds to a total annual increase in employer contributions for the fiscal year beginning July 1, 2003 of approximately $4.5 million and amortizes 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 0.57% and an accrued liability rate of 1.08%. This amortizes additional unfunded accrued liability of $69.6 million over a 15 year period. The total increased funding is approximately $9.7 million for the fiscal year beginning July 1, 2003.

The estimated additional separation allowances projected for the next ten years are as follows:

Fiscal Year	State LEO's	Local LEO's
2003-04	1,046,812	3,465,733
2004-05	2,102,266	7,052,300
2005-06	2,304,181	8,118,253
2006-07	2,532,125	8,672,187
2007-08	2,796,631	9,330,249
2008-09	3,158,108	9,609,790
2009-10	3,581,274	9,560,496
2010-11	4,096,689	10,069,778
2011-12	4,293,101	10,941,404
2012-13	4,549,618	11,838,806

These estimates are based on the actuarial valuations and experience investigations prepared as of December 31, 2001 and demographic data provided by you for law enforcement officers as of December 31, 2001. This data included 3,474 state law enforcement officers and 17,810 local law enforcement officers.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

HOUSE BILL 151:
Law Officers' 25-Year Retirement

BILL ANALYSIS

Committee:	House Pensions & Retirement	**Introduced by:**	Representatives Moore, Michaux
Date:	April 15, 2003		
Version:	First Edition	**Summary by:**	Theresa Matula Committee Staff

SUMMARY: ***House Bill 151 allows law enforcement officers with 25 years of service who are members of the Teachers' and State Employees' Retirement System (TSERS) or the Local Governmental Employees' Retirement System (LGERS) to retire with an unreduced retirement benefit. House Bill 151 also reduces the requirement to 25 years for the special separation allowance.***

BILL ANALYSIS:

Sections 1, 2 & 3 amend Chapter 135 of the General Statutes regarding the **Teachers' and State Employees' Retirement System (TSERS)**. Section 1 amends G.S. 135-5(b19) to specify that the benefits outlined under the subsection apply to the Service Retirement Allowance of Members Retiring *on or After July 1, 2002, but Before July 1, 2003.* Section 2 adds G.S 135-5(b20) outlining the Service Retirement Allowance of Members Retiring *on or After July 1, 2003.* The amendments allow:

- A member who is a law enforcement officer, or eligible former law enforcement officer, 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* (currently 30 years); and
- A member who is a law enforcement officer, or eligible former law enforcement officer, 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* (currently 30 years) to receive a reduced retirement benefit.

Section 3 makes conforming amendments to the statutory references under the *Survivor's Alternate Benefit* provision.

Sections 4, 5, & 6 amend Chapter 128 of the General Statutes regarding the **North Carolina Local Governmental Employee's Retirement System (LGERS).** The amendments to G.S. 128-27(b20) and the addition of G.S. 128-27(b21) are consistent with those made for TSERS members in Sections 1 and 2 of the bill. Consistent with amendments to Section 3 above, Section 6 makes conforming amendments to the statutory references under the *Survivor's Alternate Benefit* provision

Section 7 makes a conforming amendment from 30 years to 25 years of creditable service under the *special separation allowance* for law enforcement officers provided in G.S. 143-166.41(a).

Section 8 establishes that this act would become effective July 1, 2003.

AH. 3

NORTH CAROLINA POLICE BENEVOLENT ASSOCIATION

Fact Sheet in Support of 25-Year Retirement For Law Enforcement Officers

* Practically in every state in this country, a 25-year or less retirement system is in place for law enforcement officers.

* Many states and our federal government provide a 20-year retirement for their law enforcement officers.

* Law enforcement is a leading profession in the category of job stress, danger, early death, and a host of medical problems to include, heart attacks, diabetes, alcoholism, drug abuse, depression, and suicide.

* Life expectancy of a police office is 14 years below the national average. (Life expectancy of a police officer is 62 -life expectancy of American male, 74 – life expectancy of American female, 78)

* Almost half (48%) of all officers killed in the line-of-duty are in the south. (For years prior to September 11, 2001, which has affected average)

* North Carolina's crime rate is 15 % higher than the National average.

* Pay and benefits are 15 to 30% lower than any other regions of the country.

* Most police agencies in our state are reporting record shortages of officers.

* The NC Highway Patrol has reported an 80% reduction in applications since 1992.

* Our officers are leaving our state in record numbers for law enforcement agencies that provide less danger, more pay, and better benefits.

* Neighboring states (Virginia and South Carolina) have already gone to a 25-year retirement system.

* 25-Year Retirement is affordable costing less than 1% of the law enforcement budget of every police agency in North Carolina.

(- Sources: Police Labor Monthly, US & NC Dept. of Justice, NC Uniform Crime Statistics – 1999, and SSPBA 2001 Law Enforcement Salary and Benefit Report, NC House Pensions & Retirement Committee Meeting- April 4, 2001).

AH. 4

Good Morning Mr. Chairman and Members of the Committee, my name is Randy Sales. I am the past president of the North Carolina Troopers Association and have been a trooper since 1984. I came here today on behalf of all the ~~troopers~~ 950 ACTIVE OR TIRED MEMBERS CLOSE TO 1000 OUT OF 1400 in this state to ask you to grant full retirement to State Troopers after 25 years of service.

We feel this request is justified because the demands of the job require officers that are young and vigorous. The Federal Age Discrimination and Employment Act acknowledges this fact by allowing states to impose mandatory retirement ages for law enforcement officers.

Our work environment, comprised of odd hour shift work, working holidays, exposure to traumatic events, separation from family, and the constant danger of putting our lives on the line takes its toll. The average age of death for a Police Officer based on a 40 year study by Dr. Violanti of the Rochester Institute of Technology is 66 years old. The averaged life span for men is 74 years and 79 years for women according to the National Center for Health Statistics. That is an average of 10 years less that I and my colleagues will spend in retirement than other governmental employees with less traumatic careers.

It is our opinion that the question of cost has not been fully analyzed because the issue of Troopers at the top of the pay scale being replaced with recruits at the bottom of the scale has not been tallied.

September 11th brought a new facet to our role in this state. We have become the front line of defense from future terrorist attacks. Our roles in the defense and protection of the citizens of this state have grown significantly, as have the effects of the additional responsibility on our moral.

We ask you to approve 25 year retirement for law enforcement officers today, and send a message of support to the men and women of your districts that truly are on the front line.

Thank you for your attention.

AH.5

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Bell and G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for
H.B. 151 A BILL TO BE ENTITLED AN ACT TO ALLOW LAW ENFORCEMENT OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OR THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM TO RETIRE WITH UNREDUCED BENEFITS AFTER COMPLETING TWENTY-FIVE YEARS OF SERVICE.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AH.6

BUILDING BRIGHTER FUTURES
FOR NC PUBLIC EMPLOYEES
North Carolina Retirement Systems

Return to Work After Retirement

An Issue Paper by the NC Retirement Systems Division

Purpose

This issue paper is designed to inform policy makers, lawmakers, and citizens about the return to work after retirement debate in North Carolina and other states across the country. This document outlines the history of legislation affecting return to work policy in North Carolina; summarizes the administrative, cost, and perception issues that inform the return to work debate; and offers several options for consideration by lawmakers in the future.

Background

Allowing retirees to return to work with the state or a local government after retiring, earning both their retirement benefit and a salary from public funds, has become an increasingly debatable issue in North Carolina and other states across the country. Some question the appropriateness of allowing individuals to receive a retirement benefit and a salary from public resources while others claim that a shortage of workers (especially teachers) necessitates rethinking the current earnings restrictions for those who choose to return to work after retirement.

Current state law restricts the earning potential of North Carolina's public employees who return to work after retirement with the same or different employer (within the same retirement system). If a retired member is reemployed but is not required by nature of their work to be a contributing member of the retirement system, and they earn more than $24,180[1] or 50% of their last 12 months compensation, whichever is greater, during the 12 months immediately following their retirement (or any calendar year), their retirement benefit is stopped.[2]

Historical Information

The policy relating to retirees returning to work has changed over time. In fact, there was a time when only retirees that returned to work in full-time positions were limited to what amount they could earn. The following highlights some of these changes:

- In 1980, if a retiree returned to work before age 62, they stopped receiving their benefit and became a contributing member of the system again. If the retiree returned to work after age 62, they continued to receive their retirement benefit. However, once they earned the difference between their annual benefit and their average final

[1] This amount is increased on January 1 each year by the percentage increase in the Consumer Price Index.

[2] N.C.G.S. §135-3(8)c and §128-24(5)c . If a retired member is reemployed on a part-time interim, temporary, or contractual basis, or is otherwise engaged to perform services on any basis that does not require membership in the Retirement System, their retirement benefit is stopped if their earnings during the 12 months immediately following their retirement (or any calendar year) are more than the greater of $24,180 or 50% of their compensation, excluding terminal payments, reported to the Retirement System during the 12 months of service preceding the effective date of their retirement. The retirement payment will be stopped on the first day of the month following the month in which the earnings exceed the greater of the two limits stated. The retirement payment starts again on January 1 of the year after your benefit is stopped.

compensation, their payments for the rest of that calendar year were reduced to the monthly amount provided by their own contributions.

- In 1981, if a retiree returned to work before age 62, they stopped receiving their benefit and became a contributing member of the system again. If the retiree was restored to service after age 62, their retirement allowance was reduced so that the sum of the retirement allowance at the time of their retirement and earnings from employment by an employing unit of the Retirement System for any calendar year would not exceed the member's compensation received the 12 months prior to their retirement.
- In 1982, if a retiree returned to work on a part-time or temporary basis with the State, their retirement benefit continued and was not reduced based on any earnings related to their part-time or temporary employment. If a retiree returned to work as a permanent employee, they continued to receive their retirement benefit for six months, after six months their benefit stopped and they became a contributing member of the system again. If a retiree returned to work as a consultant or in some other fee-based capacity, they continued to receive their retirement benefit for 6 months. After 6 months, they stopped receiving their benefit for as long as they continued the service.
- Beginning in June 1983, if a retiree returned to work with a participating employer on a part-time or a contractual or fee basis for more than 6 calendar months, and if the retiree earned more than 60% of the compensation they received the final 12 months prior to their retirement (excluding terminal payments), then their retirement benefit was reduced by the amount of their earned compensation which exceeded the 60% of compensation in the 12 months prior to retirement.
- Beginning in September 1985, if a retiree returned to work with a participating employer on a permanent full-time, part-time, temporary or on a fee-for-service basis whether contractual or otherwise, their retirement benefit stopped if they received or earned any of the following: 1) salary or fees or both in excess of $1,500 per month; 2) salary or fees or both in excess of $13,500 during any 12 consecutive calendar months; 3) salary or fees or both during any 12 consecutive calendar months which was greater than 50% of their compensation during the 12 months of service preceding the effective date of retirement; 4) salary or fees or both during any month which, when added to their retirement allowance at retirement exceeded their monthly compensation earned immediately before retirement, if employed by the same employer within 90 days after retiring.
- Beginning in September 1986, while the earnings test enacted in September 1985 was still in place, each employer had to report monthly on each reemployed retiree.
- Beginning in January 1995, if a retiree returned to work with a participating employer on part-time, temporary, interim, or on a fee-for-service basis whether contractual or otherwise, and if the retiree earned an amount in any calendar year which exceeded 50% of their reported compensation (excluding terminal payments) during the 12 months before they retired, or $20,000, whichever is greater (and indexed for inflation) their retirement benefit stopped.
- In 1998, the General Assembly created special rules for retired members who returned to work as teachers. The General Assembly has modified these rules several

times.[3] The current provision allows teachers or retired members to return to work after a 6-month break (immediately preceding return to work) without earnings restrictions.[4]

- In 2002, the General Assembly changed the earnings test enacted in 1995 to the 12 months immediately following retirement.

Policy Issues

The earnings restrictions on returning to work for retirees are, in part, to comply with federal tax laws. The fundamental reason for a retirement program is to provide lifetime income for an individual after his/her career ends. With this in mind and in an effort to prevent individuals from using retirement assets before retirement, the Internal Revenue Code and regulations prohibit distributions from a defined benefit plan before the earlier of normal retirement age or severance from employment.[5] Therefore, a distribution to a participant or beneficiary who has not separated from employment (an "in-service distribution") can disqualify a pension plan.[6] In instances where an individual has a separation of service and is eligible to retire and then is reemployed by the same entity or by another entity that is treated as part of the same employer (i.e., the State of North Carolina), it is questionable as to whether the individual has truly had a separation from employment. The Internal Revenue Service (IRS) generally takes the position that for a separation of employment to occur there must be a true severance of all employee/employer relations.[7]

It is important to note that federal tax laws do allow in-service distributions (i.e., employment with same employer while receiving retirement benefit) of retirement benefits if the employee has reached "normal retirement age."[8] Federal law defines "normal retirement age" as the earlier of: (1) the date/age specified in the Plan or; (2) the later of the attainment of age 65 or the age at which the member completes five years of service (for example, if the member began work at age 62, their normal retirement age would be 67). In North Carolina, individuals may retire with unreduced benefits after they complete 30 years of creditable service at any age, at age 65 and with five years of membership service, or at age 60 with 25 years of creditable service. However, the NC statutes do not specifically define "normal retirement age" as the point a member reaches the age and service to qualify for an unreduced benefit. In addition, the Governor's Commission to Promote Government Efficiency and Savings on State Spending recommended that the state establish a minimum age to receive unreduced retirement benefits.[9]

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[3] Session Law 1998-212 (Senate Bill 1366), Session Law 2000-67 (House Bill 1840), (changed to 12 months), Session Law 2001-424 (Senate Bill 1005) Session Law 2002-126 (Senate Bill 1115)

[4] N.C.G.S. § 135-3 (8)c This provision sunsets June 30, 2004. However, Senate Bill 10 and House Bill 219 propose to reduce the waiting period from 6 months to 2 months and to make the provision permanent.

[5] "Comments on IRS Notice 2002-43," National Council on Teacher Retirement, Arlington, VA, December 21, 2002, p. 8.

[6] Treas. Reg. §1.401-1(b)(i).

[7] As required by Session Law 216 of the 2002 Session of the NC General Assembly (SB 1115), the Retirement System has requested a private letter ruling from the Internal Revenue Service as to what constitutes separation of service.

[8] PLR 8430091. The normal retirement age exception might only apply if the age is reasonable. See Rev. Rul. 71-147, 1971-1 C.B 116. Rev. Rul. 78-120, 1978-1 C.B. 117.

[9] Governor's Commission to Promote Government Efficiency and Savings on State Spending, Final Report, December 2002, p. 4. http://www.osbm.state.nc.us/files/pdf_files/final_rpt_efficiency.pdf

"Double-Dipping"

Another policy consideration is the perception that a public employee receiving both their retirement benefit and a salary for continued public employment is "double dipping." This perception can raise questions from the general public, the media, co-workers, and policy makers. For example, one opinion is that for an individual to draw their retirement benefit, they should actually intend to retire (i.e., not return to work). In other words, that people who claim their retirement benefit with no intent of actually retiring (not working) are abusing the system. However, others contend that the individual has earned the right to retire and receive their retirement benefit and that it is their choice if they want tc return to work. Those who support this view emphasize a need to encourage people to return to work to address labor shortages in particular fields. Others recognize that people are living longer and may eventually want to return to work to supplement their income or simply remain active. Unfortunately, rising health care costs will erode the monthly benefit check of some state and local government retirees.

A Shrinking Workforce

State and local government employment is projected to grow at an overall rate of only 1 percent annually over the next decade, below the 1.3 percent employment growth rate expected for the overall economy.[10] Although the public sector workforce is not growing in relative terms, it is aging and more and more people are retiring. For example, in NC retirements were up 12% in 2002 over 2001. Furthermore, 62 percent of state employees are over the age of 40 (does not include teachers) and 30.82 percent are over 50. As this aging process continues, public sector employers will be competing more with private sector firms. Employers are seeking ways to retain experienced employees, as the slower rate of growth in the number of workers entering the workforce is projected to result in a growing labor shortage. With the coming labor shortage, some believe the state should be encouraging qualified retirees to return to service, either on a full- or part-time basis, not discouraging them with penalties for returning to work. However, simply making it easier for retirees to return to work does not address the larger personnel, compensation, and competition concerns facing the state.

Equity

Encouraging qualified retirees in particular fields to return to work by eliminating earnings restrictions for those groups poses an equity question. Is it fair to allow to one group to have unlimited earnings from public funds while receiving their retirement benefit and not others? Furthermore, while there may be a need to fill gaps where there is a labor shortage, it is also important to recognize that this policy spends the system's undistributed gains, generated from all employees, or requires an additional state appropriation to benefit a select group or groups.[11] This is where the real equity question arises.

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[10] "Pensions in the Public Sector", University of Pennsylvania Press, Philadelphia, 2001, p. 366

[11] For example, according to the System's actuary, a provision that passed in 2001 to allow retired teachers to return to the classroom without earnings restrictions after a 6 month break in service (reduced from 12 months) cost the system 0.06% of the payroll of all members of the Teachers' and State Employees' Retirement System or approximately $6 million a year. The 2002 provision extending the sunset on the 2001 provision from June 2003 to June 2004 cost 0.02% of payroll or approximately $2 million. Proposed legislation in the 2003 Session of the General Assembly (SB 10 and HB 219) to make the current retired teacher provision permanent and reduce the required break in employment from 6 months to 2 months is estimated to cost the system 0.52% of payroll on an annual basis. This translates to approximately $53 million per year.

Fit with early retirement incentives

Considering that many state and local governments are currently dealing with budget deficits, the notion of return to work incentives/programs may seem contradictory.[12] For a number of years, early retirement programs have been popular public sector money savings strategies. However, while early retirement programs may help governments avert short-term budget problems, long-term savings of these programs is questionable. Furthermore, these programs may hinder a government's ability to function in the long term; a smaller workforce may also lead to burdensome workloads, a loss of institutional knowledge and experience and low morale.

Over the next two decades, 76 million baby boomers are going to reach retirement age; many of these baby boomers currently work in the public sector as managers, teachers, and technicians.[13] Governments already are struggling to find well-trained employees, even in the current economic environment. With the decreasing number of graduates projected to enter the workforce, public sector employers need to consider if it is truly in the best interest to encourage, even inadvertently, early retirement among older employees.[14]

In the 2002 Legislative Session of the NC General Assembly NC, one edition of the appropriations bill included a retirement incentive. This incentive would have allowed state employees who had attained 55 years of age and completed 25 or more years of creditable service to retire with a special separation allowance.[15] While the incentive may have saved the state money in the short-run, such a proposal does not align with allowing retirees to return to work without earnings restrictions. On one hand, the state is encouraging them to retire, while on the other, they are bringing retirees back to work. Furthermore, allowing retirees to return to work without some earnings restrictions ultimately provides them with an incentive to retire even if there is not a formal early retirement incentive.

Administrative Issues

Beyond the return to work policy questions lie the administrative challenges that arise out of increased complexity in the statutes governing reemployed retirees. While shortages of teachers and other employee groups may exist, treating these groups differently from other retirees with regard to return to work makes it difficult for the retirement system to monitor the earnings of reemployed retirees, not to mention educating members and various groups about their options for reemployment. Furthermore, without requiring reporting on reemployed retirees from employers, the retirement system does not have the systems capability to effectively monitor the earnings of those retirees who choose to return to work. The Governor's Commission to Promote Government Efficiency and Savings on State Spending recommended allowing retirees with special expertise to return to work without penalty, the Commission also

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[12] Brian Flahaven, "Please Don't Go! Why Phased Retirement May Make Sense For Your Government," *Government Finance Review*, Government Finance Officers' Association, Chicago, Illinois, October 2002, p. 24

[13] *ibid.*

[14] *ibid.*

[15] 2002 General Assembly, Senate Bill 1115, editions 4 and 5, www.ncleg.net/gascripts/BillLookUp/BillLookUp.pl?Session=2001&BillID=s1115
Note individuals who had not yet reached the age and service requirements for an unreduced benefit would have still received a reduced benefit and the separation allowance until turning 62 when the separation allowance would cease but the reduced benefit would remain the same.

noted that this practice must be closely documented to assess the effects on the retirement system.[16]

Cost Issues

While some contend that savings occur when the state is not required to make an employer contribution on retirees that have returned to work. However, there are cost implications for the retirement system when retired employees return to work in full-time covered positions without being required to become a contributing member of the system. First, if these employees retire only to return to work soon after, they may be retiring earlier than they might have otherwise and therefore are receiving a benefit for a longer period. What's more, these individuals are occupying positions that would have otherwise been filled by a contributing member and the system fails to benefit from both the employer and the employee contribution.[17] Ultimately, they are drawing from the fund, but nothing is coming in. The financial health of the system depends on the continuing contribution of all employees.

Options

Much of the reemployment activity in the public sector centers around public school teachers and administrators, as existing and projected teacher shortages have created a demand for incentives to encourage members of these employee groups to continue working. In recent years, many state legislatures (including the NC General Assembly) responding to a shortage of teachers and other specific employee groups, have approved changes in plan design that allow retired employees to return to work while continuing to receive their retirement benefit without earnings limitations.

In North Carolina, teachers can return to work after a 6-month break (immediately preceding return to work) without earnings restrictions.[18] Currently, there is proposed legislation to reduce the break to 2 months and other employee groups are seeking similar exceptions.[19] In addition, the Governor's Commission to Promote Government Efficiency and Savings on State Spending recommended allowing retirees with special expertise to return to work without penalty. "Just as public schoolteachers are permitted to return to work," reads the Commission's final report, "so too should retirees in other hard-to-fill areas be permitted to return."[20]

Still, establishing or maintaining return to work policies is not the only option for workers nearing or at retirement in the public sector. For example, establishing pre-retirement incentives to encourage employees to continue working before retirement may be a more efficient and effective use of the state's resources and more beneficial to employees as well. The following are some options for consideration:

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[16] Governor's Commission to Promote Government Efficiency and Savings on State Spending, Final Report, December 2002, p. 4. http://www.osbm.state.nc.us/files/pdf_files/final_rpt_efficiency.pdf

[17] As of October 2002, there were 571 retired individuals who were teaching in the public system that were exempt from the Retirement System's earnings restrictions.

[18] N.C.G.S. § 135-3 (8)c

[19] See HB 219 (SB 10) and HB 20 (SB 53)

[20] Governor's Commission to Promote Government Efficiency and Savings on State Spending, Final Report, December 2002, p. 4. http://www.osbm.state.nc.us/files/pdf_files/final_rpt_efficiency.pdf

- **Graduated Multiplier**
  Having a graduated multiplier would build a longevity incentive into the benefit formula by increasing the multiplier for later years of service (see Appendix for more discussion)
- **Deferred Retirement Option Plan (DROP)**
  Under the typical DROP, an active member eligible for retirement elects to participate in the DROP and retire at a future date with their benefit based on creditable service and average final compensation at the time they elected to participate in the DROP. The individual then continues working and drawing a salary while the retirement system deposits the monthly benefit the individual would have received into an account. When the individual ceases employment and begins to draw monthly benefits, they receive the funds in their DROP account as a lump sum or as an annuity. (see Appendix for more discussion)
- **Partial Lump-Sum Option Plan (PLOP)**
  The PLOP option simply permits retiring members to elect to receive a portion of their benefits in a lump sum but can be designed to encourage people to work additional years. The amount paid out in a lump sum is converted to a monthly annuity and the maximum retirement allowance is then reduced by that amount. (see Appendix for more discussion)

Conclusion

The return to work debate is clearly multifaceted. Uncertainties regarding federal law and questions of public perception, legislative intent, labor shortages, equity, cost, and administration make considering all of components and ramifications of current and any future return to work policies of critical. North Carolina's public retirement system is one of the state's strongest assets for recruiting quality employees and providing lifetime income for North Carolina's public servants after they retire. However, relying on the Retirement System to remedy the state's future workforce needs is a risky venture at best.

Appendix

Graduated Multipliers

Some states have implemented graduated or higher multipliers in calculating retirement benefits in exchange for additional years of service. These graduated multipliers result in a higher benefit amount paid to the member over the course of their retirement.

Considerations

- Members who work past the traditional normal retirement increase their long-term benefit. For individuals who have reached the "peak" of the salary scale for their particular field or position, a higher multiplier may be even more beneficial.
- Employers are able to retain skilled professionals such as teachers, engineers, and health care providers.
- Graduated multipliers are a relatively new concept within state retirement systems, so the long-term success of such a retention policy is inconclusive.

Cost

- Increased cost to the system for members electing to stay additional years since their benefit would be higher than it would have been otherwise.

Administration

- A graduated multiplier may increase the complexity of calculating retirement benefits and would require systematic adjustments to computer programs.
- Legal issues that may arise among the various systems operated within the state retirement system.

Examples

- Under the Ohio Public Employees Retirement System, a member's benefit is calculated using a 2.2% multiplier for creditable service up to 30 years. Any service over 30 years is calculated using a multiplier of 2.5% (see specific example below).
- Under the Rhode Island Public Employees Retirement System, there is a gradual increase in the multiplier according to the number of years of service an employee works. For the first 10 years of service, a member's benefit is calculated using a 1.7% multiplier. For the second 10 years, the multiplier increases to 1.9%, and for 21-34 years of service, the multiplier is 3%. After 35, the multiplier decreases to 2%.

Assume that at age 52 an employee has 30 years of service and is eligible to retire with an unreduced benefit. The following table shows the benefit if the employee elects to continue working additional years with a graduated multiplier in place (based on Ohio's method).

Age	Monthly Average Final Compensation	Service Credit (Years)	Multiplier	Monthly Benefit Amount without Graduated Multiplier	Monthly Benefit Amount with Graduated Multiplier	Annual Difference
52	$3,817	30	2.2%	$2,519	NA	NA
53	$3,970	31	2.2% for 30 years 2.5% for 1 years	$2,708	$2,719	$143
54	$4,129	32	2.2% for 30 years 2.5% for 2 years	$2,907	$2,919	$297
55	$4,294	33	2.2% for 30 years 2.5% for 3 years	$3,117	$3,130	$464

Deferred Retirement Option Program (DROP)

A DROP plan is a program that allows an employee who is eligible to receive normal retirement benefits to begin receiving payment of those monthly benefits while continuing to work for a period of years. The employee's retirement benefit payment is deposited into an account, managed by the retirement system, and the total accumulated value of this account is paid in one lump sum to the employee upon actual retirement (termination of employment). Typically, a member may enroll in a DROP plan for 1-5 years, with most averaging 3 years.

Considerations

- Initially driven by the lack of pay raises in the public sector, DROPs were first popular under police and fire pension plans. Some see DROPs a strategy for retaining skilled, experienced employees using the incentive of a potentially large lump sum payout cash amount available in exchange for extra years of service.
- Employees who have reached their maximum level of earnings have an option to earn additional earnings by coming in under a DROP plan. By electing to participate in a DROP, the member has their retirement benefit calculated at the benefit formula that is in place at that time and the service years they have at that point. However, for individuals who have reached the "peak" of the salary scale for their particular field or position, participating in a DROP plan may be an appealing option.
- All employees must have the option to participate in a DROP program, even employees with less than stellar performance histories.
- If a member returns to work but does complete their contracted agreement under the DROP program (for reasons other than death or disability), then they forfeit the funds in their DROP account.
- DROP plans can be controversial due to the potential cost implications associated with their implementation.

Cost

- Retirees who would have normally stayed on longer due to the economic need or even desire to continue working, end up retiring earlier to enter the DROP program while employee contributions to the system stop.
- It is difficult to design a truly cost-neutral plan that is popular and beneficial to everyone, employer and employee. In addition, if employer contributions cease on behalf of DROP participants, the employer contribution rate applied to non-DROP salaries may have to increase to provide the same income to the system.
- Depending on program provisions, health insurance and disability plans may not benefit from employer contributions.
- System may actually benefit depending on the rate of return on the benefits that would have been paid since the plan does not actually pay out benefits while the member is enrolled in DROP.

Administration

- The system will face increased demands in services in the form of additional questions and request for additional processing (i.e., member wanting benefits calculated with a DROP and without a DROP).
- The system will have to undertake setting up new DROP accounts for members opting to participate in the program.
- Cumbersome to keep track of multiple accounts for retiring members (i.e., DROP and retirement account)
- Rollover options for members once they complete their contract, otherwise, they may face a high tax on the amount in their DROP account.

Example

- Assume that at age 52 an employee has 30 years of service and is eligible to retire with an unreduced benefit. The following table s (using NC's current benefit formula of 1.82% x AFC x years of service and assuming no COLAs) shows the benefit if the employee elects to retire and participate in the DROP at age 52 and continues working for 1, 2, or 3 additional years (ages 53, 54, and 55 respectively). The DROP amount is equal to the benefit the member would have received (based on the number of years they elected to participate in the program) if they had not elected to participate in the DROP program.

Age	Monthly Average Final Compensation	Credit Service (Years)	Monthly Benefit Amount Received	DROP Amount
52	$3,817	30	$2,084	N/A
53	NA	NA	NA	$25,009
54	NA	NA	NA	$50,018
55	NA	NA	NA	$75,027

Partial Lump Sum Optional Plan (PLOP)

In exchange for a reduced lifetime benefit, members elect to receive a portion of their benefit in a lump sum. The amount paid out in a lump sum is converted to a monthly annuity and then their actual monthly benefit allowance is reduced by that amount. As Virginia has done, a PLOP program can be designed to encourage people to work additional years members.

Considerations

- Members are exchanging their long-term benefit amount for a one-time lump sum. Lowered benefit may cause financial hardship on member later during their retirement.
- If program is designed to encourage employees to work additional years, member continues to receive credited years of service, which increases their benefit at the time of retirement.
- Member has more control over their investment in the long run, because the lump sum collected at the end of service can be rolled over into an IRA and used at the member's discretion.

Cost

- PLOPs are more cost-neutral because of the reduced benefit paid out to the member over the course of their retirement.
- According to the PLOP implemented by the Virginia Retirement System, the estimated potential start up cost for development and marketing of the program is $250,000.
- Depending on program design, the employer may continue to pay fringe benefits and make employer contributions on PLOP participation.

Administration

- Similar administrative issues that DROP implementation faces. However, depending on plan design, a PLOP program can be easier to administer because there is no need to set up different accounts.

Example (based on the Virginia Retirement System's program)

- Assume that at age 52 an employee has 30 years of service and is eligible to retire with an unreduced benefit. The following table shows the benefit if the employee elects to participate in the PLOP at age 52 and continues working for 1, 2, or 3 additional years (ages 53, 54, and 55 respectively). The PLOP amount is equal to 12 months times the maximum monthly benefit at retirement for each year worked past age 52 (12 months if they retire at 53, 24 months if the retire at age 54, and 36 months if they retire at age 55). Note that the monthly benefit with the PLOP is less than the monthly benefit without the PLOP. In this example, the PLOP amount would be equivalent to approximately 14 years of the annual difference between the monthly benefit without the PLOP and the monthly benefit with the PLOP.

Age	Monthly Average Final Compensation	Credit Service (Years)	Monthly Benefit w/o PLOP	PLOP Amount	Monthly Benefit w/ PLOP
52	$3,817	30	$1,947	N/A	N/A
53	$3,970	31	$2,092	$25,106	$1,951
54	$4,129	32	$2,246	$53,905	$1,939
55	$4,294	33	$2,409	$86,719	$1,906

Note: Virginia's benefit formula is 1.7% x AFC x years of service.

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

April 24, 2003

The House Committee on Pensions and Retirement met Thursday, April 24, 2003, in Room 605 of the Legislative Office Building at 8:30 A.M. The following members were present: Chairs Bell and G. Wilson, Vice-ChairYongue, Representatives B. Allen, Kiser, McGee, McLawhorn, Munford, Rapp and Tolson. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 1)

Committee Chair, Representative Gene Wilson, called the meeting to order.

Representative Glazier was recognized to speak on House Bill 271, AN ACT TO AMEND THE DEFINITION OF TEACHER IN A JOB-SHARING POSITION, TO FACILITATE JOB SHARING BY PUBLIC SCHOOL GUIDANCE COUNSELORS, AND TO AUTHORIZE THE JOINT LEGISLATIVE EDUCATION OVERSIGHT COMMITTEE TO STUDY ISSUES RELATED TO JOB SHARING BY OTHER PUBLIC SCHOOL EMPLOYEES. (Attachment 2) Representative Tolson made a motion for a favorable report. Representative Allen seconded the motion. The motion passed. Committee Report (Attachment 3)

Representative Wilson recognized Representative Bell to speak on House Bill 331, AN ACT TO MAKE TECHNICAL CHANGES TO THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE DISABILITY INCOME PLAN OF NORTH CAROLINA. (Attachment 4) A Proposed Committee Substitute was offered for House Bill 331 (Attachment 5) and Representative Kiser moved for its adoption for committee consideration. Representative Bell gave a summary of the Proposed Committee Substitute. (Attachment 6) Representative Allen moved for a favorable report to the committee substitute, unfavorable as to the original bill. Committee Report (Attachment 7)

There being no further business, Representative Wilson adjourned the meeting at 9:10 a.m.

Attachments

1. Visitation Registration Sheet

2. House Bill 271

3. Committee Report

4. House Bill 331

5. Proposed Committee Substitute for 331

6. Summary of Proposed Committee Substitute for 331

7. Committee Report

Respectfully submitted,

Rebecca Jones-Cooper
Committee Assistant

Representative Gene Wilson
Presiding Chair

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

DAY & DATE: **April 24, 2003**

TIME: **8:30 A.M.**

LOCATION: **605 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 271 – JOB-SHARING FOR SCHOOL COUNSELORS / STUDY – Reps. Glazier, Warner, Lucas, Insko
HB 331 – RETIREMENT SYSTEM TECHNICAL CHANGES – Reps. Bell, G. Wilson

Respectfully,
Representatives Bell and G. Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at 12:00 p.m. on **April 23, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Rebecca Jones-Cooper (Committee Assistant)

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

April 24, 2003
8:30 a.m.
Room 605 LOB

CHAIRS
REPRESENTATIVES
BELL AND G. WILSON

CALL TO ORDER

OPENING REMARKS

AGENDA ITEMS:

HB 271 – JOB-SHARING FOR SCHOOL COUNSELORS / STUDY – Reps. Glazier, Warner, Lucas, Insko
HB 331 – RETIREMENT SYSTEM TECHNICAL CHANGES – Reps. Bell, G. Wilson

ADJOURNMENT

AH. 1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — APRIL 24, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Laura Harper	SEANC
Pam Deardorff	Retirement Division
Marshall Barnes	Retirement Systems Division
Richard O'Brien	Professional Firefighters & Paramedics of NC
Steve Hoffman	NCSBA
Mario Dawes	NCAE
Logan Stewart	NCAE
Julie Allen	NC Statewatch
Tracy Pressnell Jr.	NC Retired School Personnel
Dave Meyer	NCAEC

AH 2

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

H 2

HOUSE BILL 271
Committee Substitute Favorable 4/2/03

Short Title: Job Sharing for School Counselors/Study. (Public)

Sponsors:

Referred to:

March 6, 2003

A BILL TO BE ENTITLED

AN ACT TO AMEND THE DEFINITION OF TEACHER IN A JOB-SHARING POSITION, TO FACILITATE JOB SHARING BY PUBLIC SCHOOL GUIDANCE COUNSELORS, AND TO AUTHORIZE THE JOINT LEGISLATIVE EDUCATION OVERSIGHT COMMITTEE TO STUDY ISSUES RELATED TO JOB SHARING BY OTHER PUBLIC SCHOOL EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115C-302.2 reads as rewritten:

"**§ 115C-302.2. Job sharing by classroom ~~teachers.~~teachers and guidance counselors.**

(a) The General Assembly finds that there is a shortage of qualified classroom teachers available in certain areas of certification, grade levels, and geographical areas of the ~~State.~~State and that there is a shortage of qualified guidance counselors in certain geographical areas of the State. The elimination of administrative and fiscal limitations on job-sharing arrangements would make teaching an attractive option for well-qualified classroom teachers who do not wish to work full time and would make counseling an attractive option for guidance counselors who do not wish to work full time.

(b) A "classroom teacher in a job-sharing position" is a person who:

(1) Is employed by a local board of education as a public school teacher for fifty percent (50%) of the teacher workweek, as defined by that local board of education;

(2) Is paid on the teacher salary ~~schedule;~~ schedule; and

(3) Spends at least seventy percent (70%) of his or her work time in classroom ~~instruction; and~~instruction.

~~(4) Is sharing a teacher position with one other employee of that local board of education who meets the requirements of subdivisions (1) through (3) of this subsection.~~

The term does not include certified instructional support personnel or certified school services personnel such as guidance counselors, media coordinators, psychologists, social workers, audiologists, speech and language pathologists, and nurses.

(b1) A "guidance counselor in a job-sharing position" is a person who:

(1) Is employed by a local board of education as a guidance counselor for fifty percent (50%) of the guidance counselor workweek, as defined by that local board of education; and

(2) Is paid on the teacher salary schedule.

(c) The State Board of Education shall adopt rules to facilitate job sharing by classroom ~~teachers.~~ teachers and guidance counselors. These rules shall provide that a classroom teacher or a guidance counselor in a job-sharing position shall receive paid legal holidays, annual vacation leave, sick leave, and personal leave on a pro rata basis. Such ~~a teacher~~ an employee shall also receive service credit under the Teachers' and State Employees' Retirement System as provided in G.S. 135-4(b) and insurance benefits as provided in Article 3 of Chapter 135 of the General Statutes.

(d) Before a local board of education designates a guidance counselor position as a job-sharing position, the board must determine that there is a shortage of guidance counselors in that local school unit."

SECTION 2. G.S. 135-1(25) reads as rewritten:

"(25) "Teacher" shall mean any teacher, helping teacher, classroom teacher in a job-sharing position as defined in G.S. 115C-302.2(b) except for a beneficiary in that position, guidance counselor in a job-sharing position as defined in G.S. 115C-302.2(b1) except for a beneficiary in that position, librarian, principal, supervisor, superintendent of public schools or any full-time employee, city or county, superintendent of public instruction, or any full-time employee of Department of Public Instruction, president, dean or teacher, or any full-time employee in any educational institution supported by and under the control of the State: Provided, that the term "teacher" shall not include any part-time, temporary, or substitute teacher or employee except for a classroom teacher in a job-sharing ~~position,~~position or a guidance counselor in a job-sharing position and shall not include those participating in an optional retirement program provided for in G.S. 135-5.1 or G.S. 135-5.4. In all cases of doubt, the Board of Trustees, hereinbefore defined, shall determine whether any person is a teacher as defined in this Chapter. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "teacher" solely because the person holds a temporary or time-limited visa. Notwithstanding the foregoing, the term "teacher" shall not include any nonimmigrant alien employed in elementary or secondary public schools (whether employed in a full-time, part-time, temporary, permanent, or substitute teacher position) and participating in an

exchange visitor program designated by the United States Department of State pursuant to 22 C.F.R. Part 62."

SECTION 3. G.S. 135-4(b) reads as rewritten:

"(b) The Board of Trustees shall fix and determine by appropriate rules and regulations how much service in any year is equivalent to one year of service, but in no case shall more than one year of service be creditable for all services in one year. Service rendered for the regular school year in any district shall be equivalent to one year's service. Service rendered by a classroom teacher in a job-sharing position or a guidance counselor in a job-sharing position shall be credited at the rate of one-half year for each regular school year of employment."

SECTION 4. G.S. 135-40.2(a2) reads as rewritten:

"(a2) A classroom teacher in a job-sharing position as defined in G.S. 115C-302.2(b) or a guidance counselor in a job-sharing position as defined in G.S. 115C-302.2(b1) shall be eligible for coverage under the Plan, on a partially contributory basis, subject to the provisions of G.S. 135-40.3. If these employees elect to participate in the Plan, the employing unit shall pay fifty percent (50%) of the Plan's total noncontributory premiums. Individual employees shall pay the balance of the total noncontributory premiums not paid by the employing unit."

SECTION 5. Nothing in this act shall be construed to require local school administrative units to place part-time employees in job-sharing positions or to hire employees in job-sharing positions.

SECTION 6. The Joint Legislative Education Oversight Committee shall study issues relating to job sharing by public school employees other than teachers and guidance counselors. In the course of the study, the Committee shall study the need to facilitate job sharing for these employees, the cost to the local school administrative unit to hire employees in job-sharing positions, and the impact of job sharing on the Teachers' and State Employees' Retirement System and the Comprehensive Major Medical Plan. The Committee shall report on the results of this study to the 2004 Regular Session of the 2003 General Assembly.

SECTION 7. Sections 1 through 4 of this act become effective January 1, 2004. The remainder of this act is effective when it becomes law.

HOUSE BILL 271:
Job Sharing for School Counselors/Study

BILL ANALYSIS

Committee:	House Pensions & Retirement	**Introduced by:**	Representatives Glazier, Warner, Lucas, Insko
Date:	April 15, 2003		
Version:	Second Edition	**Summary by:**	Theresa Matula Committee Staff

SUMMARY: ***House Bill 271 provides a job-sharing option for public school guidance counselors and authorizes a study to explore issues related to job-sharing by other public school employees.***

CURRENT LAW:

Public School Teachers: In 2002, S.L. 2002-174 (SB 1443) was enacted to facilitate job sharing by public school teachers. The legislation added G.S. 115C-302.2 to allow a classroom teacher to share a position with another classroom teacher employed by the same local board of education. Both teachers have to be employed for 50% of the teacher workweek, be paid on the teacher salary schedule, and spend 70% of their work time in classroom instruction. Amendments were also made to provide coverage under the Teachers' and State Employees' Retirement System (TSERS) and the Teachers' and State Employee's Comprehensive Major Medical Plan. To provide coverage for job sharing teachers in the TSERS, the legislation amended G.S. 135-1(25) regarding the definition of "Teacher", and amended the creditable service provision in G.S. 135-4(b). G.S. 135-40.2(a2) was added to provide coverage under the Comprehensive Major Medical Plan.

Other certified instructional support personnel and certified school services personnel, including guidance counselors, are specifically excluded from job-sharing provisions under G.S. 115C-302.2.

State Employees: Currently, only those State employees who work a minimum of 30 hours per week for nine or more months per year are members of the Teachers' and State Employees' Retirement System and are eligible for coverage under the Teachers' and State Employees' Comprehensive Major Medical Plan.

BILL ANALYSIS:

Section 1 of House Bill 271 amends G.S. 115C-302.2 to facilitate job sharing for guidance counselors who do not wish to work full time. Prior to designating a guidance counselor position as job-sharing, the local board of education must determine that there is a shortage of guidance counselors in that local school unit. A guidance counselor in a job-sharing position is defined as a person who is:

1. Employed by a local board of education as a guidance counselor for 50% of the guidance counselor workweek; and
2. Paid on the teacher salary schedule.

Section 2 amends G.S. 135-1(25) pertaining to the definition of "Teacher" in the Teachers' and State Employees' Retirement System (TSERS) to include a guidance counselor in a job-sharing position.

(Continued on back)

Section 3 amends G.S. 135-4(b) regarding creditable service in the TSERS to allow a guidance counselor in a job-sharing position to receive credit at the rate of one-half year for each regular school year that the individual was employed.

Section 4 amends G.S. 135-40.2(a2) to allow a guidance counselor in a job-sharing position to be eligible for coverage under the Comprehensive Major Medical Plan on a partially contributory basis. If the employee elects to participate, the employing unit is required to pay 50% of the Plan's noncontributory premium and the employee shall pay the balance.

Section 5 clarifies that nothing requires local school administrative units to place part-time employees in job-sharing positions or to hire employees in job-sharing positions.

Section 6 requires the Joint Legislative Education Oversight Committee to study job-sharing issues for other public school employees including need, cost to local school units, and impact on the Teachers' and State Employees' Retirement System and the Comprehensive Major Medical Plan.

Section 7 establishes that Sections 1 through 4 of the bill become effective January 1, 2004, and the remainder becomes effective when it becomes law.

**Sara Kamprath contributed to this summary.*

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(919) 733-2578

March 26, 2003

MEMORANDUM

TO: Representative Glazier

FROM: Stanley Moore
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 271

Re: Job Sharing for School Counselors

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, March 21, 2003
(3) Actuarial Note. Hartman & Associates, March 13, 2003

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 271

SHORT TITLE: Job Sharing for School Counselors

SPONSOR(S): Representatives Glazier, Warner, Lucas and Insko

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: The bill will allow guidance counselors who are in a job-sharing position to become members of the Teachers' & State Employees' Retirement System. Service would be earned on portion of work as it relates to full-time. For example, a member would earn one year of service after working for a two-year period, if they worked 50% basis. Under current law, only employees who work a minimum of 30 hours per week for nine or more months per year are members of the System.

EFFECTIVE DATE: January 1, 2004

ESTIMATED IMPACT ON STATE: Both the System's actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, agree that there should be no cost to the 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, 2001, actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION (919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: March 25, 2003

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

March 21, 2003

Ms. Pam Deardorff
Director of External Relations
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 271

Dear Ms. Deardorff:

We have received your letter of March 19 regarding House Bill 271 which affects the Teachers' and State Employees' Retirement System.

This legislation appears, in Section 1, to amend G.S. 115C-302.1(b) to include guidance counselors. This legislation appears, in Section 2, to amend the definition of "teacher" to include guidance counselors in a job-sharing position as defined in G.S. 115C-302.2(b2). Section 3 appears to amend the provision of G.S. 135-4(b) regarding creditable service in the TSERS to allow a guidance counselor in a job-sharing position to receive credit at the rate of one-half year for each regular school year of employment.

Sections 1 through 4 would become effective January 1, 2004, and the remainder of the Act would be effective upon ratification.

There would be no cost to the System due to 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, Consulting Actuary

EAM:sr

P:\North Carolina Teachers\2003\Correspondence\House Bill 271.doc
387 RETU-169

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

March 13, 2003

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

Re: House Bill 271: An Act to Facilitate Job Sharing by Public School Guidance Counselors

Dear Mr. Moore:

This bill amends the definition of teacher in G.S. 135-1(25) to include a guidance counselor in a job-sharing position. G.S. 115C-302.2(b1) is added to define such individual as a guidance counselor employed for 50% of the workweek, paid on the teacher salary schedule, and sharing that position with one other employee. G.S. 135-4(b) is also amended to provide that such employees would have service credited in the Teachers' and State Employees' Retirement System (TSERS) at the rate of one-half year for each regular school year of employment. This act is effective January 1, 2004.

Currently, individuals working less than 30 hours per week are not eligible to participate in the TSERS. This bill would allow certain employees who are currently ineligible to participate in the Plan. Addition of these employees is not expected to noticeably alter the Plan demographics, so the current employer and employee contribution rates are expected to be sufficient to provide benefits for these members. Thus, the cost would be the employer normal contribution rate applied to the payroll of guidance counselors in job-sharing positions. This bill may also encourage additional job-sharing; however, because the benefit is split between two employees, this is not expected to produce a significant financial impact to the TSERS.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

AH 3

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☒ Committee Substitute for
H.B. 271 A BILL TO BE ENTITLED AN ACT TO AMEND THE DEFINITION OF TEACHER IN A JOB-SHARING POSITION, TO FACILITATE JOB SHARING BY PUBLIC SCHOOL GUIDANCE COUNSELORS, AND TO AUTHORIZE THE JOINT LEGISLATIVE EDUCATION OVERSIGHT COMMITTEE TO STUDY ISSUES RELATED TO JOB SHARING BY OTHER PUBLIC SCHOOL EMPLOYEES.

☒ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AH. 4

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 331*

Short Title:	Retirement System Technical Changes.-AB	(Public)
Sponsors:	Representatives Bell, G. Wilson (Primary Sponsors); McLawhorn and Warren.	
Referred to:	Pensions and Retirement.	

March 6, 2003

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL CHANGES TO THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE DISABILITY INCOME PLAN OF NORTH CAROLINA.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-1(7a) reads as rewritten:

"(7a) "Compensation" shall mean all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee or teacher in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall include:

a. Performance-based compensation (regardless of whether paid in a lump sum, periodic installments, or on a monthly basis);

b. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or regulation;

c. Payment of tax consequences for benefits provided by the employer so long as they constitute an adjustment or increase in salary, and not a "reimbursement of expenses";

d. Payout of vacation leave so long as such payouts are permitted by applicable law and regulation; and

e. Employee contributions to eligible deferred compensation plans.

"Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. "Compensation" includes all special pay contribution of annual leave made to a 401(a) Special Pay Plan for the benefit of an employee. Notwithstanding any other provision of this Chapter, "compensation" shall not include:

a. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
b. Travel supplement/allowance (nonaccountable allowance plans);
c. Employer contributions to eligible deferred compensation plans;
d. Employer provided fringe benefits (additional benefits such as health, life, or disability plans);
e. Reimbursement of uninsured medical expenses;
f. Reimbursement of business expenses;
g. Reimbursement of moving expenses;
h. Reimbursement/payment of personal expenses;
i. Incentive payments for early retirement;
j. Bonuses paid incident to retirement;
k. Contract buyout/severance payments; and
l. Payouts for unused sick leave.

In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments."

SECTION 2. G.S. 135-1(8) reads as rewritten:

"(8) "Creditable service" shall mean the total of "prior service" plus "membership service" plus service, both noncontributory and purchased, for which credit is allowable as provided in G.S. 135-4. In no event, however, shall "creditable service" be deemed "membership service" for the purpose of determining eligibility for benefits accruing under this Chapter."

SECTION 3. G.S. 135-5(b18) reads as rewritten:

"(b18) Service Retirement Allowance of Members Retiring on or After July 1, 2000, but Before July 1, 2002. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2000, but before July 1, 2002, a member shall receive the following service retirement allowance.

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

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

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

1. The service retirement allowance payable under G.S. 135-5(b18)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 135-5(b18)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of 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 payable at the age of 60 years as computed in ~~G.S. 135-5(b18)b.~~ G.S. 135-5(b18)(2)b.

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

SECTION 4. G.S. 135-5(b19) reads as rewritten:

"(b19) Service Retirement Allowance of Members Retiring on or After July 1, 2002. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2002, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of his creditable service.

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

1. The service retirement allowance payable under G.S. 135-5(b19)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 135-5(b19)(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-two hundredths percent (1.82%) 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(b19)(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(b19)(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(b19)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in ~~G.S. 135-5(b19)b.~~ G.S. 135-5(b19)(2)b.

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

SECTION 5. G.S. 135-5(g1) reads as rewritten:

"(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the retirement allowances paid to the retiree and the designated survivor combined equals the amount of the accumulated contributions of the retiree at the date of retirement, the excess, if any, of such accumulated contributions over the total of the retirement allowances paid to the retiree and the survivor combined shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative.

In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the cost of the creditable service purchased less the administrative fee, if any, over the total of the increase in the retirement allowance attributable to the additional creditable service, paid from the month following the month in which payment was received to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the increase in the retirement allowance attributable to the additional creditable service paid to the

retiree and the designated survivor combined equals the cost of the creditable service purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative."

SECTION 6. G.S. 135-5(m) reads as rewritten:

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

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c., notwithstanding the requirement of obtaining age 50.

c. The member had not commenced to receive a retirement allowance as provided under this Chapter.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who was living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

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

SECTION 7. G.S. 135-4(f) reads as rewritten:

"(f) Armed Service Credit. –

(1) Teachers and other State employees who entered the armed services of the United States on or after September 16, 1940, and prior to February 17, 1941, and who returned to the service of the State within a period of two years after they were first eligible to be separated or released from such armed services under other than dishonorable conditions shall be entitled to full credit for all prior service.

(2) Teachers and other State employees who entered the armed services of the United States on or after September 16, 1940, and who returned to the service of the State prior to October 1, 1952, or who devote not less than 10 years of service to the State after they are separated or released from such armed services under other than dishonorable conditions, shall be entitled to full credit for all prior service, and, in addition they shall receive membership service credit for the period of service in such armed services up to the date they were first eligible to be separated or released therefrom, occurring after the date of establishment of the Retirement System.

(3) Teachers and other State employees who enter the armed services of the United States on or after July 1, 1950, or who engage in active military service on or after July 1, 1950, and who return to the service of the State within a period of two years after they are first eligible to be separated or released from such active military service under other than dishonorable conditions shall be entitled to full membership service credit for the period of such active service in the armed services.

(4) Under such rules as the Board of Trustees shall adopt, credit will be provided by the Retirement System with respect to each such teacher or other State employee in the amounts that he would have been paid during such service in such armed services on the basis of his earnable compensation when such service commenced. Such contributions shall be credited to the individual account of the member in the annuity savings fund, in such manner as the Board of Trustees shall determine, but any such contributions so credited and any regular interest thereon shall be available to the member only in the form of an annuity, or benefit in lieu thereof, upon his retirement on a service, disability or special retirement allowance; and in the event of cessation of membership or death prior thereto, any such contributions so credited and regular interest thereon shall not be payable to him or on his account, but shall be transferred from the annuity savings fund to the pension accumulation fund. If any payments were made by a member on account of such service as provided by subdivision (5) of subsection (b) of G.S. 135-8, the Board of Trustees shall refund to or reimburse such member for such payments.

(5) The provisions of this subsection shall also apply to members of the national guard with respect to teachers and State employees who are called into federal service or who are called into State service, to the extent that such persons fail to receive compensation for performance of the duties of their employment other than for service in the national guard.

(6) Repealed by Session Laws 1981, c. 636, s. 1. For proviso as to inchoate or accrued rights, see Editor's Note below.

(7) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service in the Armed Forces of the United States, not otherwise allowed, by paying a total lump sum payment determined as follows:

a. For members who completed 10 years of membership service, and retired members who completed 10 years of membership service prior to retirement, whose ~~current~~ membership began on or prior to July 1, 1981, and who make this purchase within three years after first becoming eligible, the cost shall be an amount equal to the monthly compensation the member earned when he first entered ~~current~~ membership service times the employee contribution rate at that time times the months of service to be purchased, with sufficient interest added thereto so as to equal one-half of the cost of allowing this service, plus an administrative fee to be set by the Board of Trustees.

b. For members who complete five years of membership service, and retired members who complete five years of membership service prior to retirement, and eligible members and retired members covered by paragraph a. of this subdivision, whose ~~current~~ membership began on or before July 1, 1981, but who did not or do not make this purchase within three years after first becoming eligible, the cost shall be an amount equal to the full liability of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities and shall take into account the retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire on an unreduced allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the term "full liability" includes assumed post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service retirement allowance.

Creditable service allowed under this subdivision shall be only for the initial period of ~~active duty~~ "active duty", as defined in 38 U.S. Code Section 101(21), in the Armed Forces of the United States up to the date the member was first eligible to be separated and released and for subsequent periods of ~~active duty~~ "active duty", as defined in 38 U.S. Code Section 101(21), as required by the Armed Forces of the United States up to the date of first eligibility for separation or release, but shall not include periods of active duty in the Armed Forces of the United States creditable in any other retirement system except the national guard or any reserve component of the Armed Forces of the

United ~~States.~~ States, and shall not include periods of "active duty for training", as defined in 38 U.S. Code Section 101(22), or periods of "inactive duty training", as defined in 38 U.S. Code Section 101(23), rendered in any reserve component of the Armed Forces of the United States. Provided, creditable service may be allowed only for active duty in the Armed Forces of the United States of a member that resulted in a general or honorable discharge from duty. The member shall submit satisfactory evidence of the service claimed. For purposes of this subsection, membership service may include any membership or prior service credits transferred to this Retirement System pursuant to G.S. 135-18.1."

SECTION 8. G.S. 135-4(l 1) reads as rewritten:

"(l 1) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service previously rendered to any state, territory, or other governmental subdivision of the United States other than this State by paying a total lump-sum payment determined as follows:

(1) For members who completed 10 years of current membership service, and retired members who completed 10 years of current membership service prior to retirement, whose ~~current~~ membership began on or before July 1, 1981, and who make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the monthly compensation the member earned when he first entered ~~current~~ membership service, times the employee contribution rate at that time, times the months of service to be purchased, times two, with sufficient interest added thereto so as to equal the full cost of allowing such service, plus an administrative fee to be set by the Board of Trustees.

(2) For members who complete five years of current membership service, and retired members who complete five years of current membership service prior to retirement, and eligible members and retired members covered by subdivision (1) of this subsection, whose ~~current~~ membership began on or before July 1, 1981, but who did not or do not make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the full liability of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities and shall take into account the retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire on an unreduced allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the term "full liability" includes assumed postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service retirement allowance.

Current membership service shall mean membership service earned since the service previously rendered to any state, territory, or other governmental subdivision of the United States other than this State. Creditable service under this subsection shall be allowed only at the rate of one year of out-of-state service for each two years of ~~current~~ membership service in this State, with a maximum allowable of 10 years of out-of-state service. Such service is limited to full-time service which would be allowable under the laws governing this System. Credit will be allowed only if no benefit is allowable in another public retirement system as a result of the service."

SECTION 9. G.S. 135-4 is amended by adding a new subsection to read:

"(ff) Retroactive Membership Service. – A member who is reinstated to service as an employee as defined in G.S. 135-1(10) or as a teacher as defined in G.S. 135-1(25) retroactively to the date of prior involuntary termination (with backpay and benefits) may be allowed membership service, after submitting clear and convincing evidence of the reinstatement, as follows:

(1) Within 90 days of the involuntary termination, by the payment of employee and employer contributions that would have been paid; or

(2) After 90 days of the involuntary termination, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the cost of the retroactive membership service; and to the extent paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund; and to the extent paid by the member, the cost paid by the member shall be credited to the member's annuity savings account; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the cost of the retroactive membership service.

In the event a member received a return of accumulated contributions subsequent to an involuntary termination as provided in G.S. 135-5(f), the member may redeposit, within 90 days of reinstatement retroactive to the date of prior involuntary termination, in the annuity savings fund by single payment an amount equal to the total amount he previously withdrew plus regular interest and restore the creditable service forfeited upon receiving his return of accumulated contributions."

SECTION 10. G.S. 135-8 is amended by adding a new subsection to read:

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. – A member who is awarded backpay in cases of a denied promotional opportunity in which the aggrieved member is granted a promotion retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member and employer may make employee and employer contributions on the retroactive or additional compensation after submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

(1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or

(2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's employer, which granted the retroactive promotion or erred in underreporting compensation and contributions, shall make the required employer contributions. Nothing contained in this subsection shall prevent an employer from paying all or a part of the interest assessed on the employee contributions; and to the extent paid by the employer, the interest paid by the employer shall be credited to the pension accumulation fund; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the interest assessed on the employee contributions due.

In the event the retroactive adjustment in compensation or the underreported compensation is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5), the compensation the member would have received during the period shall be included in calculating the member's average final compensation only in the event the appropriate employee and employer contributions are paid on such compensation.

An employer error in underreporting compensation shall not include a retroactive increase in compensation that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5), for reasons other than a wrongfully denied promotional opportunity where the member is promoted retroactively."

SECTION 11. G.S. 135-5(e)(4) reads as rewritten:

"(4) As a condition to the receipt of the disability retirement allowance provided for in G.S. 135-5(d), (d1), (d2) and (d3) each member retired on a disability retirement allowance shall, on or before April 15 of each calendar year, provide the Board of Trustees with a statement of his or her income received as compensation for services, including fees, commissions or similar items, and income received from business, for the previous calendar year. Such statement shall be filed on a form as required by the Board of Trustees. The benefit payable to a beneficiary who does not or refuses to provide the information requested within 60 days after such request shall not be paid a benefit until the information so requested is provided, and should such refusal or failure to provide such information continue for 240 days after such

request, the right of a beneficiary to a benefit under the Article may be terminated.

The Director of the State Retirement System shall contact any State or federal agency which can provide information to substantiate the statement required to be submitted by this subdivision and may enter into agreements for the exchange of information."

SECTION 12. G.S. 135-4(v) reads as rewritten:

"(v) Omitted Membership Service. – A member who had service as an employee as defined in G.S. 135-1(10) and G.S. 128-21(10) or as a teacher as defined in G.S. 135-1(25) and who was omitted from contributing membership through error may be allowed membership service, after submitting clear and convincing evidence of the error, as follows:

(1) Within 90 days of the omission, by the payment of employee and employer contributions that would have been paid; or

(2) After 90 days and prior to three years of the omission, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar ~~year;~~ year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees; or

(3) After three years of the omission, by the payment of an amount equal to the full cost of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the system's liabilities, and shall take into account the additional retirement allowance arising on account of such additional service credit commencing at the earliest age at which a member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the cost of the omitted membership service; and to the extent paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund; and to the extent paid by the member, the cost paid by the members shall be credited to the member's annuity savings account; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the cost of the omitted membership service."

SECTION 13. G.S. 128-21(7a) reads as rewritten:

"(7a) "Compensation" shall mean all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall include:

a. Performance-based compensation (regardless of whether paid in a lump sum, periodic installments, or on a monthly basis);
b. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or regulation;
c. Payment of tax consequences for benefits provided by the employer so long as they constitute an adjustment or increase in salary and not a "reimbursement of expenses";
d. Payout of vacation leave so long as such payouts are permitted by applicable law and regulation; and
e. Employee contributions to eligible deferred compensation plans.

"Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. Notwithstanding any other provision of this Chapter, "compensation" shall not include:

a. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
b. Travel supplement/allowance (nonaccountable allowance plans);
c. Employer contributions to eligible deferred compensation plans;
d. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);
e. Reimbursement of uninsured medical expenses;
f. Reimbursement of business expenses;
g. Reimbursement of moving expenses;
h. Reimbursement/payment of personal expenses;
i. Incentive payments for early retirement;
j. Bonuses paid incident to retirement;
k. Contract buyout/severance payments; and
l. Payouts for unused sick leave.

In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer

pays the Retirement System the additional actuarial liability created by such payments."

SECTION 14. G.S. 128-21(8) reads as rewritten:

"(8) "Creditable service" shall mean the total of "prior service" plus "membership service" plus service, both noncontributory and purchased, for which credit is allowable as provided in G.S. 128-26. In no event, however, shall "creditable service" be deemed "membership service" for the purpose of determining eligibility for benefits accruing under this Chapter."

SECTION 15. G.S. 128-27(g1) reads as rewritten:

"(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the retirement allowances paid to the retiree and the designated survivor combined equals the amount of the accumulated contributions of the retiree at the date of retirement, the excess, if any, of such accumulated contributions over the total of the retirement allowances paid to the retiree and the survivor combined shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative.

In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the cost of the creditable service purchased less the administrative fee, if any, over the total of the increase in the retirement allowance attributable to the additional creditable service, paid from the month following the month in which payment was received to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above, and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the increase in the retirement allowance attributable to the additional creditable service paid to the retiree and the designated survivor combined equals the cost of the creditable service purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly

acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative."

SECTION 16. G.S. 128-27(m) reads as rewritten:

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

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 128-27(b20)(1)b. or G.S. 128-27(b20)(2)c., notwithstanding the requirement of obtaining age 50.

c. The member had not commenced to receive a retirement allowance as provided under this Chapter.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who is living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

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

SECTION 17. G.S. 128-26(j1) reads as rewritten:

"(j1) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service for service in the Armed Forces of the United States, not otherwise allowed, by paying a total lump sum payment determined as follows:

(1) For members who completed 10 years of membership service, and retired members who completed 10 years of membership service prior to retirement, and whose ~~current~~ membership began on or prior to January 1, 1988, and who make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the monthly compensation the member earned when he first entered ~~current~~ membership service times the employee contribution rate at

that time times the months of service to be purchased with sufficient interest added thereto so as to equal one-half of the cost of allowing such service, plus an administrative fee to be set by the Board of Trustees.

(2) For members who complete five years of membership service, and retired members who complete five years of membership service prior to retirement, and eligible members and retired members covered by paragraph (1) of this subdivision, whose ~~current~~ membership began on or before January 1, 1988, but who did not or do not make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the full liability of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities and shall take into account the retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire on an unreduced allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the term "full liability" includes assumed post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service retirement allowance.

Creditable service allowed under this subdivision shall be only for the initial period of ~~active duty~~ "active duty", as defined in 38 U.S. Code Section 101(21), in the Armed Forces of the United States up to the date the member was first eligible to be separated and released and for subsequent periods of ~~active duty~~ "active duty", as defined in 38 U.S. Code Section 101(21), as required by the Armed Forces of the United States up to the date of first eligibility for separation or release, but shall not include periods of active duty in the Armed Forces of the United States creditable in any other retirement system except the national guard or any reserve component of the Armed Forces of the United ~~States.~~ States, and shall not include periods of "active duty for training", as defined in 38 U.S. Code Section 101(22), or periods of "inactive duty training", as defined in 38 U.S. Code Section 101(23), rendered in any reserve component of the Armed Forces of the United States. Provided, creditable service may be allowed only for active duty in the Armed Forces of the United States of a member that resulted in a general or honorable discharge from duty. The member shall submit satisfactory evidence of the service claimed. For purposes of this subsection, membership service may include any membership or prior service credits transferred to this Retirement System pursuant to G.S. 128-24."

SECTION 18. G.S. 128-26(j2) reads as rewritten:

"(j2) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service previously rendered

to any state, territory, or other governmental subdivision of the United States other than this State by paying a total lump-sum payment determined as follows:

(1) For members who completed 10 years of prior and current membership service, and retired members who completed 10 years of prior and current membership service prior to retirement, and whose ~~current~~ membership began on or before January 1, 1988, and who make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the monthly compensation the member earned when he first entered ~~current~~ membership service, times the employee contribution rate at that time, times the months of service to be purchased, times two, with sufficient interest added thereto so as to equal the full cost of allowing such service, plus an administrative fee to be set by the Board of Trustees.

(2) For members who complete five years of prior and current membership service, and retired members who complete five years of prior and current membership service prior to retirement, and eligible members and retired members covered by subdivision (1) of this subsection, whose ~~current~~ membership began on or before January 1, 1988, but who did not or do not make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the full liability of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities and shall take into account the retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire on an unreduced allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the term "full liability" includes assumed postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service retirement allowance.

Current membership service shall mean membership service earned since the service previously rendered to any state, territory, or other governmental subdivision of the United States other than this State. Creditable service under this subsection shall be allowed only at the rate of one year of out-of-state service for each two years of service in this State, with a maximum allowable of 10 years of out-of-state service. Such service is limited to full-time service which would be allowable under the laws governing this System. Credit will be allowed only if no benefit is allowable in another public retirement system as a result of the service."

SECTION 19. G.S. 128-26 is amended by adding a new subsection to read:

"(v) Retroactive Membership Service. – A member who is reinstated to service as an employee as defined in G.S. 128-21(10) retroactively to the date of prior involuntary

termination (with backpay and benefits) may be allowed membership service, after submitting clear and convincing evidence of the reinstatement, as follows:

(1) Within 90 days of the involuntary termination, by the payment of employee and employer contributions that would have been paid; or

(2) After 90 days of the involuntary termination, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the cost of the retroactive membership service; and to the extent paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund; and to the extent paid by the member, the cost paid by the member shall be credited to the member's annuity savings account; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the cost of the retroactive membership service.

In the event a member received a return of accumulated contributions subsequent to an involuntary termination as provided in G.S. 128-27(f), the member may redeposit, within 90 days of reinstatement retroactive to the date of prior involuntary termination, in the annuity savings fund by single payment an amount equal to the total amount he previously withdrew plus regular interest and restore the creditable service forfeited upon receiving his return of accumulated contributions."

SECTION 20. G.S. 128-30 is amended by adding a new subsection to read:

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. – A member who is awarded backpay in cases of a denied promotional opportunity in which the aggrieved member is granted a promotion retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member and employer may make employee and employer contributions on the retroactive or additional compensation after submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

(1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or

(2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's employer, which granted the retroactive promotion or erred in underreporting

compensation and contributions, shall make the required employer contributions. Nothing contained in this subsection shall prevent an employer from paying all or a part of the interest assessed on the employee contributions; and to the extent paid by the employer, the interest paid by the employer shall be credited to the pension accumulation fund; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the interest assessed on the employee contributions due.

In the event the retroactive adjustment in compensation or the underreported compensation is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5), the compensation the member would have received during the period shall be included in calculating the member's average final compensation only in the event the appropriate employee and employer contributions are paid on such compensation.

An employer error in underreporting compensation shall not include a retroactive increase in compensation that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5), for reasons other than a wrongfully denied promotional opportunity where the member is promoted retroactively."

SECTION 21. G.S. 128-27(e)(4) reads as rewritten:

"(4) As a condition to the receipt of the disability retirement allowance provided for in G.S. 128-27(d), (d1), (d2) and (d3) each member retired on a disability retirement allowance shall, on or before April 15 of each calendar year, provide the Board of Trustees with a statement of his or her income received as compensation for services, including fees, commissions or similar items, and income received from business, for the previous calendar year. Such statement shall be filed on a form as required by the Board of Trustees. The benefit payable to a beneficiary who does not or refuses to provide the information requested within 60 days after such request shall not be paid a benefit until the information so requested is provided, and should such refusal or failure to provide such information continue for 240 days after such request, the right of a beneficiary to a benefit under the Article may be terminated.

The Director of the State Retirement Systems shall contact any State or federal agency which can provide information to substantiate the statement required to be submitted by this subdivision and may enter into agreements for the exchange of information."

SECTION 22. G.S. 128-26(m) reads as rewritten:

"(m) Omitted Membership Service. – A member who had service as an employee as defined in G.S. 135-1(10) and G.S. 128-21(10) or as a teacher as defined in G.S. 135-1(25) and who was omitted from contributing membership through error may be allowed membership service, after submitting clear and convincing evidence of the error, as follows:

(1) within 90 days of the omission, by the payment of employee and employer contributions that would have been paid; or

(2) after 90 days and prior to three years of the omission, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar ~~year;~~ year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees; or

(3) after three years of the omission, by the payment of an amount equal to the full cost of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities, and shall take into account the additional retirement allowance arising on account of such additional service credit commencing at the earliest age at which a member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the cost of the omitted membership service; and to the extent paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund; and to the extent paid by the member, the cost paid by the members shall be credited to the member's annuity savings account; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the cost of the omitted membership service."

SECTION 23. G.S. 135-109 reads as rewritten:

"**§ 135-109. Reports of earnings.**

The Department of State Treasurer and Board of Trustees shall require each beneficiary to annually provide a ~~copy of the beneficiary's federal income tax return certified by the beneficiary to be a true and exact copy of such tax return filed with the United States Internal Revenue Service and shall require such other statements of earnings as may be necessary to administer the provisions of this Article.~~ statement of the beneficiary's income received as compensation for services, including fees, commissions, or similar items, income received from business, and benefits received from the Social Security Administration, the federal Veterans Administration, any other federal agency, under the North Carolina Workers' Compensation Act, or under the provisions of G.S. 127A-108. The benefit payable to a beneficiary who does not or refuses to provide the information requested within 60 days after such request shall not be paid a benefit until the information so requested is provided, and should such refusal

or failure to provide such information continue for ~~180~~ 240 days after such request the right of a beneficiary to a benefit under the Article ~~shall~~ may be terminated."

SECTION 24. This act is effective when it becomes law.

HOUSE BILL 331:
Retirement System Technical Changes. - AB

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Reps. Bell, G. Wilson
Date:	April 9, 2003	**Summary by:**	Karen Cochrane Brown
Version:	First Edition		Committee Counsel

SUMMARY: ***House Bill 331 makes technical changes to the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, and the Disability Income Plan of North Carolina.***

BILL ANALYSIS:

The bill makes the following changes to both the State and Local Systems:

- **(Sec. 1 and 13)** Clarifies the definition of the term "compensation" to include all salary-based payments, regardless of form. The definition excludes other types of payments such as business expense and moving reimbursements and early retirement incentive payments.
- **(Sec. 2 and 14)** Clarifies the definition of the term "creditable service" to provide that it may not be used to determine eligibility for a benefit.
- **(Sec. 5 and 15)** Amends the law relating to payments at the death of a retiree to provide that creditable service that had been purchased by the retiree may be returned proportionally to the designated beneficiary.
- **(Sec. 6 and 16)** Clarifies that a designated beneficiary may not elect to receive the Survivor's Alternate Benefit if the member had actually retired and begun receiving a retirement allowance before death.
- **(Sec. 7 and 17)** Clarifies the definition of "active duty" in relation to the purchase of military service credit, by reference to federal law.
- **(Sec. 8 and 18)** Adds a definition of "current membership service" in relation to the purchase of out-of-state and other governmental service.
- **(Sec. 9 and 19)** Adds a new provision authorizing the purchase of retroactive membership service for members who are reinstated after having been involuntarily terminated. Also allows member to return withdrawn accumulated contributions within 90 days of reinstatement.
- **(Sec. 10 and 20)** Adds a new provision authorizing retroactive adjustments in compensation for members who are awarded backpay in cases of denied promotional opportunities, and when the compensation has been erroneously underreported. The retroactive adjustment can be included in the member's average final compensation only if the full contributions are paid. Underreported compensation can be included in AFC only if the increase resulted from a wrongfully denied promotional opportunity and the member is promoted retroactively.
- **(Sec. 11 and 21)** Amends the provision that requires a disability retirement beneficiary to file an earnings statement with the Retirement Board. If the beneficiary does not provide the statement within 60 days, the benefit can be suspended. If the beneficiary does not provide the statement within 240 days, the benefit can be terminated.
- **(Sec. 12 and 22)** Amends the provision relating to the purchase omitted membership service for members who were erroneously omitted from membership. This provision changes the interest rate calculation for purchases made more than 90 days but less than 3 years after the omission.

These changes affect only the State System.

- **(Sec. 3 and 4)** Makes technical corrections to statutory citations in the State system.

This change affects the Disability Income Plan.

- **(Sec. 23)** Amends the provision relating to the earnings report in the disability income plan. As with disability retirement, beneficiaries must file an earnings report. This amendment deletes the requirement of filing an income tax return and requires a statement of income received similar to the statement required under the disability retirement statutes. The amendment also extends the time after which benefits may be terminated from 180 days to 240 days.

- **(Sec. 24)** Makes the act effective when it becomes law.

North Carolina General Assembly
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March 31, 2003

MEMORANDUM

TO: Representative Larry Bell
Representative Gene Wilson

FROM: Stanley Moore
Fiscal Research Division

SUBJECT: Actuarial Note House 331

Re: Retirement System Technical Changes. - AB

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, March 27, 2003
(3) Actuarial Note. Hartman & Associates, March 18, 2003

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 331

SHORT TITLE: Retirement System Technical Changes. - AB

SPONSOR(S): Representatives Bell & Wilson

SYSTEM OR PROGRAM AFFECTED: Teachers' & State Employees' Retirement System, Local Governmental Employees' Retirement System, and Disability Income Plan.

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund and local funds

BILL SUMMARY: (1) Amends the definition of "compensation" in the State and Local Systems and the definition of "creditable service" in the State and Local Systems. (2) Amends the State and Local Systems, pertaining to benefits in the event of the death of a retiree. (3) Amends the conditions stated in the State and Local Systems to determine whether a beneficiary may elect an alternate benefit. (4) Amends the State System, pertaining to military service credit and the Local System pertaining to the purchase of creditable service for military service. (5) Amends the State and Local Systems, pertaining to the purchase of creditable service rendered to any state, territory, or other governmental subdivision of the United States. (6) Amends the State System in GS 135-4 (creditable service) and the Local System in GS 128-26 (allowance for service), by adding a new subsection pertaining to retroactive membership service. (7) Amends the State and Local Systems, by adding a new subsection pertaining to retroactive adjustment in compensation or an underreporting of compensation. (8) Amends the State and Local Systems, relating to the reexamination of beneficiaries retired for disability, to provide that the benefit payable to a beneficiary who does not or refuses to provide the information requested within 60 days shall not be paid a benefit until the information is provided. If such a refusal or failure to provide information continues for 240 days, the right of the beneficiary to a benefit may be terminated. (9) Amends the State and Local Systems pertaining to the proof that a member must supply to be allowed omitted membership service. (10) Amends the Disability Income Plan regarding the contents of the statement of earnings that beneficiaries must provide. Also provides that failure to provide such information for 240 days may result in the termination of benefits (current law requires termination if not provided for 180 days).

EFFECTIVE DATE: When it becomes law.

ESTIMATED IMPACT ON STATE: Retirement System Actuary: Buck Consultants estimates the cost to be negligible.

General Assembly Actuary: Hartman & Associates does not expect the changes to produce a significant impact on the systems.

ASSUMPTIONS AND METHODOLOGY: Teachers' & 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, 2001, actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 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.

Disability Income Plan of North Carolina

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, 2001, actuarial valuation of the Plan. The data included 306,731 active members with an annual payroll of $10.2 billion and 4,475 disabled members in receipt of annual disability benefits totaling $41.4 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) across-the-board salary increases of 5.75%, (c) the rates of disability and termination are based on the Group Long-Term Disability (GLTD) Valuation Tables published in the Society of Actuaries Transaction Volume XXXIX, 1987. The rates of disability have been adjusted by a factor of 0.80, (d) the assumed rate of approval for Social Security disability benefits prior to the completion of four years of disability from the conclusion of the waiting period is 75%, (e) Social Security disability benefit are assumed to increase 3.75% per year. Claim cost of LTD benefits were calculated using the one-year term cost method; i.e., the cost of coverage is the present value of all LTD benefit payments that will be made on expected claims incurred during the year following the valuation date. Claims cost for STD benefits were calculated on a pay-as-you-go basis. 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, 2001, actuarial valuation of the fund. The data included 118,580 active members with an annual payroll of $3.6 billion and 31,352 retired members in receipt of annual pensions totaling $392.7 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, LLC

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

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: March 31, 2003

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

March 27, 2003

Ms. Pam Deardorff
Director of External Relations
Retirement Systems Divisions
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1388

House Bill 331

Dear Ms. Deardorff:

We have received your request of March 20 regarding House Bill 331 which affects the Teachers' and State Employees' Retirement System, the Local Governmental Employees Retirement System, and the Disability Income Plan.

This legislation, in Sections 1, 2, 3, 4, 6, 7, 8, 11, 13, 14, 16, 17, 18, 21, and 23 appears to clarify or fix existing Statutes. These changes are administrative in nature and would have no cost to the Retirement Systems.

This legislation, in Sections 5 and 15, appears to allow for an additional guaranteed refund to include the cost of the purchase, if a retired member purchases withdrawn service or other creditable service after retirement and their death occurs before they have recovered the purchased amount.

In addition, this legislation, in Sections 9 and 19, appears to add new subsections to §135-4 and §128-26 to include provisions to address reinstatements (i.e., employees who have been dismissed and later reinstated) and to establish membership service retroactive to the date of involuntary termination.

Also, in Sections 10 and 20, this legislation appears to add new subsections to §135-8 and §128-30 to include provisions to address retroactive adjustments in compensation (e.g., back pay in cases of denied promotional opportunity in which the aggrieved member is granted a promotion retroactively) or underreporting (i.e., errors) of compensation.

Finally, in sections 12 and 22, this legislation appears to revise the provisions of §135-4(v) and §128-26(m) governing the purchase of omitted membership service to require the interest rate applied to the cost of service purchased after 90-days but before 3 years of the omission is the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

The cost to the State for this legislation would be negligible.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sr

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387-0001 RETD-180

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 18, 2003

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

Re: House Bill 331: An Act to Make Technical Changes to the TSERS, LGERS, and Disability Income Plan

Dear Mr. Moore:

This bill amends various provisions of G.S. 135 and G.S. 128 regarding the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), and the Disability Income Plan of North Carolina. This act is effective when it becomes law.

This bill provides technical and clarifying amendments, including clarification of terms and codification of current practices. These changes are not expected to produce a significant financial impact to the TSERS, LGERS or Disability Income Plan.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

AH.5

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 331*
PROPOSED COMMITTEE SUBSTITUTE H331-PCS70301-LL-8

Short Title: Retirement System Technical Changes.-AB (Public)

Sponsors:

Referred to:

March 6, 2003

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL CHANGES TO THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE DISABILITY INCOME PLAN OF NORTH CAROLINA.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-1(7a) reads as rewritten:

"(7a) "Compensation" shall mean all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee or teacher in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall include:

a. Performance-based compensation (regardless of whether paid in a lump sum, in periodic installments, or on a monthly basis);

b. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or regulation;

c. Payment of tax consequences for benefits provided by the employer, so long as they constitute an adjustment or increase in salary and not a "reimbursement of expenses";

d. Payout of vacation leave so long as such payouts are permitted by applicable law and regulation; and

e. Employee contributions to eligible deferred compensation plans.

"Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. "Compensation" includes all special pay contribution of annual leave made to a 401(a) Special Pay Plan for the benefit of an employee. Notwithstanding any other provision of this Chapter, "compensation" shall not include:

a. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;
b. Travel supplement/allowance (nonaccountable allowance plans);
c. Employer contributions to eligible deferred compensation plans;
d. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);
e. Reimbursement of uninsured medical expenses;
f. Reimbursement of business expenses;
g. Reimbursement of moving expenses;
h. Reimbursement/payment of personal expenses;
i. Incentive payments for early retirement;
j. Bonuses paid incident to retirement;
k. Contract buyout/severance payments; and
l. Payouts for unused sick leave.

In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments."

SECTION 2. G.S. 135-1(8) reads as rewritten:

"(8) "Creditable service" shall mean the total of "prior service" plus "membership service" plus service, both noncontributory and purchased, for which credit is allowable as provided in G.S. 135-4. In no event, however, shall "creditable service" be deemed "membership service" for the purpose of determining eligibility for benefits accruing under this Chapter."

SECTION 3. G.S. 135-5(b18) reads as rewritten:

"(b18) Service Retirement Allowance of Members Retiring on or After July 1, 2000, but Before July 1, 2002. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2000, but before July 1, 2002, a member shall receive the following service retirement allowance.

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

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

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

1. The service retirement allowance payable under G.S. 135-5(b18)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or

2. The service retirement allowance as computed under G.S. 135-5(b18)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

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

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of 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 payable at the age of 60 years as computed in ~~G.S. 135-5(b18)b.~~ G.S. 135-5(b18)(2)b.

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

SECTION 4. G.S. 135-5(b19) reads as rewritten:

"(b19) Service Retirement Allowance of Members Retiring on or After July 1, 2002. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2002, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday, and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of his creditable service.

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

1. The service retirement allowance payable under G.S. 135-5(b19)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday; or
2. The service retirement allowance as computed under G.S. 135-5(b19)(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-two hundredths percent (1.82%) 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(b19)(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(b19)(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(b19)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1994, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in ~~G.S. 135-5(b19)b.~~ G.S. 135-5(b19)(2)b.

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

SECTION 5. G.S. 135-5(g1) reads as rewritten:

"(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the retirement allowances paid to the retiree and the designated survivor combined equals the amount of the accumulated contributions of the retiree at the date of retirement, the excess, if any, of such accumulated contributions over the total of the retirement allowances paid to the retiree and the survivor combined shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative.

In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the cost of the creditable service purchased less the administrative fee, if any, over the total of the increase in the retirement allowance attributable to the additional creditable service, paid from the month following the month in which payment was received to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the increase in the retirement allowance attributable to the additional creditable service paid to the

retiree and the designated survivor combined equals the cost of the creditable service purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative."

SECTION 6. G.S. 135-5(m) reads as rewritten:

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

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, ~~or~~

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2), notwithstanding the requirement of obtaining age ~~50.~~50, or

c. The member had not commenced to receive a retirement allowance as provided under this Chapter.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who was living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection to apply.

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

SECTION 7. G.S. 135-4(f) reads as rewritten:

"(f) Armed Service Credit. –

(1) Teachers and other State employees who entered the armed services of the United States on or after September 16, 1940, and prior to February 17, 1941, and who returned to the service of the State within a period of two years after they were first eligible to be separated or released from such armed services under other than dishonorable conditions shall be entitled to full credit for all prior service.

(2) Teachers and other State employees who entered the armed services of the United States on or after September 16, 1940, and who returned to the service of the State prior to October 1, 1952, or who devote not less than 10 years of service to the State after they are separated or released from such armed services under other than dishonorable conditions, shall be entitled to full credit for all prior service, and, in addition they shall receive membership service credit for the period of service in such armed services up to the date they were first eligible to be separated or released therefrom, occurring after the date of establishment of the Retirement System.

(3) Teachers and other State employees who enter the armed services of the United States on or after July 1, 1950, or who engage in active military service on or after July 1, 1950, and who return to the service of the State within a period of two years after they are first eligible to be separated or released from such active military service under other than dishonorable conditions shall be entitled to full membership service credit for the period of such active service in the armed services.

(4) Under such rules as the Board of Trustees shall adopt, credit will be provided by the Retirement System with respect to each such teacher or other State employee in the amounts that he would have been paid during such service in such armed services on the basis of his earnable compensation when such service commenced. Such contributions shall be credited to the individual account of the member in the annuity savings fund, in such manner as the Board of Trustees shall determine, but any such contributions so credited and any regular interest thereon shall be available to the member only in the form of an annuity, or benefit in lieu thereof, upon his retirement on a service, disability or special retirement allowance; and in the event of cessation of membership or death prior thereto, any such contributions so credited and regular interest thereon shall not be payable to him or on his account, but shall be transferred from the annuity savings fund to the pension accumulation fund. If any payments were made by a member on account of such service as provided by subdivision (5) of subsection (b) of G.S. 135-8, the Board of Trustees shall refund to or reimburse such member for such payments.

(5) The provisions of this subsection shall also apply to members of the national guard with respect to teachers and State employees who are called into federal service or who are called into State service, to the extent that such persons fail to receive compensation for performance of the duties of their employment other than for service in the national guard.

(6) Repealed by Session Laws 1981, c. 636, s. 1. For proviso as to inchoate or accrued rights, see Editor's Note below.

(7) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service in the Armed Forces of the United States, not otherwise allowed, by paying a total lump sum payment determined as follows:

a. For members who completed 10 years of membership service, and retired members who completed 10 years of membership service prior to retirement, whose ~~current~~ membership began on or prior to July 1, 1981, and who make this purchase within three years after first becoming eligible, the cost shall be an amount equal to the monthly compensation the member earned when he first entered ~~current~~ membership service times the employee contribution rate at that time times the months of service to be purchased, with sufficient interest added thereto so as to equal one-half of the cost of allowing this service, plus an administrative fee to be set by the Board of Trustees.

b. For members who complete five years of membership service, and retired members who complete five years of membership service prior to retirement, and eligible members and retired members covered by paragraph a. of this subdivision, whose ~~current~~ membership began on or before July 1, 1981, but who did not or do not make this purchase within three years after first becoming eligible, the cost shall be an amount equal to the full liability of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities and shall take into account the retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire on an unreduced allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the term "full liability" includes assumed post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service retirement allowance.

Creditable service allowed under this subdivision shall be only for the initial period of ~~active duty~~ "active duty", as defined in 38 U.S. Code Section 101(21), in the Armed Forces of the United States up to the date the member was first eligible to be separated and released and for subsequent periods of ~~active duty~~ "active duty", as defined in 38 U.S. Code Section 101(21), as required by the Armed Forces of the United States up to the date of first eligibility for separation or release, but shall not include periods of active duty in the Armed Forces of the

United States creditable in any other retirement system except the national guard or any reserve component of the Armed Forces of the United ~~States.~~ States, and shall not include periods of "active duty for training", as defined in 38 U.S. Code Section 101(22), or periods of "inactive duty training", as defined in 38 U.S. Code Section 101(23), rendered in any reserve component of the Armed Forces of the United States. Provided, creditable service may be allowed only for active duty in the Armed Forces of the United States of a member that resulted in a general or honorable discharge from duty. The member shall submit satisfactory evidence of the service claimed. For purposes of this subsection, membership service may include any membership or prior service credits transferred to this Retirement System pursuant to G.S. 135-18.1."

SECTION 8. G.S. 135-4(l 1) reads as rewritten:

"(l 1) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service previously rendered to any state, territory, or other governmental subdivision of the United States other than this State by paying a total lump-sum payment determined as follows:

(1) For members who completed 10 years of current membership service, and retired members who completed 10 years of current membership service prior to retirement, whose ~~current~~ membership began on or before July 1, 1981, and who make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the monthly compensation the member earned when he first entered ~~current~~ membership service, times the employee contribution rate at that time, times the months of service to be purchased, times two, with sufficient interest added thereto so as to equal the full cost of allowing such service, plus an administrative fee to be set by the Board of Trustees.

(2) For members who complete five years of current membership service, and retired members who complete five years of current membership service prior to retirement, and eligible members and retired members covered by subdivision (1) of this subsection, whose ~~current~~ membership began on or before July 1, 1981, but who did not or do not make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the full liability of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities and shall take into account the retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire on an unreduced allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the

purchase of service credits, the term "full liability" includes assumed postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service retirement allowance. Notwithstanding the requirement of five years of current membership service, a member whose membership began prior to the service the member desires to purchase shall be eligible to purchase creditable service under this subdivision upon returning to service as a teacher or employee upon completion of a total of five years of membership service and upon completion of one year of current membership service.

Current membership service shall mean membership service earned since the service previously rendered to any state, territory, or other governmental subdivision of the United States other than this State. Creditable service under this subsection shall be allowed only at the rate of one year of out-of-state service for each ~~two years~~ year of ~~current~~ membership service in this State, with a maximum allowable of 10 years of out-of-state service. Such service is limited to full-time service which would be allowable under the laws governing this System. Credit will be allowed only if no benefit is allowable in another public retirement system as a result of the service."

SECTION 9. G.S. 135-4 is amended by adding a new subsection to read:

"(ff) Retroactive Membership Service. – A member who is reinstated to service as an employee as defined in G.S. 135-1(10) or as a teacher as defined in G.S. 135-1(25) retroactively to the date of prior involuntary termination (with backpay and benefits) may be allowed membership service, after submitting clear and convincing evidence of the reinstatement, as follows:

(1) Within 90 days of the involuntary termination, by the payment of employee and employer contributions that would have been paid; or

(2) After 90 days of the involuntary termination, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the cost of the retroactive membership service; and to the extent paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund; and to the extent paid by the member, the cost paid by the member shall be credited to the member's annuity savings account; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the cost of the retroactive membership service.

In the event a member received a return of accumulated contributions subsequent to an involuntary termination as provided in G.S. 135-5(f), the member may redeposit, within 90 days of reinstatement retroactive to the date of prior involuntary termination, in the annuity savings fund by single payment an amount equal to the total amount he

previously withdrew plus regular interest and restore the creditable service forfeited upon receiving his return of accumulated contributions."

SECTION 10. G.S. 135-8 is amended by adding a new subsection to read:

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. – A member who is awarded backpay in cases of a denied promotional opportunity in which the aggrieved member is granted a promotion retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member and employer may make employee and employer contributions on the retroactive or additional compensation, after submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

(1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or

(2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's employer, which granted the retroactive promotion or erred in underreporting compensation and contributions, shall make the required employer contributions. Nothing contained in this subsection shall prevent an employer from paying all or a part of the interest assessed on the employee contributions; and to the extent paid by the employer, the interest paid by the employer shall be credited to the pension accumulation fund; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the interest assessed on the employee contributions due.

In the event the retroactive adjustment in compensation or the underreported compensation is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5) the compensation the member would have received during the period shall be included in calculating the member's average final compensation only in the event the appropriate employee and employer contributions are paid on such compensation.

An employer error in underreporting compensation shall not include a retroactive increase in compensation that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5) for reasons other than a wrongfully denied promotional opportunity where the member is promoted retroactively."

SECTION 11. G.S. 135-5(e)(4) reads as rewritten:

"(4) As a condition to the receipt of the disability retirement allowance provided for in G.S. 135-5(d), (d1), (d2) and (d3) each member retired

on a disability retirement allowance shall, on or before April 15 of each calendar year, provide the Board of Trustees with a statement of his or her income received as compensation for services, including fees, commissions or similar items, and income received from business, for the previous calendar year. Such statement shall be filed on a form as required by the Board of Trustees. The benefit payable to a beneficiary who does not or refuses to provide the information requested within 60 days after such request shall not be paid a benefit until the information so requested is provided, and should such refusal or failure to provide such information continue for 240 days after such request, the right of a beneficiary to a benefit under the Article may be terminated.

The Director of the State Retirement System shall contact any State or federal agency which can provide information to substantiate the statement required to be submitted by this subdivision and may enter into agreements for the exchange of information."

SECTION 12. G.S. 135-4(v) reads as rewritten:

"(v) Omitted Membership Service. – A member who had service as an employee as defined in G.S. 135-1(10) and G.S. 128-21(10) or as a teacher as defined in G.S. 135-1(25) and who was omitted from contributing membership through error may be allowed membership service, after submitting clear and convincing evidence of the error, as follows:

(1) Within 90 days of the omission, by the payment of employee and employer contributions that would have been paid; or

(2) After 90 days and prior to three years of the omission, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar ~~year;~~ year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees; or

(3) After three years of the omission, by the payment of an amount equal to the full cost of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the system's liabilities, and shall take into account the additional retirement allowance arising on account of such additional service credit commencing at the earliest age at which a member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest

age at which a member could retire on an unreduced service allowance.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the cost of the omitted membership service; and to the extent paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund; and to the extent paid by the member, the cost paid by the members shall be credited to the member's annuity savings account; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the cost of the omitted membership service."

SECTION 13. G.S. 128-21(7a) reads as rewritten:

"(7a) "Compensation" shall mean all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee in the unit of the Retirement System for which he is performing full-time work. In addition to the foregoing, "compensation" shall include:

a. Performance-based compensation (regardless of whether paid in a lump sum, periodic installments, or on a monthly basis);

b. Conversion of additional benefits to salary (additional benefits such as health, life, or disability plans), so long as the benefits are other than mandated by State law or regulation;

c. Payment of tax consequences for benefits provided by the employer so long as they constitute an adjustment or increase in salary and not a "reimbursement of expenses";

d. Payout of vacation leave so long as such payouts are permitted by applicable law and regulation; and

e. Employee contributions to eligible deferred compensation plans.

"Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. Notwithstanding any other provision of this Chapter, "compensation" shall not include:

a. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability plans;

b. Travel supplement/allowance (nonaccountable allowance plans);

c. Employer contributions to eligible deferred compensation plans;

d. Employer-provided fringe benefits (additional benefits such as health, life, or disability plans);

e. Reimbursement of uninsured medical expenses;

f. Reimbursement of business expenses;

g. Reimbursement of moving expenses;
h. Reimbursement/payment of personal expenses;
i. Incentive payments for early retirement;
j. Bonuses paid incident to retirement;
k. Contract buyout/severance payments; and
l. Payouts for unused sick leave.

In the event an employer reports as "compensation" payments not specifically included or excluded as "compensation", such payments shall be "compensation" for retirement purposes only if the employer pays the Retirement System the additional actuarial liability created by such payments."

SECTION 14. G.S. 128-21(8) reads as rewritten:

"(8) "Creditable service" shall mean the total of "prior service" plus "membership service" plus service, both noncontributory and purchased, for which credit is allowable as provided in G.S. 128-26. In no event, however, shall "creditable service" be deemed "membership service" for the purpose of determining eligibility for benefits accruing under this Chapter."

SECTION 15. G.S. 128-27(g1) reads as rewritten:

"(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the retirement allowances paid to the retiree and the designated survivor combined equals the amount of the accumulated contributions of the retiree at the date of retirement, the excess, if any, of such accumulated contributions over the total of the retirement allowances paid to the retiree and the survivor combined shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative.

In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be paid to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the cost of the creditable service purchased less the administrative fee, if any, over the total of the increase in the retirement allowance attributable to the additional creditable service,

paid from the month following the month in which payment was received to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above, and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the increase in the retirement allowance attributable to the additional creditable service paid to the retiree and the designated survivor combined equals the cost of the creditable service purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time such payment falls due, otherwise to the retiree's legal representative."

SECTION 16. G.S. 128-27(m) reads as rewritten:

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

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, ~~or~~

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with G.S. 128-27(b20)(1)b. or G.S. 128-27(b20)(2)c., notwithstanding the requirement of obtaining age ~~50.~~50, or

c. The member had not commenced to receive a retirement allowance as provided under this Chapter.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who is living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

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

SECTION 17. G.S. 128-26(j1) reads as rewritten:

"(j1) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service for service in the

Armed Forces of the United States, not otherwise allowed, by paying a total lump sum payment determined as follows:

(1) For members who completed 10 years of membership service, and retired members who completed 10 years of membership service prior to retirement, and whose ~~current~~ membership began on or prior to January 1, 1988, and who make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the monthly compensation the member earned when he first entered ~~current~~ membership service times the employee contribution rate at that time times the months of service to be purchased with sufficient interest added thereto so as to equal one-half of the cost of allowing such service, plus an administrative fee to be set by the Board of Trustees.

(2) For members who complete five years of membership service, and retired members who complete five years of membership service prior to retirement, and eligible members and retired members covered by paragraph (1) of this subdivision, whose ~~current~~ membership began on or before January 1, 1988, but who did not or do not make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the full liability of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities and shall take into account the retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire on an unreduced allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the term "full liability" includes assumed post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service retirement allowance.

Creditable service allowed under this subdivision shall be only for the initial period of ~~active duty~~ "active duty", as defined in 38 U.S. Code Section 101(21), in the Armed Forces of the United States up to the date the member was first eligible to be separated and released and for subsequent periods of ~~active duty~~ "active duty", as defined in 38 U.S. Code Section 101(21), as required by the Armed Forces of the United States up to the date of first eligibility for separation or release, but shall not include periods of active duty in the Armed Forces of the United States creditable in any other retirement system except the national guard or any reserve component of the Armed Forces of the United ~~States.~~ States, and shall not include periods of "active duty for training", as defined in 38 U.S. Code Section 101(22), or periods of "inactive duty training", as defined in 38 U.S. Code Section 101(23), rendered in any reserve component of the Armed Forces of the United States. Provided, creditable service may be allowed only

for active duty in the Armed Forces of the United States of a member that resulted in a general or honorable discharge from duty. The member shall submit satisfactory evidence of the service claimed. For purposes of this subsection, membership service may include any membership or prior service credits transferred to this Retirement System pursuant to G.S. 128-24."

SECTION 18. G.S. 128-26(j2) reads as rewritten:

"(j2) Notwithstanding any other provision of this Chapter, any member and any retired member as herein described may purchase creditable service previously rendered to any state, territory, or other governmental subdivision of the United States other than this State by paying a total lump-sum payment determined as follows:

(1) For members who completed 10 years of prior and current membership service, and retired members who completed 10 years of prior and current membership service prior to retirement, and whose ~~current~~ membership began on or before January 1, 1988, and who make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the monthly compensation the member earned when he first entered ~~current~~ membership service, times the employee contribution rate at that time, times the months of service to be purchased, times two, with sufficient interest added thereto so as to equal the full cost of allowing such service, plus an administrative fee to be set by the Board of Trustees.

(2) For members who complete five years of prior and current membership service, and retired members who complete five years of prior and current membership service prior to retirement, and eligible members and retired members covered by subdivision (1) of this subsection, whose ~~current~~ membership began on or before January 1, 1988, but who did not or do not make such purchase within three years after first becoming eligible, the cost shall be an amount equal to the full liability of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities and shall take into account the retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire on an unreduced allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the term "full liability" includes assumed postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service retirement allowance. Notwithstanding the requirement of five years of current membership service, a member whose membership began prior to the service the member desires to purchase shall be eligible to purchase creditable service under this subdivision upon returning to service as a

teacher or employee upon completion of a total of five years of membership service and upon completion of one year of current membership service.

Current membership service shall mean membership service earned since the service previously rendered to any state, territory, or other governmental subdivision of the United States other than this State. Creditable service under this subsection shall be allowed only at the rate of one year of out-of-state service for each ~~two years~~ year of service in this State, with a maximum allowable of 10 years of out-of-state service. Such service is limited to full-time service which would be allowable under the laws governing this System. Credit will be allowed only if no benefit is allowable in another public retirement system as a result of the service."

SECTION 19. G.S. 128-26 is amended by adding a new subsection to read:

"(v) Retroactive Membership Service. – A member who is reinstated to service as an employee as defined in G.S. 128-21(10) retroactively to the date of prior involuntary termination (with backpay and benefits) may be allowed membership service, after submitting clear and convincing evidence of the reinstatement, as follows:

(1) Within 90 days of the involuntary termination, by the payment of employee and employer contributions that would have been paid; or

(2) After 90 days of the involuntary termination, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the cost of the retroactive membership service; and to the extent paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund; and to the extent paid by the member, the cost paid by the member shall be credited to the member's annuity savings account; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the cost of the retroactive membership service.

In the event a member received a return of accumulated contributions subsequent to an involuntary termination as provided in G.S. 128-27(f), the member may redeposit, within 90 days of reinstatement retroactive to the date of prior involuntary termination, in the annuity savings fund by single payment, an amount equal to the total amount he previously withdrew plus regular interest and restore the creditable service forfeited upon receiving his return of accumulated contributions."

SECTION 20. G.S. 128-30 is amended by adding a new subsection to read:

"(b2) Retroactive Adjustment in Compensation or an Underreporting of Compensation. – A member who is awarded backpay in cases of a denied promotional opportunity in which the aggrieved member is granted a promotion retroactively, or in cases in which an employer errs in the reporting of compensation, including the employee and employer contributions, the member and employer may make employee and employer contributions on the retroactive or additional compensation after

submitting clear and convincing evidence of the retroactive promotion or underreporting of compensation, as follows:

(1) Within 90 days of the denial of the promotion or the error in reporting, by the payment of employee and employer contributions that would have been paid; or

(2) After 90 days of the denial of the promotion or the error in reporting, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees.

For members electing to make the employee contributions on the retroactive adjustment in compensation or on the underreported compensation, the member's employer, which granted the retroactive promotion or erred in underreporting compensation and contributions, shall make the required employer contributions. Nothing contained in this subsection shall prevent an employer from paying all or a part of the interest assessed on the employee contributions; and to the extent paid by the employer, the interest paid by the employer shall be credited to the pension accumulation fund; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the interest assessed on the employee contributions due.

In the event the retroactive adjustment in compensation or the underreported compensation is for a period that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5), the compensation the member would have received during the period shall be included in calculating the member's average final compensation only in the event the appropriate employee and employer contributions are paid on such compensation.

An employer error in underreporting compensation shall not include a retroactive increase in compensation that occurs during the four consecutive calendar years that would have produced the highest average annual compensation pursuant to G.S. 135-1(5), for reasons other than a wrongfully denied promotional opportunity where the member is promoted retroactively."

SECTION 21. G.S. 128-27(e)(4) reads as rewritten:

"(4) As a condition to the receipt of the disability retirement allowance provided for in G.S. 128-27(d), (d1), (d2) and (d3) each member retired on a disability retirement allowance shall, on or before April 15 of each calendar year, provide the Board of Trustees with a statement of his or her income received as compensation for services, including fees, commissions or similar items, and income received from business, for the previous calendar year. Such statement shall be filed on a form as required by the Board of Trustees. The benefit payable to a beneficiary who does not or refuses to provide the information requested within 60 days after such request shall not be paid a benefit until the information so requested is provided, and should such refusal

or failure to provide such information continue for 240 days after such request, the right of a beneficiary to a benefit under the Article may be terminated.

The Director of the State Retirement Systems shall contact any State or federal agency which can provide information to substantiate the statement required to be submitted by this subdivision and may enter into agreements for the exchange of information."

SECTION 22. G.S. 128-26(m) reads as rewritten:

"(m) Omitted Membership Service. – A member who had service as an employee as defined in G.S. 135-1(10) and G.S. 128-21(10) or as a teacher as defined in G.S. 135-1(25) and who was omitted from contributing membership through error may be allowed membership service, after submitting clear and convincing evidence of the error, as follows:

(1) within 90 days of the omission, by the payment of employee and employer contributions that would have been paid; or

(2) after 90 days and prior to three years of the omission, by the payment of the employee and employer contributions that would have been paid plus interest compounded annually at a rate equal to the greater of the average yield on the pension accumulation fund for the preceding calendar ~~year;~~ year or the actuarial investment rate-of-return assumption, as adopted by the Board of Trustees; or

(3) after three years of the omission, by the payment of an amount equal to the full cost of the service credits calculated on the basis of the assumptions used for the purposes of the actuarial valuation of the System's liabilities, and shall take into account the additional retirement allowance arising on account of such additional service credit commencing at the earliest age at which a member could retire on an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the Board of Trustees. Notwithstanding the foregoing provisions of this subdivision that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual post-retirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance.

Nothing contained in this subsection shall prevent an employer or member from paying all or a part of the cost of the omitted membership service; and to the extent paid by the employer, the cost paid by the employer shall be credited to the pension accumulation fund; and to the extent paid by the member, the cost paid by the members shall be credited to the member's annuity savings account; provided, however, an employer does not discriminate against any member or group of members in his employ in paying all or any part of the cost of the omitted membership service."

SECTION 23. G.S. 135-109 reads as rewritten:

"**§ 135-109. Reports of earnings.**

The Department of State Treasurer and Board of Trustees shall require each beneficiary to annually provide a ~~copy of the beneficiary's federal income tax return certified by the beneficiary to be a true and exact copy of such tax return filed with the United States Internal Revenue Service and shall require such other statements of earnings as may be necessary to administer the provisions of this Article.~~ statement of the beneficiary's income received as compensation for services, including fees, commissions, or similar items, income received from business, and benefits received from the Social Security Administration, the federal Veterans Administration, any other federal agency, under the North Carolina Workers' Compensation Act, or under the provisions of G.S. 127A-108. The benefit payable to a beneficiary who does not or refuses to provide the information requested within 60 days after such request shall not be paid a benefit until the information so requested is provided, and should such refusal or failure to provide such information continue for ~~180~~ 240 days after such request the right of a beneficiary to a benefit under the Article ~~shall~~ may be terminated."

SECTION 24. This act is effective when it becomes law.

AH 6

H331 - Retirement System Technical Changes
Sponsors: Reps. Larry Bell and Gene Wilson

SUMMARY OF PROPOSED COMMITTEE SUBSTITUTE, H 331

Background: Shortly after the introduction of H331, the Retirement System hosted a meeting of the various member groups, including active governmental employees, teachers and retirees. The member groups recommended one change to H331. The change involves purchasing service credit, and applies only out-of-state service. The change can be found in two places in the bill: Section 8 and Section 18.

What does it do?

- The proposed committee substitute allows vested members to purchase service credit for out-of-state service after a waiting period of one year. (Under current law, the waiting period varies and can be much longer than one year.) Members who are not vested must still become vested before purchasing out-of-state service.

- It also allows vested members to purchase service credit at the rate of one year of out-of-state service for each year of membership service in North Carolina. (Under current law, the rate is one year for each two years of current in-state service.) The maximum number of years that can be purchased under this provision remains the same as before - that is, ten years.

- Members are still required to pay the "full liability" of the service credits purchased, based on an actuarial calculation by the retirement system.

Why is it recommended?

- It gives members more flexibility in purchasing service credit after working out of state.

- It gives teachers who have been lured out of state more incentive to return to North Carolina.

- It does not cost the retirement system any more, since members must still pay the full liability of the service credits.

AH. 7

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Bell and G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for
H.B. 331 A BILL TO BE ENTITLED AN ACT TO MAKE TECHNICAL CHANGES TO THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNEMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE DISABILITY INCOME PLAN OF NORTH CAROLINA.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

April 30, 2003

The House Committee on Pensions and Retirement met Wednesday, April 30, 2003, in Room 544 of the Legislative Office Building at 10:00 A.M. The following members were present: Chairs Bell and G. Wilson, Vice-Chairs McCombs and Yongue, Representatives B. Allen, Barbee, Kiser, McGee, McLawhorn, Rapp and Tolson. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 1)

Committee Chair, Representative Larry Bell, called the meeting to order.

Representative Bell recognized Representative Warren to speak on House Bill 319 AN ACT TO AMEND THE LAW REGARDING CHARTER SCHOOLS. (Attachment 2) Representative Yongue made a motion for a favorable report. The motion passed.

There being no further business, Representative Bell adjourned the meeting at 10:15 a.m.

Attachments

1. Visitation Registration Sheet

2. House Bill 319

3.Committee Report

Respectfully submitted,

Rebecca Jones-Cooper
Committee Assistant

Representative Larry Bell
Presiding Chair

AH. 1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — APRIL 30, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Cyrus	n c State Grange
Judith Dyer	SBE
DAVID EMMETT	NCTDA
John Mobley	GOG Office

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

DAY & DATE: **April 30, 2003**

TIME: **10:00 A.M.**

LOCATION: **544 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 319- Charter School Law Changes.-Representatives Bonner, Preston, Warren and Yongue

Respectfully,
Representatives Bell and G. Wilson
Chairs

I hereby certify the committee assistant at the following offices filed this notice at **4:00** p.m. on **April 29, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Rebecca Jones-Cooper (Committee Assistant)

AH. 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 2

HOUSE BILL 319*

Committee Substitute Favorable 4/23/03

Short Title: Charter School Law Changes.-AB (Public)

Sponsors:

Referred to:

March 6, 2003

A BILL TO BE ENTITLED

AN ACT TO AMEND THE LAW REGARDING CHARTER SCHOOLS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115C-238.29D(d) reads as rewritten:

"(d) The State Board of Education may grant the initial charter for a period not to exceed ~~five~~ 10 years and may renew the charter upon the request of the chartering entity for subsequent periods not to exceed ~~five~~ 10 years each. The State Board of Education shall review the operations of each charter school at least once every five years to ensure that the school is meeting the expected academic, financial, and governance standards.

A material revision of the provisions of a charter application shall be made only upon the approval of the State Board of Education.

It shall not be considered a material revision of a charter application and shall not require the prior approval of the State Board for a charter school to increase its enrollment during the charter school's second year of operation and annually thereafter (i) by up to ten percent (10%) of the school's previous year's enrollment or (ii) in accordance with planned growth as authorized in the charter. Other enrollment growth shall be considered a material revision of the charter application, and the State Board may approve such additional enrollment growth of greater than ten percent (10%) only if the State Board finds that:

(1) The actual enrollment of the charter school is within ten percent (10%) of its maximum authorized enrollment;

(2) The charter school has commitments for ninety percent (90%) of the requested maximum growth;

(3) The board of education of the local school administrative unit in which the charter school is located has had an opportunity to be heard by the State Board of Education on any adverse impact the proposed growth would have on the unit's ability to provide a sound basic education to its students;

(4) The charter school is not currently identified as low-performing;
(5) The charter school meets generally accepted standards of fiscal management; and
(6) It is otherwise appropriate to approve the enrollment growth."

SECTION 2. G.S. 135-3(8)c. reads as rewritten:

"c. **(Effective until June 30, 2004 – See note)** 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 during the 12-month period immediately following the effective date of retirement or 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 six months and has not been employed in any capacity, except as a substitute teacher or a part-time tutor, with a public school for at least six months immediately preceding the effective date of reemployment, shall not include earnings while the beneficiary is employed to teach on a substitute, interim, or permanent basis in a public ~~school.~~school or a charter 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 or a charter school under the provisions of this sub-subdivision and as a retired teacher as the term is defined under the provisions of G.S. 115C-325(a)(5a).

Beneficiaries employed under this sub-subdivision are not entitled to any benefits otherwise provided under this Chapter as a result of this period of employment."

SECTION 3. G.S. 115C-325(a)(5a) reads as rewritten:

"(5a) **(Effective until June 30, 2004)** "Retired teacher" means a beneficiary of the Teachers' and State Employees' Retirement System of North Carolina who has been retired at least six months, has not been employed in any capacity, other than as a substitute teacher or a part-time tutor, with a local board of education or a charter school for at least six months, immediately preceding the effective date of reemployment, is determined by a local board of education or a charter school to have had satisfactory performance during the last year of employment by a local board of ~~education,~~education or the charter school, and who is employed to teach as provided in G.S. 135-3(8)c. A retired teacher at a school other than a charter school shall be treated the same as a probationary teacher except that (i) a retired teacher is not eligible for career status and (ii) the performance of a retired teacher who had attained career status prior to retirement shall be evaluated in accordance with a local board of education's policies and procedures applicable to career teachers."

SECTION 4. G.S. 115C-238.29F(e)(1) reads as rewritten:

"(1) An employee of a charter school is not an employee of the local school administrative unit in which the charter school is located. The charter school's board of directors shall employ and contract with necessary teachers to perform the particular service for which they are employed in the school; at least seventy-five percent (75%) of these teachers in grades kindergarten through five, at least fifty percent (50%) of these teachers in grades six through eight, and at least fifty percent (50%) of these teachers in grades nine through 12 shall hold teacher certificates. All teachers in grades six through 12 who are teaching in the core subject areas of mathematics, science, social studies, and language arts shall be college graduates.

The board also may employ necessary employees who are not required to hold teacher certificates to perform duties other than teaching and may contract for other services. The board may discharge teachers and noncertificated employees."

SECTION 5. Section 1 of this act is effective when it becomes law and applies to charters granted or renewed on or after that date. Sections 2 and 3 of this act become effective July 1, 2003, and expire June 30, 2004. Section 4 of this act is effective when it becomes law and applies to persons employed by charter schools for the 2003-2004 and subsequent school years. This section is effective when it becomes law.

HOUSE BILL 319:
Charter School Law Changes. - AB

BILL ANALYSIS

Committee:	House Pensions & Retirement	**Introduced by:**	Reps. Bonner, Preston, Warren & Yongue
Date:	April 30, 2003		
Version:	Second Edition	**Summary by:**	Theresa Matula Committee Staff

SUMMARY: ***House Bill 319 would (i) allow the State Board of Education to grant and renew charters for up to 10 years, (ii) allow State Retirement System beneficiaries to collect full benefits following a six-months break in service when they are then employed in a charter school, and (iii) require all charter school teachers to be college graduates if they are employed to teach in grades six through 12 in math, science, social studies, and language arts.***

The State Board of Education is requesting these changes.

BILL ANALYSIS

Section 1 of the bill would extend the terms of charters, and their renewals, from a maximum of five years to a maximum of 10 years. However, the bill does require the State Board of Education to review the operations of each charter school at least once every five years to ensure that academic, financial, and governance standards are being met. This change would take effect when it becomes law and would apply to charters granted or renewed after that date.

Sections 2 and 3 of the bill would allow beneficiaries of the Teachers' and State Employees' Retirement System to be exempt from the earnings cap when they are employed in a charter school that participates in the System following a six-months break in service. These sections would become effective July 1, 2003, and would sunset June 30, 2004.

Section 4 of the bill would require all charter school teachers in grades six through 12 to be college graduates if they teach in the core subject areas of math, science, social studies, and language arts. This section would become effective when it becomes law and would apply to persons employed by charter schools for the 2003-2004 and subsequent school years.

CURRENT LAW:

RETIRED TEACHERS IN CHARTER SCHOOLS:

The law governing the Teachers' and State Employees' Retirement System (System) currently imposes an annual earnings cap on beneficiaries who return to employment with an employer who participates in the System. (In other words, the earnings cap applies if the beneficiary is reemployed by the State or a local school system. The earnings cap is not triggered if a beneficiary is employed by a private employer.) There is an exception (scheduled to sunset June 30, 2004) that allows any beneficiary who has been retired at least six months and who has not been employed in any capacity, except as a substitute teacher or a part-time tutor, with a public school for at least six months immediately preceding the effective date

Continued on Back

of reemployment, to return to be employed to teach on a substitute, interim or permanent basis in a public school and not be subject to the retirement earnings cap.

Not all charter schools elect to participate in the Retirement System. (This decision is made within 30 days of signing the initial charter.) A beneficiary who is employed as a teacher in a charter school that does not participate in the System is not subject to the earnings cap. A beneficiary who is employed in a charter school that does participate in the System is currently subject to the earnings cap and is not included in the exception for beneficiaries who are employed in a traditional public school.

LENGTH OF CHARTERS:
Currently, the term of an initial charter and its subsequent renewals may not exceed five years. Practically speaking, a charter is a contract between the State Board of Education (State Board) and a charter school. The NC Constitution allows the State and its subdivisions to enter into contracts and does not limit the length of the term of the contracts. It does, however, prohibit a contract to pledge the full faith and credit of the State to secure any debt created by the entity with which the State is contracting. The law governing charter schools specifically states, "No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions." The law further requires each charter school to include that sentence in every contract or lease into which it enters.

The State Board may terminate or not renew a charter upon any of the following grounds (i) failure to meet the charter's requirements for student performance; (ii) failure to meet generally accepted standards of fiscal management; (iii) violations of law; (iv) material violation of any of the charter school law's conditions, standards, or procedures; (v) two-thirds of the school's faculty and instructional support personnel request termination or nonrenewal; or (vi) any other good cause shown.

CHARTER SCHOOL TEACHER REQUIREMENTS:
Teachers in charter schools are exempt from the State's education and certification requirements for teachers in traditional public schools with the following exception. At least 75% of teachers in grades kindergarten through five, at least 50% of the teachers in grades six through eight, and at least 50% of the teachers in grades nine through 12 must hold teacher certificates.

* *Robin Johnson contributed to this summary.*

North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
Legislative Services Office
16 W. Jones Street Room 2129
Raleigh, NC 27601-1030 Tel. (919) 733-7044

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Research Division
300 N. Salisbury St. Rm 545
Raleigh, NC 27603-5925
(919) 733-2578

March 27, 2003

MEMORANDUM

TO: Representatives Bonner, Preston, Warren & Yongue

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 319

Re: Charter Schools Law Change

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, March 26, 2003
(3) Actuarial Note. Hartman & Associates, March 18, 2003

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 319

SHORT TITLE: Charter Schools Law Changes

SPONSOR(S): Representatives Bonner, Preston, Warren & Yongue

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Under the present law, there are no re-employment earnings restrictions for any retiree who returns as a teacher, who has not been employed in any capacity, other than as a substitute or part-time tutor, with a public school for the six months immediately preceding the date of re-employment. The present law is scheduled to sunset on June 30, 2004.

This bill will apply this same treatment to those retirees who return to teach with a charter school.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: Retirement System Actuary: Buck Consultants estimates the cost to be negligible. General Assembly Actuary: Hartman & Associates estimates no significant cost.

ASSUMPTIONS AND METHODOLOGY: Teachers' & 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, 2001, actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

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

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director, Fiscal Research Division

DATE: March 27, 2003

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

March 26, 2003

Ms. Pam Deardorff
Director of External Relations
Retirement Systems Divisions
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1388

House Bill 319

Dear Ms. Deardorff:

We have received your letter of March 20 regarding House Bill 319 which affects the Teachers' and State Employees' Retirement System.

This legislation in Section 1 appears to amend the law regarding Charter Schools to increase from five to ten years the period for which a charter may be granted, with a review at least once every five years. The legislation, in Sections 2 and 3, rewrites GS135-3(8)c and 115C-325(a)(5a), to provide that postretirement earnings of a beneficiary of the TSERS, who has been retired at least six months and has not been employed in any capacity, except as a substitute teacher or a part-time tutor, with a local board of education or a charter school shall not include earnings while the beneficiary is employed to teach on a substitute, interim, or permanent basis in a public school or in a charter school. Section 2 and 3 of this legislation are effective July 1, 2003, and expire June 30, 2004.

The cost to the State for this legislation would be negligible.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sr

P:\North Carolina Teachers\2003\Correspondence\House Bill 319.doc
387-0001 RET03-180

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

March 18, 2003

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

Re: House Bill 319: An Act to Amend the Law Regarding Charter Schools

Dear Mr. Moore:

G.S. 135-3(8)c provides that if a member retires on an early or service retirement allowance and is later reemployed by an employer participating in the Teachers' and State Employees' Retirement System (TSERS), his retirement benefit is reduced during the 12 month period immediately following retirement or 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, post-retirement earnings do not include amounts earned while employed to teach in a public school if the member was retired at least 6 months and had not been employed, except as a substitute teacher or a part-time tutor, with a public school during the 6 month period. Section 2 of this bill would amend G.S. 135-3(8)c to expand the exemption from the reemployment earnings restriction to include reemployment to teach in a charter school. This provision would become effective July 1, 2003 and expire June 30, 2004.

The change proposed by this bill would provide additional opportunities for beneficiaries of the TSERS to work without losing retirement benefits. This may cause benefits to be paid from the TSERS which would not otherwise be payable and accelerate the retirement of teachers, producing a cost to the system. However, given the limited number of positions available in charter schools, the financial impact in the TSERS is not expected to be significant.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

AH.3

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☒ Committee Substitute for
H.B. 319 A BILL TO BE ENTITLED AN ACT TO AMEND THE LAW REGARDING CHARTER SCHOOLS.

☒ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

May 7, 2003

The House Committee on Pensions and Retirement met Wednesday, May 7, 2003, in Room 544 of the Legislative Office Building at 10:00 A.M. The following members were present: Chairs Bell and G. Wilson, Vice-Chairs McCombs and Yongue, Representatives B. Allen, Barbee, Kiser, McGee, McLawhorn, Munford, Rapp and Tolson. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 1)

Committee Chair, Representative Gene Wilson, called the meeting to order.

Representative Wilson recognized Representative Luebke to speak on Senate Bill 39 AN ACT TO AUTHORIZE CERTAIN CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN; AND TO ASSESS INTEREST ON PREMIUM PAYMENTS NOT REMITTED BY CHARTER SCHOOL EMPLOYING UNITS IN A TIMELY MANNER. (Attachment 2) Representative McCombs made a motion for a favorable report. The motion passed. (Attachment 3)

Representative Wilson recognized Representative Bell to speak on House Bill 1170 AN ACT TO ENHANCE THE BENEFITS OF MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES RETIREMENT SYSTEM. (Attachment 4) A Proposed Committee Substitute was offered for House Bill 1170 (Attachment 5) and Representative Tolson moved for its adoption for committee consideration. Representative Bell gave a summary of the Proposed Committee Substitute. (Attachment 6) Representative Barbee moved for a favorable report as to the committee substitute, unfavorable as to the original bill, and that it be re-

referred to the committee on Appropriations. The motion passed. (Attachment 7)

Representative Wilson recognized Representative Walend to speak on House Bill 851 AN ACT TO ALLOW FOR THE PAYMENT OF ACCUMULATED INTEREST TO ALL MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM WHO RECEIVE THE RETURN OF THEIR ACCUMULATED CONTRIBUTIONS. (Attachment 8) Representative Allen made a motion for a favorable report and recommended the bill be re-referred to the committee on Appropriations. The motion passed. (Attachment 9)

Representative Wilson recognized Senator Rand to speak on Senate Bill 162 AN ACT TO REPEAL THE FAYETTEVILLE FIREMEN'S SUPPLEMENTAL RETIREMENT BENEFIT FUND. (Attachment 10) Representative Yongue made a motion for a favorable report. The motion passed. (Attachment 11)

Representative Wilson recognized Senator Horton to speak on Senate Bill 276 AN ACT TO AMEND THE PROVISIONS OF THE WINSTON-SALEM FIREMEN'S RETIREMENT FUND. (Attachment 12) Representative Tolson made a motion for a favorable report. The motion passed. (Attachment 13)

There being no further business, Representative Wilson adjourned the meeting at 10:45 a.m.

Attachments

1. Visitation Registration Sheet

2. Senate Bill 39

3. Committee Report for SB39

4. House Bill 1170

5. Proposed Committee Substitute for House Bill 1170

6. Summary for PCS 1170

7. Report for HB PCS 1170

8. House Bill 851

9. Report for HB 851

10. Senate Bill 162

11. Report for SB 162

12. Senate Bill 276

13. Report for SB 276

Respectfully submitted,

Rebecca Jones-Cooper
Committee Assistant

Representative Gene Wilson
Presiding Chair

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

May 7, 2003
10:00 a.m.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED:

SB 39 - CHARTER SCH. & STATE RETIRE. & MED. PLANS – Rep. Luebke, Sen. Gulley

HB 1170 - ENHANCE LOCAL RETIREMENT BENEFITS – Rep. Bell

HB 851 - INTEREST ON RETURN OF RETIREMENT CONTRIB.- Rep. Walend

SB 162 - FAYETTEVILLE FIREMEN'S FUND – Sen. Rand

SB 276 - AMEND WINSTON-SALEM FIREMEN'S RETIRE. FUND – Sen. Horton, Garrou

ADJOURNMENT

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **PENSIONS AND RETIREMENT** will meet as follows:

DAY & DATE: **Wednesday, May 7, 2003**

TIME: **10:00 AM**

LOCATION: **LOB 544**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 851 INTEREST ON RETURN OF RETIREMENT CONTRIB.- Rep. Walend

HB 1170 ENHANCE LOCAL RETIREMENT BENEFITS – Rep. Bell

SB 39 CHARTER SCH. & STATE RETIRE. & MED. PLANS – Rep. Luebke, Sen. Gulley

SB 162 FAYETTEVILLE FIREMEN'S FUND – Sen. Rand

SB 276 AMEND WINSTON-SALEM FIREMEN'S RETIRE. FUND – Sen. Horton, Garrou

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **1:30 P.M.** on **Tuesday, May 06, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

AH. 1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — May 7, 2003

Name of Committee — **Date**

Thank you!

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Vicky Patton	Central Park School for Children
John Witharow	NC Statewatch
Ed Regan	N.C.A.C.C.
Paul Meyer	NC ACC
Ardis Watkins	SEANC
Leight Hammond	NC Ret Gov't Emp. Assn
Frank Lewis	OSBM
ELLIS HANKINS	NCLM
	Bode Call & Stroupe

AH. 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S 2

SENATE BILL 39

Select Committee on Employee Hospital and Medical Benefits Committee
Substitute Adopted 3/19/03

Short Title: Charter Sch. & State Retire. & Med. Plans. (Public)

Sponsors:

Referred to:

February 13, 2003

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE CERTAIN CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN; AND TO ASSESS INTEREST ON PREMIUM PAYMENTS NOT REMITTED BY CHARTER SCHOOL EMPLOYING UNITS IN A TIMELY MANNER.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding the time limitations contained in G.S. 135-5.3(b) and G.S. 135-40.3A(b), the board of directors of any charter school that received State Board of Education approval under G.S. 115C-238.29D on or after January 1, 2002, may elect to become a participating employer in the Teachers' and State Employees' Retirement System in accordance with Article 1 of Chapter 135 of the General Statutes and may also elect to become a participating employing unit in the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan in accordance with Article 3 of Chapter 135. The elections authorized by this section shall be made no later than 30 days after the effective date of this act and shall be made in accordance with all other requirements of G.S. 135-5.3 and G.S. 135-40.3A.

SECTION 2. G.S. 135-39.6A reads as rewritten:

"**§ 135-39.6A. Premiums set.**

(a) The Executive Administrator and Board of Trustees shall, from time to time, establish premium rates for the Comprehensive Major Medical Plan except as they may be established by the General Assembly in the Current Operations Appropriations Act, and establish regulations for payment of the premiums. Premium rates shall be established for coverages where Medicare is the primary payer of health benefits separate and apart from the rates established for coverages where Medicare is not the primary payer of health benefits.

(b) The Executive Administrator and Board of Trustees shall establish separate premium rates for the long-term care benefits provided by Part 4 of this Article if the benefits are administered on a self-insured basis.

(c) The Executive Administrator and Board of Trustees shall establish premium rates for benefits provided under Part 5 of this Article. The Department of Health and Human Services shall, from State and federal appropriations and from any other funds made available for the Health Insurance Program for Children established under Part 8 of Article 2 of Chapter 108A of the General Statutes, make payments to the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan as determined by the Plan for its administration, claims processing, and other services authorized to provide coverage for acute medical care for children eligible for benefits provided under Part 5 of this Article.

(d) In setting premiums for firemen, rescue squad workers, and members of the national guard, and their eligible dependents, the Executive Administrator and Board of Trustees shall establish rates separate from those affecting other members of the Plan. These separate premium rates shall include rate factors for incurred but unreported claim costs, for the effects of adverse selection from voluntary participation in the Plan, and for any other actuarially determined measures needed to protect the financial integrity of the Plan for the benefit of its served employees, retired employees, and their eligible dependents.

(e) The total amount of premiums due the Plan from charter schools as employing units, including amounts withheld from the compensation of Plan members, that is not remitted to the Plan by the fifteenth day of the month following the due date of remittance shall be assessed interest of one and one-half percent (1 1/2%) of the amount due the Plan, per month or fraction thereof, beginning with the sixteenth day of the month following the due date of the remittance. The interest authorized by this section shall be assessed until the premium payment plus the accrued interest amount is remitted to the Plan. The remittance of premium payments under this section shall be presumed to have been made if the remittance is postmarked in the United States mail on a date not later than the fifteenth day of the month following the due date of the remittance."

SECTION 3. This act is effective when it becomes law.

SENATE BILL 39:
Charter Sch.& State Retire. & Med. Plans.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Senator Gulley
Date:	May 6, 2003	**Summary by:**	Theresa Matula
Version:	Second Edition		Committee Staff

SUMMARY: Senate Bill 39 allows charter schools receiving State Board of Education approval on or after January 1, 2002, an additional 30 days from the effective date of this bill to elect to participate in the Teachers' and State Employees' Retirement System and the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan; and authorizes an interest assessment on Comprehensive Major Medical Plan premium payments not remitted in a timely manner by charter schools.

CURRENT LAW:

G.S. 115C-238.29D outlines the provisions for final approval of charter school applications by the State Board of Education.

G.S. 135-5.3(b) provides that no later than 30 days after both parties have signed the written charter, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Teachers' and State Employees' Retirement System. The election shall be in writing and filed with the Retirement System and the State Board of Education and is effective for each charter school employee as of the date of that employee's entry into eligible service.

G.S. 135-40.3A(b) provides that no later than 30 days after both parties have signed the written charter, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan. The election shall be in writing and filed with the Executive Administrator, the Board of Trustees, and the State Board of Education and is effective for each charter school employee as of the date of the employee's entry into eligible service.

BILL ANALYSIS:

Section 1: Notwithstanding the time limitations of G.S. 135-5.3(b) and G.S. 135-40.3A(b), Senate Bill 39 authorizes the board of directors of any charter school that received State Board of Education approval under G.S. 115C-238.29D on or after January 1, 2002, to elect participation in the Teachers' and State Employees' Retirement System and the State Employees' Comprehensive Major Medical Plan no later than 30 days after the effective date of the act.

Section 2: Senate Bill 39 adds a subsection to G.S. 135-39.6A to authorize the assessment of interest on premiums not remitted in a timely manner by charter schools employing units to the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan. The total amount of premiums, including amounts withheld from the compensation of Plan members, that is not remitted to the Plan by the fifteenth day of the month following the due date of the remittance shall be assessed interest of one and one-half percent (1 ½%) of the amount due the Plan, per month or fraction thereof. The remittance of premium payments shall be presumed to have been made if postmarked by the fifteenth day of the month following the due date. Interest assessment shall begin on the sixteenth day of the month following the due date of the remittance and shall be assessed until the premium payment plus the accrued interest amount is remitted to the Plan.

Section 3: This bill is effective when it becomes law.

AH. 3

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
S.B. 39 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE CERTAIN CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN; AND TO ASSESS INTEREST ON PREMIUM PAYMENTS NOT REMITTED BY CHARTER SCHOOL EMPLOYING UNITS IN A TIMELY MANNER.

☒ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AH 4

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 1170

Short Title:	Enhance Local Retirement Benefits.	(Public)
Sponsors:	Representative Bell.	
Referred to:	Pensions and Retirement.	

April 10, 2003

A BILL TO BE ENTITLED

AN ACT TO ENHANCE THE BENEFITS OF MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-27(b20) reads as rewritten:

"(b20) Service Retirement Allowance of Member Retiring on or After July 1, ~~2002.~~ 2002, but Before July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2002, but before July 1, 2003, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) 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(b20)(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;

2. The service retirement allowance as computed under G.S. 128-27(b20)(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 eighty-two hundredths percent (1.82%) 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(b20)(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(b20)(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(b20)(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(b20)(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 2. G.S. 128-27 is amended by adding a new subsection to read:

"(b20) Service Retirement Allowance of Member Retiring on or After July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2003, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) 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(b21)(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;

2. The service retirement allowance as computed under G.S. 128-27(b21)(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

eighty-five hundredths percent (1.85%) 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(b21)(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(b21)(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(b21)(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(b21)(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 3. G.S. 128-27 (m) reads as rewritten:

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

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with ~~G.S. 128-27(b20)(1)b. or G.S. 128-27(b20)(2)c.,~~ G.S. 128-27(b21)(1)b. or G.S. 128-27(b21)(2)c., notwithstanding the requirement of obtaining age 50.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who is living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

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

SECTION 4. G.S. 128-27 is amended by adding a new section to read:

"(ddd) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased by two percent (2.0%) of the allowance payable on June 1, 2003, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of two percent (2.0%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2002, and June 30, 2003.

"(eee) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before June 1, 1982, shall be increased by six percent (6.0%) of the allowance payable on June 1, 2003, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or after July 1, 1982, but before July 1, 1993, shall be increased by one and one-tenth percent (1.1%) of the allowance payable on June 1, 2003, in accordance with subsection (k) of this section. This allowance shall be calculated on the allowance payable and in effect on June 30, 2003, so as not to be compounded on any other increase payable under subsection (k) of this section or otherwise granted by act of the 2003 Regular Session of the 2003 General Assembly.

"(fff) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2003. – From and after July 1, 2003, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 2003, shall be increased by one and one-half percent (1.5%) of the allowance payable on June 1, 2003. This allowance shall be calculated on the allowance payable and in effect on June 30, 2003, so as not to be compounded on any other increase payable under subsection (k) of this section or otherwise granted by act of the 2003 General Assembly."

SECTION 5. This act becomes effective July 1, 2003.

AH.5

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

H **D**

HOUSE BILL 1170
PROPOSED COMMITTEE SUBSTITUTE H1170-CSSH-9 [v.2]

5/7/2003 9:26:05 AM

Short Title: Enhance Local Retirement Benefits. (Public)

Sponsors:

Referred to:

April 10, 2003

A BILL TO BE ENTITLED

AN ACT TO ENHANCE THE BENEFITS OF MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-27(b20) reads as rewritten:

"(b20) Service Retirement Allowance of Member Retiring on or After July 1, ~~2002.~~ 2002, but Before July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2002, but before July 1, 2003, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) 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(b20)(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;

2. The service retirement allowance as computed under G.S. 128-27(b20)(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 eighty-two hundredths percent (1.82%) 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(b20)(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(b20)(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(b20)(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(b20)(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 2. G.S. 128-27 is amended by adding a new subsection to read:

"(b21) Service Retirement Allowance of Member Retiring on or After July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2003, a member shall receive the following service retirement allowance:

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

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) 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(b21)(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;

2. The service retirement allowance as computed under G.S. 128-27(b21)(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

eighty-five hundredths percent (1.85%) 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(b21)(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(b21)(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(b21)(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(b21)(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 3. G.S. 128-27 (m) reads as rewritten:

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

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with ~~G.S. 128-27(b20)(1)b. or G.S. 128-27(b20)(2)c.,~~ G.S. 128-27(b21)(1)b. or G.S. 128-27(b21)(2)c., notwithstanding the requirement of obtaining age 50.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who is living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

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

SECTION 4. G.S. 128-27 is amended by adding new subsections to read:

"(ddd) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased by two percent (2.0%) of the allowance payable on June 1, 2003, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of two percent (2.0%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2002, and June 30, 2003.

"(eee) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before June 1, 1982, shall be increased by six percent (6.0%) of the allowance payable on June 1, 2003, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or after July 1, 1982, but before July 1, 1993, shall be increased by one and one-tenth percent (1.1%) of the allowance payable on June 1, 2003, in accordance with subsection (k) of this section. This allowance shall be calculated on the allowance payable and in effect on June 30, 2003, so as not to be compounded on any other increase payable under subsection (k) of this section or otherwise granted by act of the 2003 Regular Session of the 2003 General Assembly.

"(fff) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2003. – From and after July 1, 2003, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 2003, shall be increased by one and one-half percent (1.5%) of the allowance payable on June 1, 2003. This allowance shall be calculated on the allowance payable and in effect on June 30, 2003, so as not to be compounded on any other increase payable under subsection (k) of this section or otherwise granted by act of the 2003 General Assembly."

SECTION 5. This act becomes effective July 1, 2003.

North Carolina General Assembly
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Legislative Services Office
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May 1, 2003

MEMORANDUM

TO: Representative Larry Bell

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 1170

Re: Enhance Local Retirement Benefits

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, April 23, 2003
(3) Actuarial Note. Hartman & Associates, April 30, 2003

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 1170

SHORT TITLE: Enhance Local Retirement Benefits

SPONSOR: Representative Bell

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Funds

BILL SUMMARY: Increases the accrual rate for active members from 1.82% to 1.85% for each year of service and grants an adjusting increase of 1.5% to retirees as a result of the accrual rate change and provides a post-retirement increase of 2% in the benefits of retirees. Also, an adjusting increase of 6% is given to those who retired on or before June 1, 1982, and 1.1% is given to those who retired on or after July 1, 1982, but before July 1, 1993.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: Local Governmental Employees' Retirement System
Retirement System Actuary: Buck Consultants estimates the total cost to be .95% of the payroll of all members of the Local Governmental Employees' Retirement System.

	2003-04	2004-05	2005-06	2006-07	2007-08
Formula Increase .66%	$26.5M	$28.3M	$30.3M	$32.3M	$34.5M
2% Cola .22%	$ 8.8M	$ 9.4M	$10.1M	$10.8M	$11.5M
Adjusting Colas .07%	$ 2.8M	$ 3.0M	$ 3.2M	$ 3.4M	$ 3.6M
TOTAL COST .95%	$38.2M	$40.8M	$43.6M	$46.5M	$49.60M

General Assembly Actuary: Hartman & Associates estimates the cost of the formula increase to be .60%, the coal of 2% to be .20% of the payroll of all members of the Local Governmental Employee's Retirement System. He is unable to estimate the adjusting increases due to lack of data.

	2003-04	2004-05	2005-06	2006-07	2007-08
Formula Increase .60%	$24.1M	$25.8M	$27.5M	$29.4M	$31.4M
2% Cola .20%	$ 8.0M	$ 8.6M	$ 9.2M	$ 9.8M	$10.4M
Adjusting Colas	unknown	unknown	unknown	unknown	unknown
TOTAL COST	$32.1M	$34.4M	$38.7M	$39.2M	$41.8M

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, 2001, actuarial valuation of the fund. The data included 118,580 active members with an annual payroll of $3.6 billion and 31,352 retired members in receipt of annual pensions totaling $392.7 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, LLC

FISCAL RESEARCH DIVISION (919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: April 30, 2003

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

April 23, 2003

Ms. Joanne L. Scharer
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 1170

Dear Ms. Scharer:

We have received your letter of April 22 regarding House Bill 1170, which affects the Local Governmental Employees' Retirement System.

This proposed legislation appears to grant a post-retirement increase in the allowances of retirees and other beneficiaries of the Local Governmental Employees' Retirement System equal to 2.0% for those who commenced retirement on and before July 1, 2002, and a prorated portion of the 2.0% post-retirement increase for those who commenced retirement after July 1, 2002 and before June 30, 2003, with all increases payable effective July 1, 2003. The cost of this proposed change is 0.22% of payroll.

This proposed legislation also appears to grant a post-retirement increase in the allowances payable June 1, 2003 of retirees and other beneficiaries of the Local Governmental Retirement System, equal to 6.0% for those who commenced retirement on and before June 1, 1982, and a post-retirement increase equal to 1.1% for those who commenced retirement on or after July 1, 1982 and before July 1, 1993, with all increases payable effective July 1, 2003. The cost of this proposed change is 0.07% of payroll.

This proposed legislation also appears to grant an increase in the defined benefit formula accrual rate in the Local Governmental Employees' Retirement System, from 1.82% to 1.85%, effective as of July 1, 2003, with a corresponding adjustment in the monthly allowances of existing retirees equal to 1.5% of the retirement allowances in effect on June 1, 2003, payable effective July 1, 2003. The cost of this proposed change is 0.66% of payroll.

The total cost of House Bill 1170 to the Local Governmental Employees' Retirement System is 0.95% of payroll.

As a technical observation, the new subsection added by Section 2 of this legislation should be "(b21)" instead of "(b20)".

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sr

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751 RET03-169

HARTMAN & ASSOCIATES, LLC
ACTUARIAL CONSULTING

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

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

668 Link Road
Lexington, NC 27295

April 30, 2003

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

Re: House Bill 1170: An Act to Enhance Benefits Payable from the LGERS

Dear Mr. Moore:

This bill would amend G.S. 128-27 to enhance retirement benefits payable from the Local Governmental Employees' Retirement System (LGERS). The benefit increases provided by this bill are as follows:

- increase the annual accrual rate from 1.82% to 1.85% for members retiring on or after July 1, 2003;
- increase the retirement allowance by 1.5% for all beneficiaries on the retirement rolls as of June 1, 2003;
- increase the retirement allowance an additional 2.0% for all beneficiaries who retired on or before July 1, 2002, with a prorated increase for retirements between July 1, 2002 and June 30, 2003; and
- increase the retirement allowance an additional 6.0% for beneficiaries who retired on or before June 1, 1982 and 1.1% for beneficiaries who retired on or after July 1, 1982 but before July 1, 1993.

This act is effective July 1, 2003. The estimated cost for the formula increase, including adjustments to current beneficiaries, is 0.60% of payroll. The estimated cost for the 2.0% retiree COLA is 0.20% of payroll.

We do not have the necessary data to calculate the cost of providing the additional retiree COLA based on date of actual retirement, so no estimate is included for that provision.

These estimates are based on information contained in the most recent actuarial valuation prepared as of December 31, 2001.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

AH-6

PCS FOR HOUSE BILL 1170: Enhance Local Retirement Benefits.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Representative Bell
Date:	May 7, 2003	**Summary by:**	Theresa Matula
Version:	v.1; PCS(H1170-CSSH-9)		Committee Staff

SUMMARY: House Bill 1170 increases retirement benefits for members of the Local Governmental Employees Retirement System.

The Proposed Committee Substitute (H1170-CSSH-9) makes technical corrections to the subsection number in Section 2 of the bill and to the drafting language in Section 4.

BILL ANALYSIS:

Section 1 amends G.S. 128-27(b20) to specify that the benefits outlined under G.S. 128-27(b20) apply to the service retirement allowance of Local Governmental Employees Retirement System (LGERS) members retiring after July 1, 2002 but before July 1, 2003.

Section 2 adds G.S. 128-27(b21) outlining the service retirement allowance of LGERS members retiring on or after July 1, 2003. Under this section the allowance shall be equal to 1.85% (previously 1.82%) of the average final compensation multiplied by the years of creditable service. The Proposed Committee Substitute (H1170-CSSH-9) makes a technical change to correct the subsection number reference in Section 2.

Section 3 makes conforming changes to G.S. 128-27(m) regarding the Survivor's Alternate Benefit.

Section 4 amends G.S. 128-27 by adding three new subsections. (The PCS changes the drafting language "a new section" to "new subsections.") G.S. 128-27(ddd) increases the retirement allowance by 2.0% for beneficiaries whose retirement commenced on or before July 1, 2002. The retirement allowance of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003 shall be increased by a prorated amount.

G.S. 128-27(eee) increases the retirement allowance by 6.0% for beneficiaries whose retirement commenced on or before June 1, 1982. For beneficiaries whose retirement commenced on or after July 1, 1982, but before July 1, 1993, the retirement allowance is increased 1.1%. The allowance shall be calculated on the allowance payable and in effect on June 30, 2003, to avoid compounding any other increase payable under G.S. 128-27(k)[1], or otherwise granted by act of the 2003 Regular Session of the 2003 General Assembly.

G.S. 128-27(fff) increases the retirement allowance by 1.5% for beneficiaries on the retirement rolls as of June 1, 2003. This allowance shall be calculated on the allowance payable and in effect on June 30, 2003, to avoid compounding any other increase payable under G.S. 128-27(k) [1], or otherwise granted by act of the 2003 Regular Session of the 2003 General Assembly.

Section 5 establishes an effective date of July 1, 2003.

[1] G.S. 128-27 (k) concerns post-retirement increases in allowances and provides that as of December 31 of each year after 1971, the ratio of the Consumer Price Index to such index one year earlier shall be determined. Each beneficiary on the retirement rolls as of July 1 of the year of determination shall be entitled to have his allowance increased effective on July 1 of the year following the year of determination by the same percentage of increase indicated by the ratio calculated to the nearest 1/10 of 1%, but not more than 4%. Any such increases are contingent upon the total fund providing sufficient investment gains to cover the additional actuarial liabilities on account of such increase. The provision provides that the CPI (all items – United States city average) shall be used.

AH-7

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 1170 A BILL TO BE ENTITLED AN ACT TO ENHANCE THE BENEFITS OF MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES RETIREMENT SYSTEM.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AH 8

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

HOUSE BILL 851

Short Title:	Interest on Return of Retirement Contrib.	(Public)
Sponsors:	Representative Walend.	
Referred to:	Pensions and Retirement.	

April 3, 2003

A BILL TO BE ENTITLED

AN ACT TO ALLOW FOR THE PAYMENT OF ACCUMULATED INTEREST TO ALL MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM WHO RECEIVE THE RETURN OF THEIR ACCUMULATED CONTRIBUTIONS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5(f) reads as rewritten:

"(f) Return of Accumulated Contributions. – Should a member cease to be a teacher or State employee except by death or retirement under the provisions of this Chapter, he shall upon submission of an application be paid, not earlier than 60 days from the date of termination of service, his ~~contributions, and if he has attained at least five years of membership service or if termination of his membership service is involuntary as certified by the employer,~~ contributions, and the accumulated regular interest thereon, provided that he has not in the meantime returned to service. Upon payment of such sum his membership in the System shall cease and, if he thereafter again becomes a member, no credit shall be allowed for any service previously rendered except as provided in G.S. 135-4, and such payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable hereunder. Upon receipt of proof satisfactory to the Board of Trustees of the death, prior to retirement, of a member or former member there shall be paid to such person or persons as he shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the member's death, otherwise to the member's legal representatives, the amount of his accumulated contributions at the time of his death, unless the beneficiary elects to receive the alternate benefit under the provisions of (m) below. An extension service employee who made contributions to the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System as a result of dual employment may

not be paid his accumulated contributions unless he is eligible to be paid his accumulated contributions in both systems for the same period of service.

Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder.

A member who is a participant or beneficiary of the Disability Income Plan of North Carolina as is provided in Article 6 of this Chapter shall not be paid a return of accumulated contributions, notwithstanding the member's status as an employee or teacher. Notwithstanding any other provision of law to the contrary, a member who is a beneficiary of the Disability Income Plan of North Carolina as provided in Article 6 of this Chapter and who is receiving disability benefits under the transition provisions as provided in G.S. 135-112, shall not be prohibited from receiving a return of accumulated contributions as provided in this subsection."

SECTION 2. G.S. 128-27(f) reads as rewritten:

"(f) Return of Accumulated Contributions. – Should a member cease to be an employee except by death or retirement under the provisions of this Chapter, he shall upon submission of an application be paid, not earlier than 60 days from the date of termination of service, his contributions ~~and, if he has attained at least five years of membership service or if termination of his membership service is involuntary as certified by the employer,~~ and the accumulated regular interest thereon, provided that he has not in the meantime returned to service. Upon payment of such sum his membership in the System shall cease and, if he thereafter again becomes a member, no credit shall be allowed for any service previously rendered except as provided in G.S. 128-26; and such payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable hereunder. Upon receipt of proof satisfactory to the Board of Trustees of the death, prior to retirement, of a member or former member there shall be paid to such person or persons as he shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the member's death, otherwise to the member's legal representatives, the amount of his accumulated contributions at the time of his death, unless the beneficiary elects to receive the alternate benefit under the provisions of (m) below. An extension service employee who made contributions to the Local Governmental Employees' Retirement System and the Teachers' and State Employees' Retirement System as a result of dual employment may not be paid his accumulated contributions unless he is eligible to be paid his accumulated contributions in both systems for the same period of service.

Pursuant to the provisions of G.S. 135-56.2, a member who is also a member of the Consolidated Judicial Retirement System may irrevocably elect to transfer any accumulated contributions to the Consolidated Judicial Retirement System or to the Supplemental Retirement Income Plan and forfeit any rights in or to any benefits otherwise payable hereunder."

SECTION 3. G.S. 135-62(a) reads as rewritten:

"(a) Should a member cease membership service otherwise than by death or retirement under the provisions of this Article, he shall, upon submission of an application, be paid, not earlier than 60 days from the date of termination of service, his contributions ~~and, if he has attained at least five years of membership service or if termination of his membership service is involuntary as certified by the employer,~~ and the accumulated regular interest thereon, provided that he has not in the meantime returned to service as a judge. Upon payment of such accumulated contributions his membership in the Retirement System shall cease and, if he thereafter again becomes a member, no credit shall be allowed for any service previously rendered, except as otherwise provided in G.S. 135-56(b). Any such payment of a member's accumulated contributions shall be in full and complete discharge of any rights in or to any benefits otherwise payable under this Article."

SECTION 4. G.S. 120-4.25 reads as rewritten:

"**§ 120-4.25. Return of accumulated contributions.**

If a member ceases to be a member of the General Assembly except by death or retirement, he shall, upon submission of an application, be ~~paid~~ paid, not earlier than 60 days following the date of termination of service, ~~the sum of his contributions if he has less than five years of creditable service, or~~ the sum of his accumulated ~~contributions if he has five or more years of creditable service,~~contributions, provided he has not in the meantime returned to service. Upon payment of this sum his membership in the System ceases. If he becomes a member afterwards, no credit shall be allowed for any service previously rendered except as provided in G.S. 120-4.14 and the payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable under this Article. Upon receipt of proof satisfactory to the Board of Trustees of the death, prior to retirement, of a member or former member, there shall be paid to the person or persons he nominated by written designation duly acknowledged and filed with the Board of Trustees, if the person or persons are living at the time of the member's death, otherwise to the member's legal representatives, the amount of his accumulated contributions at the time of his death, unless the beneficiary elects to receive the alternate benefit under the provisions of G.S. 120-4.28."

SECTION 5. This act becomes effective July 1, 2003.

North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
Legislative Services Office
16 W. Jones Street Room 2129
Raleigh, NC 27601-1030 Tel. (919) 733-7044

[redacted] Goldman, Director
[redacted]trative Division
16 W. Jones Street Room 9
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Gerry F. Cohen, Director
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300 N. Salisbury St. Rm 401
Raleigh, NC 27603-5925
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James D. Johnson, Director
Fiscal Research Division
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Terrence D. Sullivan, Director
Research Division
300 N. Salisbury St. Rm 545
Raleigh, NC 27603-5925
(919) 733-2578

April 24, 2003

MEMORANDUM

TO: Representative Trudi Walend

FROM: Stanley Moore
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 851

Re: Interest on Return of Retirement Contributions

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, April 17, 2003
(3) Actuarial Note. Hartman & Associates, April 14, 2003
(4) Actuarial Note. Charles Dunn, April 24, 2003

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 851

SHORT TITLE: Interest on Return of Retirement Contributions

Sponsor: Representative Walend

SYSTEM OR PROGRAM AFFECTED: Teachers' & 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: Removes the requirement of five years and allows for the payment of 4% interest to all members of the four State administrated retirement systems who have terminated employment and wish to withdraw their contributions from the systems.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: Teachers' and State Employees' Retirement System
Both the Retirement System's Actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, estimates the cost to be .02% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$1.50M	$1.61M	$1.71M	$1.83M	$1.95M
Highway Fund	$ .07M	$ .08M	$ .08M	$ .09M	$ .09M
Receipt Funds	$ .48M	$ .50M	$ .55M	$ .58M	$ .63M
TOTAL COST	$ 2.0M	$ 2.2M	$ 2.4M	$ 2.5M	$ 2.7M

Consolidated Judicial Retirement System
Retirement System Actuary: Buck Consultants estimates the cost to be negligible.
General Assembly Actuary: Hartman & Associates estimates the cost to be .01% of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$5,030	$5,371	$5,734	$6,122	$6,537

Legislative Retirement System
Retirement System Actuary: Charles Dunn states that the proposal would have no impact on the assumption used in the System but would result in additional withdrawn of about $900 per year.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$900	$900	$900	$900	$900

General Assembly Actuary: Hartman & Associates estimates the cost to be .03% of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$1,080	$1,080	$1,080	$1,080	$1,080

ESTIMATED IMPACT ON LOCAL GOVERNMENTS: Local Governmental Employees' Retirement System

Retirement System Actuary: Buck Consultants estimates the estimated cost will be .03% of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
Local Funds	$1,206,600	$1,288,287	$1,375,504	$1,468,625	$1,568,051

General Assembly Actuary: Hartman & Associates estimates the cost will be .02%of payroll.

	2003-04	2004-05	2005-06	2006-07	2007-08
Local Funds	$804,400	$858,858	$917,003	$979,084	$1,045,368

ASSUMPTIONS AND METHODOLOGY: Teachers' & 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, 2001, actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 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, 2001, actuarial valuation of the fund. The data included 487 active members with an annual payroll of $47.8 million and 382 retired members in receipt of annual pensions totaling $16.1 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, 2001, actuarial valuation of the fund. The data included 169 active members with an annual payroll of $3.6 million and 204 retired members in receipt of annual pensions totaling $1,188,931. 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, 2001, actuarial valuation of the fund. The data included 118,580 active members with an annual payroll of $3.6 billion and 31,352 retired members in receipt of annual pensions totaling $392.7 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, LLC
Charles W. Dunn, Consulting Actuary

FISCAL RESEARCH DIVISION **(919) 733-4910**

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: April 24, 2003

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

April 17, 2003

Ms. Joanne Scharer
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
RALEIGH NC 27603-1385

House Bill 851

Dear Ms. Scharer:

We have received your letter of April 11 regarding House Bill 851 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 generally appears to allow all members of the above referenced systems to receive payment of accumulated interest when they withdraw their contributions regardless of membership service. Currently, employees must have attained five years of membership service or must have been involuntarily terminated from membership service in order to receive interest on withdrawn contributions.

The estimated cost of this legislation under the Teachers' and State Employees' Retirement System would be 0.02% of payroll.

The estimated cost of this legislation under the Local Governmental Employees' Retirement System, as a percentage increase in the employers' normal contribution rate, would be 0.03% of covered payroll.

The cost of this legislation under the Consolidated Judicial System would be negligible.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sr

Enclosure

P:\North Carolina Teachers\2003\Correspondence\House Bill 851.doc
187 R2T03-013

Buck Consultants, Inc.
770 | 955-2488 Fax 770 | 933-6336

HARTMAN & ASSOCIATES, LLC
ACTUARIAL CONSULTING

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

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

668 Link Road
Lexington, NC 27295

April 14, 2003

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

Re: House Bill 851: An Act to Allow Payment of Accumulated Interest to All Members of the TSERS, LGERS, CJRS and LRS

Dear Mr. Moore:

This bill would amend G.S. 135-5(f), G.S. 128-27(f), G.S. 135-62(a), and G.S. 120-4.25 to provide for payment of accumulated interest to all members who receive a return of their contributions from the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System (CJRS) and the Legislative Retirement System (LRS). Currently, if a member voluntarily terminates employment, he may withdraw his contributions, but accumulated interest is only paid if the employee has five or more years of membership service. This act is effective July 1, 2003.

Payment of interest on withdrawals of under five years of service will produce a cost to the retirement systems. The estimated costs for the fiscal year beginning July 1, 2003 for each system are shown below:

System	Annual Interest Paid	Cost as % of Payroll
TSERS	$1,575,000	0.02%
LGERS	675,000	0.02
CJRS	5,000	0.01
LRS	1,000	0.03

These estimates are based on information contained in the most recent actuarial valuations prepared as of December 31, 2001 and information you provided regarding forfeitures of interest for withdrawals during calendar year 2002. Interest on accumulated contributions is computed at an annual rate of 4.0%.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

CHARLES W. DUNN

CONSULTING ACTUARY

Phone/Fax: (919) 787-8989

2008 Nancy Ann Drive
Raleigh, NC 27607

April 24, 2003

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

RE: Elimination of 5-Year Service Requirement for Return of Contributions with Interest to LRS Plan Members

Dear Mr. Moore:

According to the proposal, a former non-retired member of the General Assembly may apply for a return of his accumulated contributions with interest regardless of the number of years he has served. Currently no interest is credited if the member has fewer than 5 years of service.

The calculation of the Actuarial Liability of the Legislative Retirement System already credits interest to the accumulated contributions of former non-retired members of the General Assembly with less than 5 years of service. The proposal would have no impact on the assumptions currently being used in the actuarial valuation, and there would be no additional liability to the LRS. It is estimated that the proposal would result in additional withdrawals from the LRS of about $900 per year.

Sincerely yours,

Charles W. Dunn, FSA, MAAA

HOUSE BILL 851:
Interest on Return of Retirement Contrib.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Representative Walend
Date:	May 6, 2003	**Summary by:**	Theresa Matula
Version:	First Edition		Committee Staff

SUMMARY: House Bill 851 removes the five-year membership service requirement on the return of accumulated contributions for members of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, and the Legislative Retirement System.

BILL ANALYSIS:

Provisions in each of the following retirement systems are amended to delete the requirement for five years of membership service, or the certification of the employer in the event of involuntary membership termination, prior to the return of member contributions and interest:

- *Section 1* amends G.S. 135-5(f) regarding the *Teachers' and State Employees' Retirement System of North Carolina.*
- *Section 2* amends G.S. 128-27(f) regarding the *North Carolina Local Governmental Employees' Retirement System.*
- *Section 3* amends G.S. 135-62(a) regarding the *Consolidated Judicial Retirement System of North Carolina.*
- *Section 4* amends G.S. 120-4.25 regarding the *Legislative Retirement System of North Carolina.*

House Bill 851 would become effective July 1, 2003.

AH. 9

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 851 A BILL TO BE ENTITLED AN ACT TO ALLOW FOR THE PAYMENT OF ACCUMULATED INTEREST TO ALL MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM WHO RECEIVE THE RETURN OF THEIR ACCUMULATED CONTRIBUTIONS.

☒ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

Att. 10

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S 1

SENATE BILL 162

Short Title:	Fayetteville Firemen's Fund.	(Local)
Sponsors:	Senator Rand.	
Referred to:	Pensions & Retirement and Aging.	

February 25, 2003

A BILL TO BE ENTITLED

AN ACT TO REPEAL THE FAYETTEVILLE FIREMEN'S SUPPLEMENTAL RETIREMENT BENEFIT FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 351 of the 1969 Session Laws is repealed.

SECTION 2. All funds remaining in the Fayetteville Firemen's Supplemental Retirement Benefit Fund are transferred to the Board of Trustees of the Local Firemen's Relief Fund of the City of Fayetteville to be held and administered as provided in Article 84 of Chapter 58 of the General Statutes.

SECTION 3. This act is effective when it becomes law.

AH. 11

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
S.B. 162 A BILL TO BE ENTITLED AN ACT TO REPEAL THE FAYETTEVILLE FIREMEN'S SUPPLEMENTAL RETIREMENT BENEFIT FUND.

☒ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

Att. 12

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S 1

SENATE BILL 276

Short Title:	Amend Winston-Salem Firemen's Retire. Fund.	(Local)
Sponsors:	Senators Horton; and Garrou.	
Referred to:	Pensions & Retirement and Aging.	

March 4, 2003

A BILL TO BE ENTITLED

AN ACT TO AMEND THE PROVISIONS OF THE WINSTON-SALEM FIREMEN'S RETIREMENT FUND.

The General Assembly of North Carolina enacts:

SECTION 1. Sections 1 through 32 of Chapter 388 of the 1973 Session Laws, as amended by Chapter 15 of the 1977 Session Laws, Chapter 284 of the 1979 Session Laws, Chapter 647 of the 1981 Session Laws, Chapter 464 of the 1983 Session Laws, Chapter 508 of the 1987 Session Laws, Chapter 793 of the 1989 Session Laws, and S.L. 1998-92, read as rewritten:

"**Sec. 1.** That the name of the Association herein established shall be Winston-Salem Firemen's Retirement Fund Association, hereinafter referred to as the Association. References to the Association as of a date prior to April 3, 1979, and following July 1, 1973, shall mean the Winston-Salem Fire-Public Safety Retirement Fund Association, which was the name of the Association during such period.

Sec. 2. Subject to the provisions of Section 16 hereof, the following persons shall automatically be members of the Association:

(a) As of July 1, 1987, any person who was a member of the Association following the close of business of the Association immediately preceding such date.

(b) As of July 1, 1987, and thereafter, any person not covered under (a) above who shall have been regularly and continuously employed full time by the Fire Department of the City of Winston-Salem (hereinafter referred to as the Fire Department), including any Fire Department mechanic or electrician, who shall have attained his 18th birthday and shall not have attained his 40th birthday. Any person not covered under (a) above who was hired by the Fire Department prior to July 1, 1987, and continues to be employed by the Fire Department on such date, and who had attained his 30th birthday when hired but had not then attained his 40th birthday, may elect within 90 days following July 1, 1987, to become a member by contributing to the Association the sum of twelve dollars ($12.00) per month from his date of hire by the Fire Department, plus interest at the rate of eight percent (8%), applicable to any

payments made on and after July 1, 1989, per annum, computed on the amount accrued as of the end of each fiscal year of the Association.

(c) Notwithstanding the provisions of subsection (b) immediately preceding, as a condition to any person's becoming a member of the Association pursuant to the provisions of subsection 2(b) or 16(a), the Trustees may require such person to undergo a physical examination by a physician or physicians of good standing or repute selected by the Trustees. If it shall be found from such physician's report that such person is not in good physical or mental condition as of the date he would be eligible to become a member of the Association, such person shall be denied membership in the Association. The determinations of whether or not such person shall be required to undergo a physical examination and whether or not he is in good physical or mental condition shall be made by the Trustees. In making such determinations, all persons similarly situated shall be treated alike. The cost of any medical examination required pursuant to the provisions of this subsection (c) shall be borne by the person seeking membership in the Association.

Sec. 3. The Association may provide and raise funds in any legal manner to be used as a pension fund for such person or persons as may be entitled thereto under the provisions of this act and to such extent as is hereinafter set out.

Sec. 4. The governing body of the Association shall consist of a Board of Trustees five in number, four from the membership of the Fire Department, and one to be appointed by the Insurance Commissioner of the State of North Carolina.

Sec. 5. The Trustees from the membership of the Fire Department shall be elected by the members of the Fire Department for four-year terms. Such terms shall be staggered, so that two of the Trustees shall be elected during the month of January of each year divisible evenly by two. Trustees that are slated to leave the Board are automatically candidates for reelection unless they choose not to serve another term. In addition, the elected Association Trustees shall select from the members of the Fire Department four members in good standing, each of whom continuously served in the Fire Department for a period of at least four years. A general election shall then be held by the membership of the Fire Department to elect from the list of candidates two Trustees to serve a four-year term. Each member of the Fire Department in good standing may cast two votes for the member's choice of nominees. The nominee receiving the highest number of votes in the election will be a member of the Winston-Salem Firemen's Relief Fund Board as well as the Association Board. In the event that a Trustee is unable to complete the Trustee's term, the nominee receiving the next highest number of votes in the last election held and who is not then serving as a Trustee shall complete the unexpired term of the Trustee who resigned from the Board. A tie shall be resolved by casting lots.

Sec. 6. Any Trustee may resign at any time by giving notice in writing to the other Trustees. Should any Trustee who is a member of the Fire Department cease to be a member of the Fire Department for any reason, he shall automatically cease to be a Trustee. With regard to any Trustee elected by the members of the Association who resigns or ceases to be a Trustee for any reason, his successor shall be elected as provided in Section 5 of this act. Should the Trustee who was appointed by the

Insurance Commissioner of the State of North Carolina resign or cease to be a Trustee for any reason, his successor shall be appointed by the said Insurance Commissioner.

Sec. 7. The Board of Trustees is herein fully vested with the exclusive right and authority to pay out the funds of this Association, as provided for in this act. All matters and claims provided for under this act shall be passed upon by said Trustees and all decisions and actions of said Trustees shall be binding upon the Association and the members thereof. Every Trustee shall be entitled to one vote except the chairman of the Board of Trustees, who shall be entitled to vote only to break a tie. At every annual meeting of the Board of Trustees, the Trustees shall elect a chairman, vice-chairman, secretary and treasurer. The secretary and treasurer need not be Trustees, and the offices of secretary and treasurer may be combined into a single office, in the discretion of the Trustees. The annual meeting of the Board of Trustees shall be held as soon as is practicable following the end of each calendar year at such place and at such time as shall be determined by the Trustees.

Sec. 8. ~~The~~As of September 1, 2001, the secretary of the Association (or the secretary-treasurer if such offices shall be combined into a single office) shall be entitled to receive monthly compensation in an amount ~~not to exceed the amount of the monthly normal retirement benefit payable for the month for which compensation is payable, determined pursuant to Section 19 of this act.~~ to be determined each year by the Trustees. The Trustees, as such, including the chairman and the vice-chairman, shall serve without compensation. The Trustees may authorize reimbursement by the Association to any officer or Trustee of the Association for all expenses incurred by such person in connection with services rendered in behalf of the Association.

Sec. 9. The Trustees shall elect a custodian of all funds and property of the Association, provided that such custodian shall have first offered proof satisfactory to the Trustees, by bond or otherwise, that it is and will be financially responsible for all property coming into its hands in a fiduciary capacity. Said custodian shall not release any of the funds or property of the Association for reasons other than investment of such funds or property except upon the written authorization of the Trustees.

The Trustees shall also elect an investment manager who may or may not be the same person as the custodian. Any such investment manager shall be a bank, or an insurance company, or an entity registered under the Investment Advisor's Act of 1940. The investment manager shall be authorized to invest and reinvest the funds or property of the Association in the investment manager's own judgment and discretion. The investment manager shall report to the Trustees on a periodic basis, but not less frequently than each calendar quarter. The investment manager (including said custodian when acting as investment manager) shall not be liable to the Association for any act of failure to act by it, except for gross negligence or willful misconduct.

Sec. 10. A special meeting of the Board of Trustees may be called by the chairman or vice-chairman, or by any two Trustees, upon 24 hours' written notice delivered in person to the members of said Board or mailed to the last known address of each member of said Board. A majority of the Trustees in office shall constitute a quorum at any meeting and a majority vote of the Trustees at a meeting at which a quorum is present shall constitute action by the Trustees.

Sec. 11. The chairman of the Board of Trustees, when present, shall preside at all meetings. In the absence of the chairman, the vice-chairman shall act as chairman.

Sec. 12. The secretary shall keep in complete form such data as shall be necessary for actuarial valuation of the funds of the Association and for checking the disbursements for and on behalf of the Association. He shall keep minutes of all proceedings of the Board of Trustees and of the Association, and the same shall be kept in a place selected by the Trustees. The treasurer of the Association shall post yearly at each fire station and at the office of fire administration, as soon as practicable following the end of each year, a financial statement of the Association.

Sec. 13. The treasurer of the Association shall deposit with the custodian all funds and property that may come into his hands for the Association. The said treasurer shall obtain a receipt from the custodian for all funds and property delivered to the custodian by the treasurer. Said custodian shall invest and reinvest such funds and property as directed by the investment manager appointed under Section 9. Notwithstanding any contrary provisions of Section 9 or of this section, the Trustees are specifically authorized and empowered to invest funds of the Association by depositing such funds with the Winston-Salem Firemen's Credit Union on condition that the Association shall receive interest at an annual rate agreed upon by the Association and such credit union.

Sec. 14. The custodian and the investment manager shall receive compensation for services rendered as may be agreed upon from time to time in writing by the Trustees and by the custodian (with respect to services rendered by the custodian) or the investment manager (with respect to services rendered by the investment manager). The Trustees shall have the authority to employ legal counsel when, in the opinion of the Trustees, legal counsel is necessary. In case of such employment, said counsel shall be paid such fees as may be fair and reasonable as agreed upon in writing by the Trustees and the counsel so employed.

Sec. 15. On or before August 31, 1987, the Board of Trustees of the Winston-Salem Firemen's Relief Fund shall transfer to the Board of Trustees of the Winston-Salem Firemen's Retirement Fund Association out of properties and funds belonging to the Winston-Salem Firemen's Relief Fund the sum of fifty-four thousand dollars ($54,000) in cash or assets. The assets so transferred pursuant to the immediately preceding sentence shall be transferred upon the basis of the fair market value thereof as of the date of transfer, and the particular assets to be transferred shall be determined by joint action of the Board of Trustees of the Winston-Salem Firemen's Relief Fund and the Board of Trustees of the Winston-Salem Firemen's Retirement Fund Association. All property of the Association is hereby relieved from any and all claims of the persons entitled to relief from the Winston-Salem Firemen's Relief Fund. The North Carolina Firemen's Association, its officers, members, boards and committees, are also hereby relieved of any claim of any kind whatsoever which may be based on past service, present service or future service in the Winston-Salem Fire Department. The Winston-Salem Firemen's Relief Fund and the officers, members, boards and committees of said Fund, are also hereby relieved of any claim of any kind whatsoever which may be based on past, present or future service in the Winston-Salem Fire

Department, if any, so long as any claimant is entitled to benefits or pension under the provisions of this act.

Sec. 16. (a) Notwithstanding the provisions of subsection (b) immediately following, if a person who shall not be a member of the Association shall be transferred to the employment of the Fire Department from the employment of the City of Winston-Salem (hereinafter referred to as the City), the following provisions shall apply in determining whether he shall be a member of the Association following such transfer:

(1) If he shall have attained at least his 18th birthday and shall not have attained his 40th birthday on the date of such transfer, he shall automatically become a member on such date of transfer. In determining such transferred employee's number of years of continuous employment by the City, employment with the City prior to such transfer shall be taken into account only if such employee shall elect to contribute to the Association the sum of (i) plus (ii) plus (iii), where (i) is the amount of twelve dollars ($12.00) per month, measured from the date of his hire by the City until earlier of the date of such transfer and June 30, 1998; (ii) is the aggregate amount that the person would have contributed, determined in accordance with Section 17 of this act, measured from July 1, 1998, until the date of the transfer, if the transfer occurs on or after July 1, 1998; and (iii) is interest accrued at the rate of eight percent (8%) with respect to any payments made on and after July 1, 1989, per annum, compounded annually on the amount accrued as of the end of each fiscal year of the Association.

(2) If he shall have attained at least his 40th birthday on the date of transfer, but had not attained such birthday when last employed by the City, he may elect within 90 days following such transfer to become a member. If he elects to become a member, he shall contribute to the Association the amount he would have contributed if he had become a member on the day next preceding his 40th birthday. In addition, at the option of such employee, he may further elect to contribute such additional amount as he would have contributed prior to his 40th birthday if his employment with the City had been with the Fire Department. Any such contributions shall include interest at the rate of eight percent (8%), applicable to any payments made on and after July 1, 1989, per annum, computed on the amount accrued as of the end of each fiscal year of the Association.

(3) If he shall have attained at least his 40th birthday when last employed by the City, he shall be ineligible to become a member following such transfer.

(4) The elections specified in subdivisions (1) and (2) hereof shall be made in writing to the Trustees within 90 days following such transfer, and shall be irrevocable when made (subject to termination of membership upon subsequent separation from employment with the

Fire Department). Any contributions (and interest) payable pursuant to such election shall be paid in cash in a lump sum at the time such election shall be filed.

(b) Notwithstanding the provisions of subsection (a) of Section 2 hereof, as soon as practicable following April 3, 1979, (but in no event more than 60 days thereafter), the Trustees gave each person who was then employed by the City of Winston-Salem as a Public Safety Officer an election to be a member or not to be a member of the Association. Each such election was to be made in accordance with procedures established by the Trustees and was irrevocable when made (subject to termination of membership upon a subsequent separation from the employment of the City, and subject to the provisions of subsection (a) of this Section 16). If a Public Safety Officer failed to file a timely election, he was deemed to have elected not to be a member. If a Public Safety Officer who was a member on the date of the election elected to discontinue membership (or shall have been deemed to have so elected), within 30 days following such date there should have been refunded to him the full amount of his prior contributions to the Association, if any, without interest. If a Public Safety Officer who failed to make contributions prior to the election date elected to be a member, he shall have within 30 days following such election paid to the Association the full amount he would have contributed if he had made required contributions during the entire period that he was eligible to be a member. Such contributions included interest at the rate of six percent (6%) per annum, computed on the amount accrued as of the end of each fiscal year of the Association.

(c) Any member whose employment by the Fire Department as a Public Safety Officer shall be terminated on or after June 27, 1981, for any reason, including transfer to another department in the employment of the City, shall be terminated immediately as a member; provided, that any member who is transferred on or after July 1, 1981, to another department of the City in a fire-related job shall not become a terminated member if the following conditions are met: (i) within 15 days following the date of such transfer he shall file with the Trustees a written election to continue as a member; and (ii) such member shall be notified in writing by the secretary of the Association on or before the date of transfer of his right to make the election. If a terminated member shall reenter employment of the Fire Department, his eligibility to become a member shall be determined at that time in accordance with Section 2 hereof, except to the extent such individual may be entitled to elect to become a member upon a transfer of employment as provided in subsection (a) of this Section 16.

(d) In determining the number of years of continuous employment of a member, there shall be taken into account all years for which he shall make contributions in accordance with subsection (a) or (e) of this Section 16 or Section 19. For purposes of computing a member's years of continuous employment with the City, any period of unused sick leave with the Fire Department accrued by the member on the date of his retirement shall be deemed to be a period of continuous employment with the Fire Department.

(e) If any member of the Association was employed by the Fire Department as a cadet, such member's number of years of employment as a cadet may be added to the

period of his continuous employment with the City if, by July 31, 1981, such member contributed to the Association an amount equal to twelve dollars ($12.00) per month for the time he was a cadet, plus interest at the rate of six percent (6%) per annum, computed on the amount accrued as of the end of each fiscal year of the Association.

(f) If a member has been employed by the City continuously for a period of 10 years and has any military service, and is not otherwise treated under Section 26 as being in the employment of the City during the period of such military service, the period of such military service shall nevertheless be added to his period of continuous employment with the City upon such member's paying to the Association an amount equal to twelve dollars ($12.00) for each month of such military service plus interest at the rate of eight percent (8%), applicable to any payments made on and after July 1, 1989, per annum, compounded annually. Such military service shall be limited to the initial period of active duty in the armed forces of the United States up to the time the member was first eligible to be separated or released therefrom, and subsequent periods of such active duty as required by the armed forces of the United States up to the date of first eligibility for separation or release therefrom. The member must submit evidence satisfactory to the Trustees of the military service claimed. Such election must be made within one year after the member first becomes eligible to contribute for such military service. Credit for military service under this subsection shall not be considered service creditable under another retirement system for purposes of G.S. 128-26(a).

(g) If an individual who is an active participant in the North Carolina Local Governmental Employees' Retirement System (the 'System') shall terminate service with the employer enabling the individual to participate in the System (the 'System Employer'), and shall immediately enter the employment of the Fire Department, he may elect to have his period of service under the System considered as continuous employment with the Fire Department for purposes of this act; provided, that such election shall be permitted only if the individual was under age 40 when he entered the employment of the System Employer. This election shall be made in writing to the Trustees within 90 days of the individual's commencement of employment with the Fire Department (or, with respect to an individual who becomes employed by the Fire Department prior to July 1, 1989, this election shall be made on or before September 30, 1989). The election, if made, shall be accompanied by a cash contribution to the Association equal to the sum of (i) plus (ii) plus (iii), where (i) is the amount of twelve dollars ($12.00) per month measured from the date of the person's hiring by the City until the earlier of the transfer and June 30, 1998; (ii) is the aggregate amount that the person would have contributed, determined in accordance with Section 17 of this act, measured from July 1, 1998, until the date of the transfer, if the transfer occurs on or after July 1, 1998; and (iii) is interest accrued at the rate of eight percent (8%) per annum, compounded annually on the amount accrued as of the end of each fiscal year of the Association. The election shall be irrevocable when made. If the election is not made in a timely fashion, the right to make the election is forfeited.

Sec. 17. The Treasurer of the City shall make a deduction from the salary of each member of the Association due him by the City. ~~The~~As of September 1, 2001, the amount of each such deduction shall be determined as of the first day of each ~~fiscal year~~

payroll period of the City, and shall be equal to the quotient (rounded up to the next whole dollar amount) obtained by dividing (i) the product, rounded to the nearest dollar, of .007 multiplied by the annual starting salary of a firefighter employed by the Fire Department in effect at the beginning of that ~~fiscal year;~~payroll period; by (ii) the number of payroll periods in that fiscal ~~year.~~year of the City. The amount so deducted shall be turned over as soon as practicable after the applicable payroll period by the said Treasurer to the custodian of the Association as hereinbefore provided, and the Association shall have the authority to accept donations from any and all sources whatsoever.

Sec. 18. If at any time there shall not be sufficient assets in the retirement fund of the Association to pay fully the persons entitled to benefits provided herein, such persons shall be paid such benefits on a pro rata basis to the extent the assets of such fund will allow, as shall be determined by the Trustees; provided, that the assets of such fund determined as of the close of any fiscal year of the Association shall in no event be less than one hundred thirty percent (130%) of the present value of current retirees determined as of the close of that fiscal year. Effective on or after July 1, 1998, the Trustees shall obtain a written report from the Association's actuary as of July 1 of each year evenly divisible by two, or more frequently if the Trustees deem advisable, setting forth the present value of the assets of the fund and the present value of current liabilities of current retirees.

Sec. 19. (a) Whenever any member of the Association has been employed by the City continuously for a period of at least 30 years, such member may make written application to the trustees for his normal retirement benefit, and whenever any member of the Association has been employed by the City continuously for a period of at least 25 years but not more than 30 years, such member may make written application to the Trustees for his early retirement benefit; provided, however, that such member must retire from the service of the City to receive such benefits. The normal and early retirement benefits of such member shall be a monthly pension for the remainder of his life, as provided herein below. For this purpose and for the purpose of Section 20 hereof, a member shall be deemed to have been employed by the City continuously if such member shall have been employed continuously by any combination of the Fire Department or Police Department (but only such employment by the Police Department as is described in subsection 16(b) and (c) hereof), and the transfer of a member from the employ of one of such organizations to the employ of the other such organization shall not be deemed to be a termination of employment by the City. Provided, that if a member has at least 25 years of employment with the City, but such service is not continuous solely because of a leave of absence lasting not more than a year and not described in Section 26, such member shall be deemed to have continuous employment with the City during such leave of absence; and provided further, that if a member has less than 25 years of employment with the City but the sum of his years of employment with the City plus any leave of absence lasting not more than one year and not described in Section 26, equals or exceeds 25 years, the period of such leave shall be deemed to be continuous employment with the City if such member contributes to the Association twelve dollars ($12.00) for each month he was on such leave, plus interest at the rate of

eight percent (8%), applicable to any payments made on and after July 1, 1989, per annum, computed on the amount accrued as of the end of each fiscal year of the Association.

(b) Effective beginning July 1, 1989, and ending June 30, 1990, the amount of the monthly pension for each member who is entitled to receive a normal retirement benefit (including members who retired prior to July 1, 1989) shall be two hundred dollars ($200.00). Effective beginning July 1, 1990, and ending June 30, 1998, the amount of the monthly pension for each member who is entitled to receive a normal retirement benefit, including members who retired prior to July 1, 1990, shall be two hundred fifteen dollars ($215.00). Effective on and after July 1, 1998, the amount of the monthly pension for each member who is entitled to receive a normal retirement benefit (including members who retired prior to that date) shall be two hundred five dollars ($205.00). The amount of the monthly pension for each member who is entitled to receive an early retirement benefit as of any date prior to July 1, 1998, shall be the product of (1) and (2), where (1) is the applicable percentage listed in the following table based on his years of continuous employment at his early retirement date, and (2) is the amount of the payment that he would have received as a normal retirement benefit under this section as of that date:

Years of Employment at Retirement Date	Percentage of Normal Retirement Benefit
25	85%
26	88%
27	91%
28	94%
29	97%

Effective on and after July 1, 1998, the amount of the monthly pension for each member who began receiving an early retirement benefit prior to July 1, 1998, shall be further reduced by multiplying the monthly pension amount by 0.9535.

(c) Effective on and after July 1, 1998, the amount of the monthly pension of each member who retires on or after that date and is entitled to receive an early retirement benefit shall be the product of (1) the applicable percentage listed in the following table based on the member's years of continuous employment at the member's early retirement date, and (2) the amount of the payment that the member would have received as a normal retirement benefit under this section as of that date:

Years of Employment at Retirement Date	Percentage of Normal Retirement Benefit
25	70%
26	76%
27	82%
28	88%
29	94%

Payment shall be subject to the provisions of Section 18 of this act. Section 16(d) governs the determinations of a member's years of continuous employment.

(d) Any benefit payable to a member pursuant to this Section 19 shall commence not later than the April 1 immediately following the calendar year in which the member attains age 70 and 1/2 or, if later, the April 1 immediately following the calendar year in which the member retires from the service of the City. Additionally, the distribution of any such benefit shall be made in accordance with the requirements of section 401(a) of the Internal Revenue Code, including the minimum distribution incidental benefit requirement of section 1.401(a)(9)-2 of the Treasury Regulations, which are incorporated herein by reference. With respect to distributions made for the calendar years beginning on or after January 1, 2001, the act will apply the minimum distribution requirements of section 401(a)(9) of the Internal Revenue Code in accordance with the regulations under section 401(a)(9) of the Internal Revenue Code that were proposed on January 17, 2001, notwithstanding any provision of the act to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under section 401(a)(9) of the Internal Revenue Code or such other date as may be specified in guidance published by the Internal Revenue Service.

(e) Notwithstanding any provision in this Section 19 to the contrary, effective as of December 12, 1994, the act shall at all times be construed and enforced according to the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994.

Sec. 20. Whenever any member of the Association becomes totally and permanently unable, because of infirmity or disease affecting mind or body (whether or not induced by injury) to perform his duties for the City, which inability shall be determined by a medical examination by a physician or physicians of good standing and repute selected by the Trustees, he shall be deemed to be a disabled member. If a disabled member has been employed by the City for at least five full years prior to suffering disability, he shall be entitled to retire and receive a monthly benefit payable for the remainder of his life.

Effective beginning July 1, 1989, and ending June 30, ~~1989,~~1990, the monthly benefit of a member who retires as a disabled member (including a member who retired as a disabled member prior to July 1, 1989) shall equal eight dollars ($8.00) times his years of service but in no event more than two hundred dollars ($200.00) per month. Effective beginning July 1, 1990, and ending June 30, 1998, the monthly benefit of a member (including a member who retires as a disabled member prior to this date) shall equal eight dollars and sixty cents ($8.60) times his years of service, but in no event more than two hundred fifteen dollars ($215.00) per month. Effective on and after July 1, 1998, the monthly benefit of a member who retires as a disabled member, including a member who retires as a disabled member prior to July 1, 1998, shall equal eight dollars and twenty cents ($8.20) times his years of service, but in no event more than two hundred five dollars ($205.00) per month. For this purpose only, years of service shall mean the number of his earned years of service in the employment of the City (as

determined pursuant to Section 16(d) of this act). Payments shall be subject to the provisions of Section 18 of this act.

Notwithstanding the foregoing provisions of this Section 20, in the case of a disabled member whose disability shall arise out of injuries incurred in fire safety activities, such as fire fighting, fire training and fire inspection, such monthly benefit shall in no event be less than forty dollars ($40.00) per month, whether or not such disabled member was employed by the City for at least five years prior to suffering such disability. The determination of whether such disability arises out of injuries incurred in fire safety activities shall be made by the Trustees.

Sec. 21. Any disabled member of the Association who retires under Section 19 hereof and who had not been employed by the City for a period of at least 30 years prior to retirement, shall be subject to call by the Trustees for reexamination by a physician of good standing and repute selected by the Trustees and, if based upon such examination it is determined by the Trustees that such member is able to perform active duties for the City, such member may be reinstated and receive for his services the same compensation paid to other employees of the City of his rank or classification. If such member, upon being called by the Trustees, shall refuse to submit to an examination or shall refuse to be reinstated to active duty in the employ of the City after being found to be able to perform active duty, such benefits as he is then receiving under the provisions of this act shall immediately terminate and his membership in this Association shall automatically terminate. But in the event that such member is physically unable to resume active employment, or in the event he is able and willing to resume active employment but no job with the City is open for him at such time, his pension or compensation shall continue until there shall be an opening for such member and he is reemployed by the City. For the purpose of this Section 21, employment with the City shall mean only employment with the Fire Department or Police Department (but employment with the Police Department shall be included only with regard to any such member who was employed with the Police Department prior to his retirement under Section 20 hereof).

Sec. 22. When any member of the Association shall resign or be dismissed from employment by the City (which for this purpose shall include only employment with the Fire Department or Police Department), he shall receive a sum of money equal to all monies paid into the Association by him. Upon the death of any member of the Association while in the employment of the City, a sum of money equal to all monies paid into the Association by such deceased member shall be paid to the beneficiary or beneficiaries designated in writing by such deceased member, or in default thereof, to his estate. If, after retirement, a member of the Association shall die before having received an amount equal to his contributions to the Association, there shall be paid to the beneficiary or beneficiaries designated by such member, or in default thereof to his estate, an amount equal to his contributions less the sum of retirement benefits paid to such member. The reimbursements provided in this Section 22 shall be in cash in a lump sum, unless otherwise determined by the Trustees with the consent in writing of the recipient thereof less interest, if any, previously contributed to the Association by the member pursuant to Section 16 or Section 19.

Sec. 23. No amount payable or held by the Association under this act for the benefit of any member or beneficiary thereof shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, nor shall any amount payable or held under this act for the benefit of any member or beneficiary thereof be in anywise liable for his debts, contracts, liabilities, engagements, or torts, nor be subject to any legal process to levy upon or attach, but the provisions of this Section 22 shall not be applicable as regards any dealings with or obligations to the Winston-Salem Firemen's Credit Union.

Sec. 24. Out of the amount paid to the Insurance Commissioner of the State of North Carolina upon the amount of all premiums on fire and lightning policies covering property situated in the corporate limits of the City, the Insurance Commissioner of the State of North Carolina shall pay annually to the Treasurer of the City ninety-five percent (95%), and the Treasurer of the City shall immediately pay over the same to the treasurer of the Association, or if the treasurer of the Association shall so direct, the Treasurer of the City shall pay such amount directly to the custodian.

Sec. 25. No member of this Association or Trustee shall be personally liable in any manner whatsoever to any person, association, firm or corporation by reason of his connection with, or act or acts on behalf of, said Association, unless such act or acts are fraudulently committed.

Sec. 26. If a member of the Association, or an employee of the Fire Department or Police Department who is not a member of the Association due to failure to meet the minimum age requirements of subsection 2(b) hereof, is granted a leave of absence from employment by the City on account of accidental injury or temporary illness, military service during time of active warfare, compulsory military service in time of peace, or other good cause, for the purpose of this act such employee shall be deemed to have remained in the employment of the City during the period of such leave of absence or any extension thereof if he shall return to active service with the City promptly following the end of the period of such leave of absence or extension thereof. During such leave of absence or extension thereof, the Treasurer of the City shall make no deductions from the salary, if any, of such member, and such member shall not otherwise be required to make any contributions to the Association during or with respect to such period.

Sec. 27. If any person entitled to benefits under this act shall be physically or mentally incapable of receiving or acknowledging receipt of such benefits, the Trustees, upon receipt of satisfactory evidence of such incapacity and that another person or institution is maintaining such person entitled to benefits, and that no guardian or committee has been appointed for him, may cause any benefits otherwise payable to him to be made to such person or institution so maintaining him.

Sec. 28. The provisions of this act shall be administered on an equitable and nondiscriminatory basis, it being the intent hereof that where the Trustees are given discretionary powers, such powers shall be exercised in an equitable manner and so as to prevent discrimination between persons similarly situated. All assets of the Association shall be administered for the exclusive benefit of the members of the Association and their beneficiaries, and as a fund to provide for such members or

beneficiaries the benefits provided in this act. It shall be impossible for any part of the principal or income of the retirement fund of the Association to be used for or diverted to purposes other than for the exclusive benefit of the members of the Association or their beneficiaries as provided in this act; except that the Trustees may use such assets to pay the reasonable expenses incurred in administering the said fund and any debts, liabilities or obligations of said fund. The assets and income of the fund shall be exempt from all taxes, including income taxes, imposed by the State of North Carolina or any political subdivision thereof.

Sec. 28A.(a) Upon termination of the Association or upon complete discontinuance of contributions to the Association, the rights of all members of the Association to benefits accrued to the date of the termination or discontinuance, to the extent then funded, are nonforfeitable.

(b) Forfeitures under the Association may not be applied to increase the benefits that any member would otherwise receive under the Association.

(c) Notwithstanding any provision of the Association to the contrary, the maximum annual benefit payable in the form of a straight life annuity from the Association on behalf of a member, when combined with any benefits from another qualified retirement plan maintained by the Fire Department of the City of Winston-Salem, shall not exceed the amount permitted by section 415 of the Internal Revenue Code.

(d) In addition to the other applicable limitations set forth in this act, and notwithstanding any other provision of this act to the contrary, for plan years beginning on or after January 1, 1996, the annual compensation of each member taken into account under this act shall not exceed the OBRA 1993 annual compensation limit. The OBRA 1993 annual compensation limit is one hundred fifty thousand dollars ($150,000), as adjusted by the Commissioner for increase in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost of living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (the "determination period") beginning in that calendar year. If a determination period consists of fewer than 12 months, the OBRA 1993 annual compensation limit shall be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12. If compensation for any prior determination period is taken into account in determining a member's benefits accruing in the current plan year, the compensation for that prior determination period is subject to the OBRA 1993 annual compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the first plan year beginning on or after January 1, 1996, the OBRA 1993 annual compensation limit is one hundred fifty thousand dollars ($150,000). Effective for plan years beginning on or after January 1, 2002, the OBRA 1993 annual compensation limit shall be two hundred thousand dollars ($200,000), as adjusted by the Commissioner for increases in the cost of living in accordance with section 401(a)(17(B) of the Internal Revenue Code.

(e) This subsection applies to distributions made on or after January 1, 2002. Notwithstanding any provision of this act to the contrary that would otherwise limit a

distributee's election under this subsection, a distributee may elect, at the time and in the manner prescribed by the Trustees, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. The following definitions shall apply for purposes of this subsection:

(1) Eligible rollover distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

a. Any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more;

b. Any distribution to the extent such distribution is required under section 401(a)(9) of the Internal Revenue Code; or

c. Any hardship distribution described in section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code.

(2) Eligible retirement plan. An eligible retirement plan is an individual retirement account described in section 408(a) of the Internal Revenue Code, an individual retirement annuity described in section 408(b) of the Internal Revenue Code, or a qualified trust described in section 401(a) of the Internal Revenue Code, that accepts the distributee's eligible rollover distribution.

(3) Distributee. A distributee includes a member or former member of the Association. In addition, the surviving spouse of a member or former member is a distributee with regard to the interest of the member or former member.

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

Sec. 29. The fiscal year of the Association shall end on June 30 of each year.

Sec. 30. Throughout this act, use of the masculine pronoun shall include the feminine.

Sec. 31. If any part or section of this act shall be declared unconstitutional or invalid by the Supreme Court of North Carolina or any other court of last resort of competent jurisdiction it shall in no wise affect the remainder of this act, and the remainder shall remain in full force and effect.

Sec. 32. All the laws and clauses of laws in conflict with the provisions of this act are hereby repealed."

SECTION 2. None of the provisions of this act shall create an additional liability for the Winston-Salem Firemen's Retirement Fund Association unless sufficient funds are available to pay fully for the liability.

SECTION 3. This act becomes effective July 1, 2003.

SENATE BILL 276:
Amend Winston-Salem Firemen's Retire. Fund.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Senator Horton
Date:	May 7, 2003	**Summary by:**	Karen Cochrane Brown
Version:	First Edition		Committee Counsel

SUMMARY:

Senate Bill 276 amends the Winston-Salem Firemen's Retirement Fund to authorize the Board of Trustees to set the compensation level for the secretary-treasurer of the Fund and to make the Fund comply with requirements for a qualified pension plan under the Internal Revenue Code.

CURRENT LAW:

The Winston-Salem Firemen's Retirement Fund was created in 1973, to provide retirement benefits to eligible employees of the city of Winston-Salem. The Fund provides a normal and an early retirement benefit and also provides a disability benefit.

BILL ANALYSIS:

Senate Bill 276 makes the following changes to the Fund:

- Authorizes the Board of Trustees to determine the compensation to be paid to the secretary-treasurer of the Fund on an annual basis, beginning September 1, 2001.
- Adds a provision that all benefits payable under the Fund must be made in accordance with section 401(a) of the Internal Revenue Code.
- Requires that, as of December 12, 1994, the provisions of the act shall be construed in accordance with the requirements of the federal Uniformed Services Employment and Reemployment Rights Act.
- Makes other changes to conform the law to applicable provisions of federal law.

This act becomes effective July 1, 2003.

AH. 13

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT.**

☐ Committee Substitute for
S.B. 276 A BILL TO BE ENTITLED AN ACT TO AMEND THE PROVISIONS OF THE WINSTON-SALEM FIREMEN'S RETIREMENT FUND.

☒ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

May 21, 2003

The House Committee on Pensions and Retirement met Wednesday, May 21, 2003, in Room 544 of the Legislative Office Building at 10:00 A.M. The following members were present: Chairs Bell and G. Wilson, Vice-Chair Yongue, Representatives B. Allen, Barbee, Kiser, McGee, McLawhorn, Rapp and Tolson. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 1)

Committee Chair, Representative Gene Wilson, called the meeting to order.

Representative Wilson recognized Senator Foxx to explain Senate Bill 31. AN ACT TO GIVE TEACHERS CREDIT FOR THE EXCESS PERSONAL LEAVE TIME THAT THEY EARN. (Attachment 2) Representative Allen made a motion for a favorable report and that it be re-referred to the committee on Appropriations. Representative Barbee seconded the motion and the motion passed.

Representative Gene Wilson recognized Representative Glazier to explain House Bill 219. AN ACT TO MODIFY AND MAKE PERMANENT THE OPTION FOR RETIRED TEACHERS TO RETURN TO THE CLASSROOM WITHOUT LOSS OF RETIREMENT BENEFITS. (Attachment 3) There was a heavy discussion about this bill and it was recommended by the bill sponsor (Rep. Glazier) that a Subcommittee for Pensions and Retirement be formed. Representative Yongue made a motion for a Subcommittee and the motion passed. The members appointed to the committee are as follows: Chair-Representative Rapp, Members-Representatives Glazier, McGee and McLawhorn. Co-Chair Representative Bell is the exofficio.

There being no further business, Representative Bell adjourned the meeting at 10:45 a.m.

Attachments

1. Visitation Registration Sheet

2. SB 31

3. HB 219

Respectfully submitted,

Rebecca Jones-Cooper
Committee Assistant

Representative Gene Wilson
Presiding Chair

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

DAY & DATE: **May 21, 2003**

TIME: **10:00 A.M.**

LOCATION: **544 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 219 – Modify Retired Teacher Option– Rep. Glazier
SB 31-Teacher Credit for Excess Personal Leave Sen. Foxx

Respectfully,
Representatives Bell and G. Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at 12:00 p.m. on **May 20, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Rebecca Jones-Cooper (Committee Assistant)

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE
ORGANIZATIONAL MEETING

May 21, 2003
10:00 a.m.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED

HB 219 – Modify Retired Teacher Option– REP. GLAZIER

SB 31-Teacher Credit for Excess Personal Leave SEN. FOXX

ADJOURNMENT

AH. 1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — May 21, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Frank Lewis	OSBM State Budget
Jan Ramquist	NCTA
Michael Houser	NCAE
Katherine Joyce	NCASA
Molly Ryan	NCSBA
Laura Harper	SEANC
Ardis Watkins	SEANC
John Mattox	GOV OFFICE
Julie Allen	NC Statewatch
Mavis Downs	NCAE
Marge Foreman	NCAE

AH 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S 2

SENATE BILL 31

Education/Higher Education Committee Substitute Adopted 4/24/03

Short Title: Teacher Credit for Excess Personal Leave. (Public)

Sponsors:

Referred to:

February 13, 2003

A BILL TO BE ENTITLED

AN ACT TO GIVE TEACHERS CREDIT FOR THE EXCESS PERSONAL LEAVE TIME THAT THEY EARN.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115C-302.1(d) reads as rewritten:

"(d) Personal Leave. – Teachers earn personal leave at the rate of .20 days for each full month of employment not to exceed two days per year. Personal leave may be accumulated ~~to a maximum of five days.~~ without any applicable maximum until June 30 of each year or at the time of retirement. A teacher may carry forward to July 1 a maximum of five days of personal leave; the remainder of the teacher's personal leave shall be converted to sick leave.

Personal leave may be used only upon the authorization of the teacher's immediate supervisor, but if the request is made at least five days in advance, the teacher cannot be required to provide a reason for the request. Unless approved by the principal, a teacher shall not take personal leave on the first day the teacher is required to report for the school year, on required teacher workdays, or on the day before or the day after holidays or scheduled vacation days. Teachers may transfer personal leave days between local school administrative units. The local school administrative unit shall credit a teacher who has separated from service and is reemployed within 60 months from the date of separation with all personal leave accumulated at the time of separation. Local school administrative units shall not advance personal leave. Teachers using personal leave receive full salary less the required substitute deduction."

SECTION 2. This act becomes effective July 1, 2003.

SENATE BILL 31:
Teacher Credit for Excess Personal Leave.

BILL ANALYSIS

Committee:	House Pensions & Retirement	**Introduced by:**	Senator Foxx
Date:	May 20, 2003	**Summary by:**	Theresa Matula
Version:	Second Edition		Committee Staff

SUMMARY: Senate Bill 31 allows teachers to accumulate personal leave without any maximum until June 30 of each year or at the time of retirement, and to carry forward to July 1 a maximum of five days of personal leave. Any additional accumulated personal leave would be converted to sick leave.

BILL ANALYSIS:

Section 1 of Senate Bill 31 amends G.S. 115C-302.1(d) to provide that personal leave may be accumulated without any applicable maximum until June 30 of each year or at the time of retirement. *(Currently personal leave may be accumulated up to a maximum of five days.)* A teacher may carry forward to July 1 a maximum of five days of personal leave. Personal leave days in excess of the five will be converted to sick leave.

Section 2 establishes an effective date of July 1, 2003.

BACKGROUND:

- Personal Leave began as an administrative rule adopted by the State Board. In 1997, the General Assembly codified this benefit as part of the revisions to the school calendar laws.
- Teachers earn personal leave at the rate of .20 days per month of employment, not to exceed two days per year.
- Under the Teachers' and State Employees' Retirement System (TSERS), G.S. 135-4(3) allows creditable service at retirement to include one month of credit for each 20 days of sick leave, or portion thereof. S.L. 2001-424, Sec. 32.28. removed the cap on sick leave creditable to retirement for members of the TSERS.

**Drupti Chauhan contributed to this summary.*
S31-SMSH-003

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Bell and G. Wilson** (Chairs) for the Committee on **PENSIONS & RETIREMENT**.

☒ Committee Substitute for
S.B. 31 A BILL TO BE ENTITLED AN ACT TO GIVE TEACHERS CREDIT FOR THE EXCESS PERSONAL LEAVE TIME THAT THEY EARN.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

Att. 3

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

H 1

HOUSE BILL 219*

Short Title:	Modify Retired Teacher Option.	(Public)
Sponsors:	Representatives Glazier; B. Allen, G. Allen, L. Allen, Bordsen, Carney, Church, Goforth, Goodwin, Gorman, Harrell, Hunter, LaRoque, Lucas, McLawhorn, Miller, Setzer, and Warren.	
Referred to:	Education, if favorable, Pensions & Retirement.	

March 5, 2003

A BILL TO BE ENTITLED

AN ACT TO MODIFY AND MAKE PERMANENT THE OPTION FOR RETIRED TEACHERS TO RETURN TO THE CLASSROOM WITHOUT LOSS OF RETIREMENT BENEFITS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-3(8)c. reads as rewritten:

"c. 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 during the 12-month period immediately following the effective date of retirement or 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 ~~six~~ two months and has not been employed in any capacity, except as a substitute teacher or a part-time tutor, with a public school for at least ~~six~~ two months immediately preceding the effective date of reemployment, shall not include earnings 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."

SECTION 2. G.S. 115C-325(a)(5a) reads as rewritten:

"(5a) "Retired teacher" means a beneficiary of the Teachers' and State Employees' Retirement System of North Carolina who has been retired at least ~~six~~two months, has not been employed in any capacity, other than as a substitute teacher or a part-time tutor, with a local board of education for at least ~~six~~two months, immediately preceding the effective date of reemployment, is determined by a local board of education to have had satisfactory performance during the last year of employment by a local board of education, and who is employed to teach as provided in G.S. 135-3(8)c. A retired teacher shall be treated the same as a probationary teacher except that (i) a retired teacher is not eligible for career status and (ii) the performance of a retired teacher who had attained career status prior to retirement shall be evaluated in accordance with a local board of education's policies and procedures applicable to career teachers."

SECTION 3. Subsection (d) of Section 28.24 of S.L. 1998-212, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"(d) This section becomes effective January 1, ~~1999, and expires June 30, 2004.~~ 1999."

SECTION 4. The introductory language of Section 67 of S.L. 1998-217, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"**SECTION 67.** Effective January 1, 1999, ~~through June 30, 2004,~~ G.S. 135-3(8)c., as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

SECTION 5. Subsection (b) of Section 67.1 of S.L. 1998-217, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"(b) This section becomes effective January 1, ~~1999, and expires June 30, 2004.~~ 1999."

SECTION 6. Subsection (c) of Section 32.25 of S.L. 2001-424, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"**SECTION 32.25.(c)** This section becomes effective July 1, ~~2001, and expires June 30, 2004.~~ 2001."

SECTION 7. This act becomes effective July 1, 2003.

North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
Legislative Services Office
16 W. Jones Street Room 2129
Raleigh, NC 27601-1030 Tel. (919) 733-7044

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

March 18, 2003

MEMORANDUM

TO: Representative Glazier

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 219

Re: Allows retirees to be reemployed to teach two months after retirement with no earnings restrictions in the Teachers' and State Employees' Retirement System and removes the sunset on this timeframe that this is allowed.

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, March 11, 2003
(3) Actuarial Note. Hartman & Associates, March 18, 2003

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 219

SHORT TITLE: Modify Retired Teacher Option

SPONSOR(S): Representative Glazier

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Under the present law, a retiree is allowed to earn in any calendar year or the 12 months immediately following retirement, 50% of the salary earned during the 12 months of service prior to retirement or $24,180, whichever is greater. The present law any re-employment earnings restrictions for any retiree who returns as a teacher, who has not been employed in any capacity, other than as a substitute or part-time tutor, with a public school for the six months immediately preceding the date of re-employment. The present law is scheduled to sunset on June 30, 2004.

This bill reduces the six months of separation to two month of separation and completely removes the sunset and makes it a permanent part of the law.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: The System's actuary, Buck Consultants estimates the co to be 0.36% to completely remove the June 30, 2004 sunset of this reemployment provision for teachers and 0.16% to reduce the required break in service from six months to two months for a total cost of 0.52% of the payroll of all members of the Teachers' and State Employee's Retirement System.

Cost to Remove Sunset	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General Fund	$27.1M	$28.9M	$30.9M	$33.0M	$35.2M
Highway Fund	$ 1.3M	$ 1.4M	$ 1.5M	$ 1.6M	$ 1.7M
Receipt Funds	$ 8.7M	$ 9.3M	$ 9.9M	$10.6M	$11.3M
TOTAL COST	$37.1M	$39.6M	$42.3M	$45.2M	$48.2M

Cost for Two Months	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General Fund	$12.0M	$12.8M	$13.7M	$14.6M	$15.6M
Highway Fund	$ .6M	$ .6M	$ .7M	$ .7M	$ .8M
Receipt Funds	$ 3.9M	$ 4.1M	$ 4.4M	$ 4.7M	$ 5.0M
TOTAL COST	$16.5M	$17.6M	$18.8M	$20.1M	$21.4M

	2003-04	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General Fund	$39.1M	$41.8M	$44.6M	$47.6M	$50.8M
Highway Fund	$ 1.9M	$ 2.0M	$ 2.1M	$ 2.3M	$ 2.5M
Receipt Funds	$12.6M	$13.5M	$14.4M	$15.3M	$16.4M
TOTAL COST	$53.6M	$57.3M	$61.1M	$65.2M	$69.7M

The General Assembly's actuary, Hartman & Associates, estimates the cost to be 0.27% to completely remove the June 30, 2004 sunset of this reemployment provision for teachers and 0.20% to reduce the required break in service from six months to two months for a total cost of 0.47% of the payroll of all members of the Teachers' and State Employee's Retirement System.

Cost to Remove Sunset	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General Fund	$20.3M	$21.7M	$23.1M	$24.7M	$26.4M
Highway Fund	$ 1.0M	$ 1.1M	$ 1.1M	$ 1.2M	$ 1.3M
Receipt Funds	$ 6.5M	$ 7.0M	$ 7.5M	$ 8.0M	$ 8.5M
TOTAL COST	$27.8M	$29.7M	$31.7M	$33.9M	$36.2M

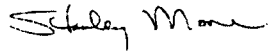
Cost for Two Months	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General Fund	$15.0M	$16.1M	$17.1M	$18.3M	$19.5M
Highway Fund	$ .7M	$ .8M	$ .8M	$ .9M	$ 1.0M
Receipt Funds	$ 4.8M	$ 5.2M	$ 5.5M	$ 5.9M	$ 6.3M
TOTAL COST	$20.6M	$22.1M	$23.5M	$25.1M	$26.8M

	2003-04	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General Fund	$35.3M	$37.7M	$40.3M	$43.0M	$45.9M
Highway Fund	$ 1.7M	$ 1.9M	$ 2.0M	$ 2.1M	$ 2.2M
Receipt Funds	$11.4M	$12.2M	$13.0M	$13.9M	$14.8M
TOTAL COST	$48.4M	$51.8M	$55.3M	$59.0M	$62.9M

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, 2001 actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

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

PREPARED BY: Stanley Moore 

APPROVED BY: James D. Johnson, Director Fiscal Research Division



DATE: March 18, 2003

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

March 11, 2003

Ms. Pam Deardorff
Director of External Relations
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 219

Dear Ms. Deardorff:

We have received your letter of March 7 regarding House Bill 219 which affects the Teachers' and State Employees' Retirement System.

This proposed legislation appears to allow a retired member to be reemployed in a covered or non-covered position without an earnings restriction provided the retired member has been retired at least 2 months, has not been employed in any capacity, except as a substitute teacher or part-time tutor, with a public school for at least 2 months immediately preceding the effective date of reemployment, and is reemployed to teach. Currently, G.S. 135-3(8)c requires a retired member be retired at least six months and meet the other conditions indicated above in order to be entitled to the exemption from the earnings limitation.

Additionally, the current statute is scheduled to expire June 30, 2004. The proposed legislation eliminates this date, thus making permanent the proposed exemption.

The cost of this proposal is estimated to be 0.52% of payroll based on the December 31, 2001 valuation. We would also like to comment that the IRS requires an undefined "bona fide termination of employment" in order for qualified plans to offer reemployment. Should the IRS determine that 2 months does not constitute a "bona fide termination of employment," the Plan's qualified status could be at risk.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

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

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387 RET03-180

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

March 18, 2003

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

Re: House Bill 219: An Act to Modify and Make Permanent the Option for Retired Teachers to Return to the Classroom Without Loss Of Retirement Benefits

Dear Mr. Moore:

This bill would amend G.S. 135-3(8)c to reduce the period that a teacher must be retired to be exempt from the reemployment earnings restriction to 2 months. This bill also amends various sections of S.L. 1998-212, S.L. 1998-217 and S.L. 2001-424 to make the teacher reemployment options permanent in the Teachers' and State Employees' Retirement System (TSERS).

Currently, G.S. 135-3(8)c provides that 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 during the 12 month period immediately following retirement or 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, post-retirement earnings do not include amounts earned while employed to teach if the member was retired at least 6 months and had not been employed, except as a substitute teacher or a part-time tutor, with a public school during the 6 month period. This exclusion of earnings when reemployed to teach is currently set to expire June 30, 2004.

The impact of modifying the earnings exclusion is a likely acceleration of retirement of teachers who could then return to work without losing retirement benefits. During the period of reemployment, neither employee nor employer contributions are made on behalf of the member. Retirement benefits would be payable for a longer period but at a lower rate than if the employee continued in active service. The net financial impact of this bill on the TSERS is shown below for each

components of the change:

Change in Earnings Exclusion	Cost as % Payroll
make the current provision permanent	0.27%
reducing the retirement period to 2 months	0.20%
Total	0.47%

These values reflect an increase in the normal cost rate and provide for amortization of additional accrued liabilities over a 9 year period. These estimates are based on the most recent actuarial valuation prepared as of December 31, 2001, and data provided by you on TSERS members who are classroom teachers.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

HOUSE BILL 219:
Modify Retired Teacher Option.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Rep. Glazier
Date:	April 16, 2003	**Summary by:**	Karen Cochrane Brown
Version:	First Edition		Committee Counsel

SUMMARY: House Bill 219 amends the law governing the Teachers' and State Employees' Retirement System to reduce the break in service requirement for retired teachers who return to teaching from six months to two months. The bill also permanently eliminates the earnings limitation, which applies to other public employees, for retired teachers.

CURRENT LAW:

Under current law, a retiree from the Teachers' and State Employees' Retirement System may return to employment with an employer who participates in the system and earn up to 50% of the salary earned during the last year of service or $24,180.00, whichever is greater, during the 12 month period immediately following retirement or in any calendar year. If the retiree earns more than this amount the retirement allowance is suspended. Since 1998, teachers have been exempted from this limitation. Currently, a retired teacher who has not been employed in any capacity, other than as a substitute or part-time tutor, for the six month period immediately preceding the date of re-employment with a public school can earn a full salary while still receiving a full retirement allowance.

Last year, this exemption was extended until June 30, 2004.

BILL ANALYSIS:

This bill removes the sunset of June 30, 2004, and makes this provision permanent. It also reduces the period of separation from service from six months to two months.

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

June 11, 2003

The House Committee on Pensions and Retirement met Wednesday, June 11, 2003, in Room 544 of the Legislative Office Building at 10:00 A.M. The following members were present: Chairs Bell and G. Wilson, Vice-Chairs McCombs and Yongue, Representatives B. Allen, Barbee, Kiser, McGee, Munford, McLawhorn, Rapp and Tolson. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 1)

Committee Chair, Representative Larry Bell, called the meeting to order.

Representative Bell recognized Representative Rapp to speak on House Bill 219 AN ACT TO MODIFY AND MAKE PERMANENT THE OPTION FOR RETIRED TEACHERS TO RETURN TO THE CLASSROOM WITHOUT LOSS OF RETIREMENT BENEFITS. (Attachment 2) A Proposed Committee Substitute was introduced to the committee. (Attachment 3) Representative Tolson made a motion for the Proposed Committee Substitute to be heard. The motion passed. Representative McCombs made a motion for a favorable report as to committee substitute, which changes the title, unfavorable as to original bill. The motion passed. (Attachment 4)

Representative Bell recognized Representative Insko to speak on House Bill 993. AN ACT TO PROVIDE FOR RECIPROCITY BETWEEN THE OPTIONAL RETIREMENT PROGRAM FOR STATE INSTITUTIONS OF HIGHER EDUCATION AND THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM. (Attachment 5) A Proposed Committee Substitute was offered to the committee (Attachment 6). Representative Barbee made a motion for the Proposed Committee Substitute to be heard. The motion passed. Representative Yongue made a motion for a favorable report as to committee substitute, unfavorable as to

original bill and recommendation that the committee substitute bill be re-referred to the committee on Appropriations. The motion passed. (Attachment 7).

There being no further business, Representative Bell adjourned the meeting at 10:55 a.m.

Attachments

1. Visitation Registration Sheet

2. House Bill 219

3.Committee Substitute for 219

4. Report for House Bill 219

5. House Bill 993

6. Committee Substitute for 993

7. Report for House Bill 993

Respectfully submitted,

Rebecca Jones-Cooper
Committee Assistant

Representative Larry Bell
Presiding Chair

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

June 11, 2003
10:00 a.m.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED:

HB 219 – MODIFY RETIRED TEACHER OPTION
REP. GLAZIER

HB 993 – RECIPROCITY / OPTIONAL RETIREMENT SYSTEM
REP. INSKO

ADJOURNMENT

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — JUNE 11, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Frank Lewis	OSBM
Mary Davis	NCAE
Pat Patton	NRC
Molly Ryan	NCSBA
Laura Harper	SEANC
Katherine Joyce	NCASA
Evelyn Blackmon	CHOR
Julie Allen	NC Statewatch
Michael Houser	NCAE
Paul Meyer	NCACC
Jean Hackney	NCPE
ELLIS HANKINS	NCLM
Andy Joe	SEANC

Att 1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — JUNE 11, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ann Carpenter	NCPC
Beth Anne Mumpers	NCPC
Carolyn McKinney	NCAE
David Anders	PFPNC
Bobby Beddle	PFPNC

AH.2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 219*

Short Title:	Modify Retired Teacher Option.	(Public)
Sponsors:	Representatives Glazier; B. Allen, G. Allen, L. Allen, Bordsen, Carney, Church, Goforth, Goodwin, Gorman, Harrell, Hunter, LaRoque, Lucas, McLawhorn, Miller, Setzer, and Warren.	
Referred to:	Education, if favorable, Pensions & Retirement.	

March 5, 2003

A BILL TO BE ENTITLED

AN ACT TO MODIFY AND MAKE PERMANENT THE OPTION FOR RETIRED TEACHERS TO RETURN TO THE CLASSROOM WITHOUT LOSS OF RETIREMENT BENEFITS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-3(8)c. reads as rewritten:

"c. 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 during the 12-month period immediately following the effective date of retirement or 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 ~~six~~ two months and has not been employed in any capacity, except as a substitute teacher or a part-time tutor, with a public school for at least ~~six~~ two months immediately preceding the effective date of reemployment, shall not include earnings 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."

SECTION 2. G.S. 115C-325(a)(5a) reads as rewritten:

"(5a) "Retired teacher" means a beneficiary of the Teachers' and State Employees' Retirement System of North Carolina who has been retired at least ~~six~~two months, has not been employed in any capacity, other than as a substitute teacher or a part-time tutor, with a local board of education for at least ~~six~~two months, immediately preceding the effective date of reemployment, is determined by a local board of education to have had satisfactory performance during the last year of employment by a local board of education, and who is employed to teach as provided in G.S. 135-3(8)c. A retired teacher shall be treated the same as a probationary teacher except that (i) a retired teacher is not eligible for career status and (ii) the performance of a retired teacher who had attained career status prior to retirement shall be evaluated in accordance with a local board of education's policies and procedures applicable to career teachers."

SECTION 3. Subsection (d) of Section 28.24 of S.L. 1998-212, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"(d) This section becomes effective January 1, ~~1999, and expires June 30, 2004.~~ 1999."

SECTION 4. The introductory language of Section 67 of S.L. 1998-217, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"**SECTION 67.** Effective January 1, 1999, ~~through June 30, 2004,~~ G.S. 135-3(8)c., as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

SECTION 5. Subsection (b) of Section 67.1 of S.L. 1998-217, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"(b) This section becomes effective January 1, ~~1999, and expires June 30, 2004.~~ 1999."

SECTION 6. Subsection (c) of Section 32.25 of S.L. 2001-424, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"**SECTION 32.25.(c)** This section becomes effective July 1, ~~2001, and expires June 30, 2004.~~ 2001."

SECTION 7. This act becomes effective July 1, 2003.

North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
Legislative Services Office
16 W. Jones Street Room 2129
Raleigh, NC 27601-1030 Tel. (919) 733-7044

C. Goldman, Director
Administrative Division
16 W. Jones Street Room 9
Raleigh, NC 27601-1030
(919) 733-7500

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300 N. Salisbury St. Rm 401
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Fiscal Research Division
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(919) 733-6834

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

March 18, 2003

MEMORANDUM

TO: Representative Glazier

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note House Bill 219

Re: Allows retirees to be reemployed to teach two months after retirement with no earnings restrictions in the Teachers' and State Employees' Retirement System and removes the sunset on this timeframe that this is allowed.

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, March 11, 2003
(3) Actuarial Note. Hartman & Associates, March 18, 2003

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 219

SHORT TITLE: Modify Retired Teacher Option

SPONSOR(S): Representative Glazier

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Under the present law, a retiree is allowed to earn in any calendar year or the 12 months immediately following retirement, 50% of the salary earned during the 12 months of service prior to retirement or $24,180, whichever is greater. The present law any re-employment earnings restrictions for any retiree who returns as a teacher, who has not been employed in any capacity, other than as a substitute or part-time tutor, with a public school for the six months immediately preceding the date of re-employment. The present law is scheduled to sunset on June 30, 2004.

This bill reduces the six months of separation to two month of separation and completely removes the sunset and makes it a permanent part of the law.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: The System's actuary, Buck Consultants estimates the co[illegible] to be 0.36% to completely remove the June 30, 2004 sunset of this reemployment provision fo[illegible] teachers and 0.16% to reduce the required break in service from six months to two months for a total cost of 0.52% of the payroll of all members of the Teachers' and State Employee's Retirement System.

Cost to Remove Sunset	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$27.1M	$28.9M	$30.9M	$33.0M	$35.2M
Highway Fund	$ 1.3M	$ 1.4M	$ 1.5M	$ 1.6M	$ 1.7M
Receipt Funds	$ 8.7M	$ 9.3M	$ 9.9M	$10.6M	$11.3M
TOTAL COST	$37.1M	$39.6M	$42.3M	$45.2M	$48.2M

Cost for Two Months	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$12.0M	$12.8M	$13.7M	$14.6M	$15.6M
Highway Fund	$ .6M	$ .6M	$ .7M	$ .7M	$ .8M
Receipt Funds	$ 3.9M	$ 4.1M	$ 4.4M	$ 4.7M	$ 5.0M
TOTAL COST	$16.5M	$17.6M	$18.8M	$20.1M	$21.4M

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$39.1M	$41.8M	$44.6M	$47.6M	$50.8M
Highway Fund	$ 1.9M	$ 2.0M	$ 2.1M	$ 2.3M	$ 2.5M
Receipt Funds	$12.6M	$13.5M	$14.4M	$15.3M	$16.4M
TOTAL COST	$53.6M	$57.3M	$61.1M	$65.2M	$69.7M

The General Assembly's actuary, Hartman & Associates, estimates the cost to be 0.27% to completely remove the June 30, 2004 sunset of this reemployment provision for teachers and 0.20% to reduce the required break in service from six months to two months for a total cost of 0.47% of the payroll of all members of the Teachers' and State Employee's Retirement System.

Cost to Remove Sunset	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General Fund	$20.3M	$21.7M	$23.1M	$24.7M	$26.4M
Highway Fund	$ 1.0M	$ 1.1M	$ 1.1M	$ 1.2M	$ 1.3M
Receipt Funds	$ 6.5M	$ 7.0M	$ 7.5M	$ 8.0M	$ 8.5M
TOTAL COST	$27.8M	$29.7M	$31.7M	$33.9M	$36.2M

Cost for Two Months	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General Fund	$15.0M	$16.1M	$17.1M	$18.3M	$19.5M
Highway Fund	$ .7M	$ .8M	$ .8M	$ .9M	$ 1.0M
Receipt Funds	$ 4.8M	$ 5.2M	$ 5.5M	$ 5.9M	$ 6.3M
TOTAL COST	$20.6M	$22.1M	$23.5M	$25.1M	$26.8M

	2003-04	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General Fund	$35.3M	$37.7M	$40.3M	$43.0M	$45.9M
Highway Fund	$ 1.7M	$ 1.9M	$ 2.0M	$ 2.1M	$ 2.2M
Receipt Funds	$11.4M	$12.2M	$13.0M	$13.9M	$14.8M
TOTAL COST	$48.4M	$51.8M	$55.3M	$59.0M	$62.9M

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, 2001 actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

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

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: March 18, 2003

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

March 11, 2003

Ms. Pam Deardorff
Director of External Relations
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 219

Dear Ms. Deardorff:

We have received your letter of March 7 regarding House Bill 219 which affects the Teachers' and State Employees' Retirement System.

This proposed legislation appears to allow a retired member to be reemployed in a covered or non-covered position without an earnings restriction provided the retired member has been retired at least 2 months, has not been employed in any capacity, except as a substitute teacher or part-time tutor, with a public school for at least 2 months immediately preceding the effective date of reemployment, and is reemployed to teach. Currently, G.S. 135-3(8)c requires a retired member be retired at least six months and meet the other conditions indicated above in order to be entitled to the exemption from the earnings limitation.

Additionally, the current statute is scheduled to expire June 30, 2004. The proposed legislation eliminates this date, thus making permanent the proposed exemption.

The cost of this proposal is estimated to be 0.52% of payroll based on the December 31, 2001 valuation. We would also like to comment that the IRS requires an undefined "bona fide termination of employment" in order for qualified plans to offer reemployment. Should the IRS determine that 2 months does not constitute a "bona fide termination of employment," the Plan's qualified status could be at risk.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

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

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387 RET03-130

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

March 18, 2003

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

Re: House Bill 219: An Act to Modify and Make Permanent the Option for Retired Teachers to Return to the Classroom Without Loss Of Retirement Benefits

Dear Mr. Moore:

This bill would amend G.S. 135-3(8)c to reduce the period that a teacher must be retired to be exempt from the reemployment earnings restriction to 2 months. This bill also amends various sections of S.L. 1998-212, S.L. 1998-217 and S.L. 2001-424 to make the teacher reemployment options permanent in the Teachers' and State Employees' Retirement System (TSERS).

Currently, G.S. 135-3(8)c provides that 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 during the 12 month period immediately following retirement or 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, post-retirement earnings do not include amounts earned while employed to teach if the member was retired at least 6 months and had not been employed, except as a substitute teacher or a part-time tutor, with a public school during the 6 month period. This exclusion of earnings when reemployed to teach is currently set to expire June 30, 2004.

The impact of modifying the earnings exclusion is a likely acceleration of retirement of teachers who could then return to work without losing retirement benefits. During the period of reemployment, neither employee nor employer contributions are made on behalf of the member. Retirement benefits would be payable for a longer period but at a lower rate than if the employee continued in active service. The net financial impact of this bill on the TSERS is shown below for each

components of the change:

Change in Earnings Exclusion	Cost as % Payroll
make the current provision permanent	0.27%
reducing the retirement period to 2 months	0.20%
Total	0.47%

These values reflect an increase in the normal cost rate and provide for amortization of additional accrued liabilities over a 9 year period. These estimates are based on the most recent actuarial valuation prepared as of December 31, 2001, and data provided by you on TSERS members who are classroom teachers.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

AH-3

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 219*
PROPOSED COMMITTEE SUBSTITUTE H219-CSRO-27 [v.2]

6/11/2003 9:06:51 AM

Short Title: Study Reemployment of Retirees. (Public)

Sponsors:

Referred to:

March 5, 2003

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE LEGISLATIVE STUDY COMMISSION ON REEMPLOYMENT AFTER RETIREMENT FOR TEACHERS AND STATE EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1.(a) There is established the Legislative Study Commission on Reemployment After Retirement for Teachers and State Employees. The Study Commission shall study the costs and benefits of modifying or eliminating the limitations on reemployment after retirement for teachers and state employees, including whether the option for retired teachers to return to the classroom without loss of retirement benefits should be made permanent. The Study Commission shall conduct several public hearing to seek input from employers and employees concerning the short and long term needs for experienced workers. In conducting the study, the Commission shall obtain input and support from the Retirement System Division of the Department of State Treasurer regarding the cost of the options and the number of positions likely to be affected.

SECTION 1.(b). The Study Commission shall consist of 10 members appointed as follows:

(1) Five members appointed by the President Pro Tempore of the Senate. All five shall be members of the Senate at the time of appointment. One member shall have served within the last two years as a chair, cochair, or vice chair of the Senate Committee on Pensions and Retirement and Aging.

(2) Five members appointed by the Speaker of the House of Representatives. All five shall be members of the House of Representatives at the time of appointment. One member shall have served within the last two years as a chair, cochair, or vice chair of the House of Representatives Committee on Pensions and Retirement.

SECTION 1.(c) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Study Commission from their appointees.

SECTION 1.(d) With the prior approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist in the work of the Legislative Study Commission on Reemployment After Retirement for Teachers and State Employees. With the prior approval of the Legislative Services Commission, the Study Commission may hold its meeting in the State Legislative Building or the Legislative Office Building.

SECTION 1.(e) The Study Commission shall submit a final written report of its findings and recommendations on or before the convening of the 2004 Regular Session of the 2003 General Assembly. All reports shall be filed with the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Legislative Librarian. Upon filing its final report, the Study Commission shall terminate.

SECTION 1.(f) Members of the Study Commission shall be paid per diem, subsistence, and travel allowances at the rate established in G.S. 120-3.1.

SECTION 1.(g) All State departments and agencies shall cooperate with the Study Commission and, upon request, shall furnish to the Study Commission and its staff any information in their possession or available to them.

SECTION 2. From funds appropriated to the General Assembly for the 2003-2005 fiscal biennium, the Legislative Services Commission shall allocate funds for the expenses of the Legislative Study Commission on Reemployment After Retirement for Teachers and State Employees.

SECTION 3. This act is effective when it becomes law.

AH-4

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Bell and G. Wilson** (Chairs) for the Committee on **PENSIONS & RETIREMENT**.

☐ Committee Substitute for
H.B. 219 A BILL TO BE ENTITLED AN ACT MODIFY AND MAKE PERMANENT THE OPTION FOR RETIRED TEACHERS TO RETURN TO THE CLASSROOM WITHOUT LOSS OF RETIREMENT BENEFITS.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

RICHARD H. MOORE
TREASURER

MICHAEL WILLIAMSON
DEPUTY TREASURER

May 30, 2003

Internal Revenue Service
TE/GE (T:EP:RA:T3)
Attention: Patrick McNelis
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Case Name: North Carolina Department of State Treasurer, Retirement Systems Division
Control Number: 911642914
Control Date: February 8, 2003

Dear Mr. McNelis:

On behalf of the North Carolina Retirement Systems Division, I would like to thank you and the other Internal Revenue Service staff who participated in our recent telephone conversation regarding our private letter request. I appreciate your willingness to look for answers to the questions posed by our General Assembly. We welcome the opportunity to meet in person with Treasury and IRS staff to further discuss what options might be available. To this end, I would appreciate suggestions from you as to who we should contact to schedule such a meeting. Please contact me or Debbie Potts, my Assistant, at (919) 508-5301 with a contact person and phone number.

As promised in our most recent telephone conversation, we would like to provide some additional information about the Teachers' and State Employees' Retirement System as background for our upcoming discussions. Our system provides unreduced retirement benefits to members after 30 years of service regardless of age, after age 60 provided the member has 25 or more years of service, or after age 65 provided the member has 5 or more years of service. The Retirement System also provides reduced retirement benefits to members after age 50 provided the member has 20 or more years of service or after age 60 provided the member has 5 years but less than 25 years of service.

In addition, the Retirement System provides unreduced retirement benefits to law enforcement officers after 30 years of service regardless of age or after age 55 provided the law enforcement officer has 5 years of law enforcement service. Reduced retirement benefits are provided after age 50 if the law enforcement officer has 15 years of law enforcement service.

325 NORTH SALISBURY STREET • RALEIGH, NORTH CAROLINA 27603-1385
Courier #56-20-45 • Telephone: (919) 733-4191 • Fax: (919) 508-5350
E-mail: nc_retirement@treasurer.state.nc.us • Web Page: http://www.treasurer.state.nc.us
An Equal Opportunity/Affirmative Action Employer

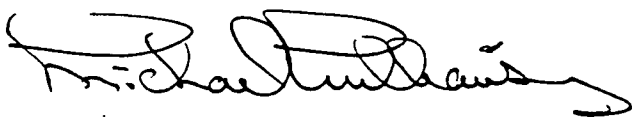
The statutes governing the Plan do not use the terms normal retirement or normal retirement age. However, the Plan's actuary considers normal retirement age as the first point a member qualifies for an unreduced retirement benefit.

Currently, a retired member who returns to non-covered employment is subject to certain earnings limitations. If these limitations are exceeded, the retired member's retirement benefit is reduced dollar for dollar but not below the portion of the benefit funded by the member's own contributions. If a retired member returns to covered employment, the retirement benefit is suspended; and the retired member again becomes a contributing member of the Plan.

The exception to the above (and the situation that our request addresses) involves retired members who have not been employed with a public school for at least six months (other than as a substitute or part-time tutor) and are re-employed to teach. Retired members reemployed under these conditions are not subject to the earnings limitations and do not contribute to the Plan (and accrue additional benefits) even if they are re-employed in a covered position. Therefore, our request does not concern retired members that will be re-enrolled in the System, make additional contributions, and accrue additional benefits.

If you should have any additional questions, you may contact me by telephone at (919) 508-5377. I look forward to hearing from you.

Sincerely yours,



Michael L. Williamson
Director

Cc: The Honorable Marian McLawhorn
The Honorable Ray Rapp
Mr. Stanley Moore

AH5

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 993

Short Title:	Reciprocity/Optional Retirement System.	(Public)
Sponsors:	Representative Insko.	
Referred to:	Pensions and Retirement.	

April 9, 2003

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR RECIPROCITY BETWEEN THE OPTIONAL RETIREMENT PROGRAM FOR STATE INSTITUTIONS OF HIGHER EDUCATION AND THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4A reads as rewritten:

"**§ 135-4A. Reciprocity of creditable service with other State-administered retirement ~~systems.~~systems and the Optional Retirement Plan for State institutions of higher education.**

(a) Only for the purpose of determining eligibility for benefits accruing under this Article, creditable service standing to the credit of a member of the Legislative Retirement System, the Consolidated Judicial Retirement System, ~~or~~ the Local Governmental Employees' Retirement ~~System~~ System, or the Optional Retirement Plan for State institutions of higher education under G.S. 135-5.1 shall be added to the creditable service standing to the credit of a member of this System; provided, that in the event a person is a retired member of any of the foregoing retirement systems, such creditable service standing to the credit of the retired member prior to retirement shall be likewise counted. In no instance shall service credits maintained in the aforementioned retirement systems be added to the creditable service in this System for application of this System's benefit accrual rate in computing a service retirement benefit unless specifically authorized by this Article.

(b) A person who was a former member of this System and who has forfeited his creditable service in this System by receiving a return of contributions and who has creditable service in the Legislative Retirement System, the Consolidated Judicial Retirement System, ~~or~~ the Local Governmental Employees' Retirement ~~System~~ System, or the Optional Retirement Plan for State institutions of higher education under G.S. 135-5.1 may count such creditable service for the purpose of restoring the creditable

service forfeited in this System under the terms and conditions as set forth in this Article and reestablish membership in this System.

(c) Creditable service under this section shall not be counted twice for the same period of time whether earned as a member, purchased, or granted as prior service credits."

SECTION 2. This act becomes effective July 1, 2003.

North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
Legislative Services Office
16 W. Jones Street Room 2129
Raleigh, NC 27601-1030 Tel. (919) 733-7044

Goldman, Director
Administrative Division
16 W. Jones Street Room 9
Raleigh, NC 27601-1030
(919) 733-7500

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

James D. Johnson, Director
Fiscal Research Division
300 N. Salisbury St. Rm 619
Raleigh, NC 27603-5925
(919) 733-4910

Dennis W. McCarty, Director
Information Systems Division
300 N. Salisbury St. Rm 400
Raleigh, NC 27603-5925
(919) 733-6834

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

May 6, 2003

MEMORANDUM

TO: Representative Insko

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 993

Re: Reciprocity/ Optional Retirement System

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, April 30, 2003
(3) Actuarial Note. Hartman & Associates, April 30, 2003

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 993

SHORT TITLE: Reciprocity/Optional Retirement System

SPONSOR(S): Representative Insko

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Some positions in the university system gives the employee the choice of participating in either the Teachers' & State Employees' Retirement System or the Optional Retirement Plan, which is a defined contribution plan whereby the employee contributes 6% of salary and the university contributes 6.84% of salary. In some instances, when an employee changes jobs, the employee will no longer be eligible to participate in the Optional Retirement Plan, so over a career where the employee might change jobs several times, they could be members of both systems. This change will simply allow the Teachers' & State Employees' Retirement System to use any service the employee has worked and participated in the Optional Retirement Plan to determine if they qualify for benefits.

For example, an employee comes to work with university and works ten years and was member of the State System. Then, the employee changes jobs and now can elect to participate in the Optional Retirement Plan and does so for next ten years. The employee terminates employment with a total of twenty years of service at age 55. Under present law, the employee could not receive a benefit from the State System until age 60 (reduced) or age 65 (unreduced). This change would cause the System to look at the total of 20 years service and age 55 to determine the qualification of a reduced early retirement but the retirement benefit would be calculated only on the ten years of service in the State System.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: Both, the Retirement System's actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, estimates the cost to be somewhat less than .01% of the payroll of the payroll of all members of the Teachers' and State Employees' Retirement System. Both actuaries realize the change would cost the System as a result of allowing employees to retire at a younger age than is allowed under the current law, but due to a lack of sufficient data of how many employees would be affected and the total service in the Optional Retirement Plan, they are not sure how much it will cost. The below cost is estimated to be the maximum annual cost.

	2003-04	**2004-05**	**2005-06**	**2006-07**	**2007-08**
General Fund	\$0.752M	\$0.803M	\$0.857M	\$0.915M	\$0.977M
Highway Fund	\$0.037M	\$0.039M	\$0.042M	\$0.045M	\$0.048M
Receipt Funds	\$0.242M	\$0.259M	\$0.276M	\$0.295M	\$0.315M
TOTAL COST	\$1.031M	\$1.101M	\$1.175M	\$1.255M	\$1.340M

ASSUMPTIONS AND METHODOLOGY: Teachers' & 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, 2001, actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

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

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: May 1, 2003

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

April 30, 2003

Ms. Joanne L. Scharer
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 993

Dear Ms. Scharer:

We have received your letter of April 28 regarding House Bill 993 which affects the Teachers' and State Employees' Retirement System and the Optional Retirement Program for state institutions of higher education.

This legislation appears to amend the provisions of G.S. 135-4A(a) and 135-4A(b) which relate to reciprocity of creditable service with other state-administered retirement systems by providing for reciprocity between the Optional Retirement Program for state institutions of higher education and the Teachers' and State Employees' Retirement System. The legislation adds the Optional Retirement Plan for state institutions of higher education under G.S. 135-5.1 to G.S. 135-4A(a) and 135-4A(b). It appears that the result of this legislation is that service in the Optional Retirement Program would be added to service in the Teachers' and State Employees' Retirement System for the sole purpose of determining eligibility for benefits in the Teachers' and State Employees' Retirement System or the Optional Retirement Program.

We do not have sufficient data to determine the cost of this legislation, however, we would expect the impact on the contribution rate under the Teachers' and Employees' Retirement System to be less than 0.01% 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, Consulting Actuary

EAM:sr

P:\North Carolina Teachers\2003\Correspondence\House Bill 993.doc
187-0001 RETI03-180

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

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

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

668 Link Road
Lexington, NC 27295

April 30, 2003

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

Re: House Bill 993: An Act to Provide for Reciprocity Between the Optional Retirement Program and the TSERS

Dear Mr. Moore:

This bill amends G.S. 135-4A to include service under the Optional Retirement Plan (ORP) for State institutions of higher education for purpose of determining eligibility of benefits in the Teachers' and State Employees' Retirement System (TSERS). Currently, this reciprocity of creditable service is allowed with the Local Governmental Employees' Retirement System (LGERS), the Consolidated Judicial Retirement System (CJRS) and the Legislative Retirement System (LRS). This act is effective July 1, 2003.

Including ORP service towards benefit eligibility would allow members with service in both systems to qualify for an early or service retirement allowance at a younger age. In general this would increase the value of benefits payable from the TSERS, increasing Plan costs. The data required to calculate the total financial impact on the TSERS is not currently available. However, based on the data provided, we estimate the cost would be less than 0.01% of payroll.

We have relied upon the most recent actuarial valuation prepared as of December 31, 2001 and certain data provided for 782 members with service in the TSERS and ORP. If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

Att 6

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 993
PROPOSED COMMITTEE SUBSTITUTE H993-CSSH-15 [v.1]

6/11/2003 9:44:01 AM

Short Title: Reciprocity/Optional Retirement System. (Public)

Sponsors:

Referred to:

April 9, 2003

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR RECIPROCITY BETWEEN THE OPTIONAL RETIREMENT PROGRAM FOR STATE INSTITUTIONS OF HIGHER EDUCATION AND THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4A reads as rewritten:

"**§ 135-4A. Reciprocity of creditable service with other State-administered retirement ~~systems.~~systems and the Optional Retirement Program for State institutions of higher education.**

(a) Only for the purpose of determining eligibility for benefits accruing under this Article, creditable service standing to the credit of a member of the Legislative Retirement System, the Consolidated Judicial Retirement System, ~~or~~ the Local Governmental Employees' Retirement ~~System~~ System, or the Optional Retirement Program for State institutions of higher education under G.S. 135-5.1 shall be added to the creditable service standing to the credit of a member of this System; provided, that in the event a person is a retired member of any of the foregoing retirement systems, such creditable service standing to the credit of the retired member prior to retirement shall be likewise counted. In no instance shall service credits maintained in the aforementioned retirement systems be added to the creditable service in this System for application of this System's benefit accrual rate in computing a service retirement benefit unless specifically authorized by this Article.

(b) A person who was a former member of this System and who has forfeited his creditable service in this System by receiving a return of contributions and who has creditable service in the Legislative Retirement System, the Consolidated Judicial Retirement System, ~~or~~ the Local Governmental Employees' Retirement ~~System~~ System, or the Optional Retirement Program for State institutions of higher education under G.S. 135-5.1 may count such creditable service for the purpose of restoring the creditable

service forfeited in this System under the terms and conditions as set forth in this Article and reestablish membership in this System.

(c) Creditable service under this section shall not be counted twice for the same period of time whether earned as a member, purchased, or granted as prior service credits."

SECTION 2. This act becomes effective July 1, 2003.

HOUSE BILL 993:
Reciprocity/Optional Retirement System

BILL ANALYSIS

Committee:	House Pensions & Retirement	**Introduced by:**	Representative Insko
Date:	June 11, 2003	**Summary by:**	Theresa Matula
Version:	PCS (H993-CSSH-15)		Committee Staff

SUMMARY: ***House Bill 993 provides reciprocity between the Optional Retirement Program for State institutions of higher education that the Teachers' and State Employees' Retirement System.***

The Proposed Committee Substitute (H993-CSSH-15) makes a technical change by changing Optional Retirement Plan to Optional Retirement Program so that it is consistent with references in G.S. 135-5.1.

BILL ANALYSIS:

Section 1 of House Bill 993 amends G.S. 135-4A under the provisions for the Teachers' and State Employees' Retirement System (TSERS) regarding the reciprocity of creditable service with other State-administered retirement systems. The amendment includes the Optional Retirement Program for State institutions of higher education. (Currently, reciprocity is extended to the Legislative Retirement System, the Consolidated Judicial Retirement System and the Local Governmental Employees' Retirement System.)

G.S. 135-4A(a) is amended to provide that for the purpose of determining eligibility for benefits, creditable service standing to the credit of a member of the Optional Retirement Program for State institutions of higher education under G.S. 135-5.1 shall be added to the creditable service standing to the credit of a member of the TSERS. The subsection further specifies that service credits maintained in the other systems shall not be added to the creditable service in the TSERS for application of the TSERS benefit accrual rate in computing a service retirement benefit, unless specifically authorized.

G.S. 135-4A(b) provides that a person who was a former member of the TSERS and who has forfeited his creditable service by receiving a return of contributions may count such creditable service for the purpose of restoring the creditable service forfeited in the TSERS, under the terms and conditions set forth, and reestablish membership.

G.S. 135-4A(c) provides that creditable service shall not be counted twice for the same period of time whether earned as a member, purchased, or granted as prior service credits.

Section 2 establishes that this act would become effective July 1, 2003.

BACKGROUND:

G.S. 135-5.1 authorizes an **Optional Retirement Program** for State institutions of higher education.

Administration: The Optional Retirement Program is implemented by the Board of Governors of The University of North Carolina and underwritten by the purchase of annuity contracts (fixed, variable, or a combination) or financed through the establishment of a trust. G.S. 135-5.1(d) provides that the Board of Governors shall designate the company or companies from which contracts are to be purchased or the trustee responsible for the investment of contributions under the Program. The Board of Governors may provide for the administration of the Program and may perform or authorize the performance of all functions necessary for its administration.

Eligible Employees: The Optional Retirement Program is for the benefit of administrators and faculty of the University of North Carolina (with the rank of instructor or above) and for employees of the University of North

Carolina who are appointed by the Board of Governors on recommendation of the President pursuant to G.S. 116-14, or appointed by the Board of Trustees of a constituent institution of The University of North Carolina upon the recommendation of the Chancellor pursuant to G.S. 116-40.22(b); and field faculty of the cooperative Agriculture Extension Service and tenure track faculty in the North Carolina State University agriculture research programs who are exempt from the State Personnel Act and eligible for membership in the TSERS.

G.S. 135-5.1(f) provides that any eligible employee electing to participate in the Optional Retirement Program is ineligible for membership in the Retirement System so long as he or she remains employed in any eligible position within The University of North Carolina, and in this event, he or she shall continue to participate in the Optional Retirement Program.

Contributions: The employing institution is required to contribute on behalf of each participant in the Optional Retirement Program an amount equal to a percentage of the participant's compensation as established by the General Assembly. Each participant shall contribute the amount that he or she would be required to contribute if a member of the Retirement System, participants may elect to contribute.

H993-SMSH-002

RECIPROCITY/ OPTIONAL RETIREMENT SYSTEM

H993

SPONSOR: REPRESENTATIVE VERLA INSKO

- There are state employees who have contributed to an Optional Retirement Program while working in higher education and…
- These employees *also* worked for a state agency and contributed to State Teachers and Employees Retirement System
- Currently, these employees, many of whom have worked for 20 or more years for the state, *cannot count the years they worked in higher education* toward total years of service for state retirement benefits.
- This bill simply amends current legislation to add higher education "Optional Retirement Plans" to those programs that the State Retirement System already approves for creditable service (for example, the *legislative retirement plan and local governmental employees retirement plan*).
- This bill **will not affect the benefit accrual rate**; employees will not receive a higher rate of annual benefit. The bill **will allow these employees to count all years of state service to determine *when* they are eligible to draw down the state retirement benefits that are due to them.**

Att 7

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 993 A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR RECIPROCITY BETWEEN THE OPTIONAL RETIREMENT PROGRAM FOR STATE INSTITUTIONS OF HIGHER EDUCATION AND THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

June 25, 2003

The House Committee on Pensions and Retirement met Wednesday, June 25, 2003, in Room 544 of the Legislative Office Building at 12:00 P.M. The following members were present: Chairs Bell and G. Wilson, Vice-Chairs McCombs and Yongue, Representatives Barbee, Kiser, McGee, Munford, McLawhorn and Rapp. . Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 1)

Committee Chair, Representative Larry Bell, called the meeting to order.

Representative Bell recognized Representative Hackney to speak on House Bill 1000 AN ACT TO MODIFY THE UNIVERSITY OF NORTH CAROLINA'S OPTIONAL RETIREMENT PLAN. (Attachment 2) There was a Proposed Committee Substitute offered to the committee. (Attachment 3) Representative Barbee made a motion for the Proposed Committee Substitute to be heard. The motion passed. An Amendment to the Proposed Committee Substitute was offered, (Attachment 4) and a motion was made by Representative McCombs to adopt the Amendment to the Proposed Committee Substitute. The motion passed. Representative Yongue made a motion for a favorable report as to the committee substitute, unfavorable to original bill. (Attachment 5)

Representative L. Allen was recognized to speak on House Bill 182. A BILL TO BE ENTITLED AN ACT TO NAME THE HALIFAX-NORTHAMPTON REGIONAL AIRPORT AUTHORITY, TO ALLOW DUPLIN COUNTY TO USE THE SINGLE-PRIME BIDDING METHOD FOR THE CONSTRUCTION OF DUPLIN COMMONS WITHOUT COMPLYING WITH CERTAIN STATUTORY REQUIREMENTS, AND CONCERNING THE INVESTMENT OF CERTAIN RETIREMENT AND EMPLOYEE BENEFIT FUNDS BY THE CITY OF FAYETTEVILLE. (Attachment 6) Representative Kiser made a motion that the House concur

and be re-referred to the Committee on Finance. The motion passed. (Attachment 7)

There being no further business, Representative Bell adjourned the meeting at 12:55 p.m.

Attachments

1. Visitor Registration Sheet

2. House Bill 10000

3. Proposed Committee Substitute for HB1000

4.Amendment to PCS for HB1000

5. Committee Report

6. House Bill 182

7. Committee Report

Respectfully submitted,

Rebecca Jones-Cooper
Committee Assistant

Representative Larry Bell
Presiding Chair

AH # 1

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — JUNE 25 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mark Elam	University System
Janet Ramquist	CTB
Dian Johnson	DOM
Joan Troy	NC WRC
Art Britt	NC DOA
Ken S. Leonard	OESR
Mac M.	Blue Ridge Parkway
Bill Rowe	NC Justice Center
Becky Brown	NC DOC
Barbara Jackson	NC DOL
Henry Sasser	NC DOL

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — JUNE 25 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Cyrus	NC State Grange
George Ivey	FRIENDS OF THE SMOKIES
Cam Cuc	BPM/HC
ELLIS HAWKINS	NCLM
Molly Ryan	NCSBA
Leanne Winner	NCSBA
Frank Lewis	OSBM
Kitty McCann	UNC OP
J B Milliken	VNC
Kevin FitzGerald	UNC
Andy Willis	NCSU

VISITOR REGISTRATION SHEET

Pensions & Retirement
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Andy Romanet	N.C.A.M
Gem Chen	CA CIA
Stam	State House
Vanessa Brown	Clinton City Schools
Shirley Williams	Clinton City Schools
Susan Smith	Sampson Co. School
Benita Jones-Tillman	Cumberland County Schools

Rebecca Jones (Rep. G. Wilson)

From: Carolyn Edwards (Rep. Bell)
Sent: Tuesday, June 24, 2003 4:17 PM
To: Emily Reynolds (Rep. Hackney); Rep. Joe Hackney
Subject: Pension and Retirement Committe Notice Date

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **PENSIONS AND RETIREMENT** will meet as follows:

DAY & DATE: **Wednesday, June 25, 2003**

TIME: **12:00 PM**

LOCATION: **LOB 544**

The following bill will be considered (Bill # & Short Title & Bill Sponsor):
HB-1000 AN ACT TO MODIFY THE UNIVERSITY OF NORTH CAROLINA'S OPTIONAL RETIREMENT PLAN. REP. HACKNEY

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **5:30 P.M.** on **Tuesday, June 24, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

June 25, 2003
12:00 P.M.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED:

HB-1000 AN ACT TO MODIFY THE UNIVERSITY OF NORTH CAROLINA'S OPTIONAL RETIREMENT PLAN REP. HACKNEY

HB-182 NORTHAMPTON / DUPLIN / FAYETTEVILLE LOCAL ACTS REP. L. ALLEN

HB-1031 LEO CREDITABLE SERVICE / WORKERS' COMPENSATION REP. GLAZIER

ADJOURNMENT

AH 2

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

HOUSE BILL 1000

Short Title:	Modify Optional Retirement Program.	(Public)
Sponsors:	Representatives Hackney; and Insko.	
Referred to:	Pensions and Retirement.	

April 10, 2003

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE UNIVERSITY OF NORTH CAROLINA'S OPTIONAL RETIREMENT PLAN.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5.1 reads as rewritten:

"**§ 135-5.1. Optional retirement program for State institutions of higher education.**

(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the Board of Governors of The University of North Carolina. The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of participants in the Program. Participation in the Optional Retirement Program shall be limited to university personnel who are eligible for membership in the Teachers' and State Employees' Retirement Program and who are:

(1) ~~administrators~~ Administrators and faculty of the University of North Carolina with the rank of instructor or ~~above, and for the benefit of:~~ above;

~~(1)~~(2) The President and ~~Employees~~ employees of the University of North Carolina who are appointed by the Board of Governors on recommendation of the President pursuant to G.S. 116-11(4), 116-11(5), and 116-14 or who are appointed by the Board of Trustees of a constituent institution of The University of North Carolina upon the recommendation of the Chancellor pursuant to G.S. 116-40.22(b); ~~and~~

(3) Nonfaculty instructional and research staff who are exempt from the State Personnel Act, as defined by the provisions of G.S. 126-5(c1)(8); and

~~(2)~~(4) Field faculty of the Cooperative Agriculture Extension Service, and tenure track faculty in North Carolina State University agriculture

research programs who are exempt from the State Personnel Act and who are eligible for membership in the Teachers' and State Employees' Retirement System pursuant to ~~GS 135-3(1),~~G.S. 135-3(1),

who in any of the cases described in this subsection (i) had been members of the Optional Retirement Program under the provisions of Chapter 338, Session Laws of 1971, immediately prior to July 1, 1985, or (ii) have sought membership as required in subsection (b), below. Under the Optional Retirement Program, the State and the participant shall contribute, to the extent authorized or required, toward the purchase of such contracts or deposited in such trust on the participant's behalf.

(b) Participation in the Optional Retirement Program shall be governed as follows:

(1) Those participating in the Optional Retirement Program immediately prior to July 1, 1985, under the provisions of Chapter 338, Session Laws of 1971, are deemed automatically enrolled in the Program as established by this section.

(2) Eligible employees initially appointed on or after July 1, 1985, shall at the same time of entering upon eligible employment elect (i) to join the Retirement System in accordance with the provisions of law applicable thereto or (ii) to participate in the Optional Retirement Program. This election shall be in writing and filed with the Retirement System and with the employing institution and shall be effective as of the date of entry into eligible service.

(3) An election to participate in the Optional Retirement Program shall be irrevocable. An eligible employee failing to elect to participate in the Optional Retirement Program at the time of entry into eligible service shall automatically be enrolled as a member of the Retirement System.

(4) No election by an eligible employee of the Optional Retirement Program shall be effective unless it is accompanied by an appropriate application for the issuance of a contract or contracts or trust participation under the Program.

(5) If any participant having less than ~~five years~~ one year coverage under the Optional Retirement Program leaves the employ of The University of North Carolina and either retires or commences employment with an employer not having a retirement program with the same company underwriting the participant's annuity contract, regardless of whether the annuity contract is held by the participant, a trust, or the Retirement System, the participant's interest in the Optional Retirement Program attributable to contributions of The University of North Carolina shall be forfeited and shall either (i) be refunded to The University of North Carolina and forthwith paid by it to the Retirement System and credited to the pension accumulation fund or (ii) be paid directly to the Retirement System and credited to the pension accumulation fund.

(c) Each employing institution shall contribute on behalf of each participant in the Optional Retirement Program an amount equal to a percentage of the participant's compensation as established from time to time by the General Assembly. Each participant shall contribute the amount which he or she would be required to contribute if a member of the Retirement ~~System.~~ System (the "required amount" as determined in subsection (c1) of this section). Contributions authorized or required by the provisions of this subsection on behalf of each participant shall be made, consistent with Section 414(h) of the Internal Revenue Code, by salary reduction according to ~~rules and regulations~~ policies and procedures established by The University of North Carolina.

(c1) If a participant is on leave of absence for the sole purpose of acquiring knowledge, talents, or abilities and to increase the efficiency of service to the University, for such leave totaling no more than six years, the participant shall be given the right to contribute the required amount according to policies established by The University of North Carolina. If the participant contributes the required amount, the University shall contribute an amount that would otherwise be required to be contributed pursuant to this section. To the extent that any such contribution by the participant or the University would otherwise exceed Internal Revenue Code Section 415(c), any such contribution shall be deposited in the Section 415(c) Plan maintained by the University.

(c2) Additional personal contributions may also be made by a participant by payroll deduction or salary reduction to an annuity or retirement income plan established pursuant to G.S. 116-17. Payment of contributions shall be made by the employing institution to the designated company or companies underwriting the annuities or the trustees for the benefit of each participant, and this employer contribution shall not be subject to any State tax if made under the Optional Retirement Program or, otherwise, by salary reduction.

(d) The Board of Governors of The University of North Carolina shall designate the company or companies from which contracts are to be purchased or the trustee responsible for the investment of contributions under the Optional Retirement Program, and shall approve the form and contents of such contracts or trust agreement. In making this designation and giving such approval, the Board shall give due consideration to the following:

(1) The nature and extent of the rights and benefits to be provided by these contracts or trust agreement for participants and their beneficiaries;

(2) The relation of these rights and benefits to the amount of contributions to be made;

(3) The suitability of these rights and benefits to the needs of the participants and the interest of the institutions of The University of North Carolina in recruiting and retaining faculty in a national market; and

(4) The ability of the designated company or companies underwriting the annuity contracts or trust agreement to provide these suitable rights and benefits under such contracts or trust agreement for these purposes.

Notwithstanding the provisions of this subsection, no contractual relationship established under the Optional Retirement Program pursuant to the authority granted by Chapter 338, Session Laws of 1971, is deemed terminated by the provisions of this section.

(e) The Board of Governors of The University of North Carolina may provide for the administration of the Optional Retirement Program and may perform or authorize the performance of all functions necessary for its administration.

(f) Any eligible employee electing to participate in the Optional Retirement Program is ineligible for membership in the Retirement System so long as he or she remains employed in any eligible position within The University of North Carolina, and, in this event, he or she shall continue to participate in the Optional Retirement Program.

(g) No retirement benefit, death benefit, or other benefit under the Optional Retirement Program shall be paid by the State of North Carolina, or The University of North Carolina, or the Board of Trustees of the Teachers' and State Employees' Retirement System with respect to any employee selecting and participating in the Optional Retirement Program or with respect to any beneficiary of that employee. Benefits shall be payable to participants or their beneficiaries only by the designated company in accordance with the terms of the contracts or trust agreement."

SECTION 2. This act is effective when it becomes law.

HOUSE BILL 1000:
Modify Optional Retirement Program.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Rep. Hackney
Date:	June 25, 2003	**Summary by:**	Karen Cochrane Brown
Version:	Proposed Committee Substitute H1000-PCS60380-LL-19		Committee Counsel

SUMMARY: ***The Proposed Committee Substitute for House Bill 1000 amends the law relating to the Optional Retirement Plan to allow nonfaculty instructional and research staff who are exempt from the State Personnel Act to be eligible to participate in the Plan.***

CURRENT LAW:

The Optional Retirement Program is a defined contribution plan which was established as an alternative to the Teachers' and State Employees' Retirement System for certain employees of the University of North Carolina. The Program is underwritten by the purchase of annuity contracts on behalf of participants. Eligible employees are required to make an irrevocable election to participate in either the Optional Retirement Program or the Teachers' and State Employees' Retirement System.

Under current law, the Program is available to administrators and faculty of the University with the rank of instructor or higher, members of the professional staff of the President of the University or of the Chancellor of a constituent institution, and certain faculty members in the Cooperative Agriculture Extension Service and the NCSU agriculture research program.

In 2001, the General Assembly established and Optional Retirement Program for community colleges. This bill does not affect that program.

BILL ANALYSIS:

House Bill 1000 amends the provision relating to participation in the Optional Retirement Program to extend eligibility for participation in the Program to nonfaculty instructional and research staff who are exempt from the State Personnel Act. However, the participants still must be eligible for membership in the Teachers' and State Employees' Retirement System.

H1000-SMRO-001

AH 3

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: Committee Substitute for House Bill 1000

SHORT TITLE: Modify Optional Retirement Program

SPONSOR(S): Representative Hackney

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

FUNDS AFFECTED: General Fund and receipt funds

BILL SUMMARY: Expands the eligibility of employees who would be able to chose between participation in the Teachers' & State Employees' Retirement System or the Optional Retirement Program to non-faculty instructional and research staff who are exempt from the State Personnel Act, as defined by the provisions of G. S. 126-5(c1)(8). This will expand the eligibility to about 2,276 additional employees who are presently members of the Teachers' & State Employees' Retirement System and if enacted would have a period of time to elect whether to remain in the Teachers' & State Employees' Retirement System, a defined benefit plan, or change to the Optional Retirement Program, a defined contribution plan.

EFFECTIVE DATE: When it becomes law

ESTIMATED IMPACT ON STATE: Both the actuary for the Teachers' and State Employees' Retirement System, Buck Consultants, and the actuary for the General Assembly used the assumption that those age 40 or more would continue in the Teachers' and State Employees' Retirement System and those under 40 would switch from Teachers' and State Employees' Retirement System to the Optional Retirement Program. Of the 2,276 employees earning any annual salary base of $105 million, 955 with an annual salary base of about $41.7 million are assumed to change retirement systems.

Both the actuary for the Teachers' and State Employees' Retirement System, Buck Consultants, and the actuary for the General Assembly agree that there would initially be some cost savings to the Teachers' and State Employees' Retirement System as a result of this change. The cost savings are similar to the effect when a large number of employees withdraw their contributions from the retirement system, thereby removing any liability to the system. However, over a long period of time, the cost will increase because of antiselection to the State Retirement System. This will occur as a result of the younger employees, when first hired, electing to be in the Optional Retirement Program and the older employees electing to be in the Teachers' and State Employee's Retirement System.

The contribution rate for the Teachers' and State Employees' Retirement System is assumed to be .22% of salary for the 2003-04 and 2.05% of salary for the 2004-05 year. The contribution rate for the Optional Retirement Program is assumed to be 6.84% of salary for each year in the future. The following cost estimates are based on the difference in these rates.

	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	$ 2.2M	$ 1.8M	$ 1.9M	$ 2.1M	$2.2M
Receipt Funds	$ 0.6M	$ 0.5M	$ 0.5M	$ 0.5M	$ 0.6M
TOTAL COST	**$ 2.8M**	**$ 2.3M**	**$ 2.4M**	**$ 2.6M**	**$ 2.8M**

ASSUMPTIONS AND METHODOLOGY: Teacher's & State Employees' Retirement System
The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2001 actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

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

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director, Fiscal Research Division

DATE: June 23, 2003

BUCK CONSULTANTS
A Mellon Financial Company℠
200 Galleria Parkway, N.W. Suite 1900
Atlanta, Georgia 30339-5945

June 18, 2003

Ms. Joanne L. Scharer
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 1000

Dear Ms. Scharer:

We have received your letter of May 5 regarding House Bill 1000 which affects the Teachers' and State Employees' Retirement System. This legislation also affects the Optional Retirement Program for state institutions of higher education, which we will not address since we are not the consulting actuaries for that Program.

This legislation appears to amend the provisions of G.S. 135-5.1 relating to those eligible to participate in the Optional Retirement Program. It is our understanding that, the amendments to subsection (a) are intended to clarify the current provisions relative to persons currently eligible to participate and to allow non-faculty instructional and research staff who are exempt from the State Personnel Act, as defined by G.S. 126-5(c1)(8), to participate. This legislation also appears to amend subsection (b) to change the vesting period from five years to one year. Subsection (c) is amended by what appears to be a definition of "required amount". Subsection (c1) adds new language which appears to clarify that ORP participants are eligible to continue contributions while on an educational leave of absence.

As a technical observation, the addition of the definition of "required amount" in subsection (c) makes the amount an ORP participant must contribute unclear.

We have determined the impact on the Teachers' and State Employees' Retirement System due to this legislation under three different scenarios. The scenarios and the associated cost of each are as follows:

1. The cost if all affected members have the option to change from the TSERS to the ORP as of July 1, 2003 would be negligible. However, if this legislation is extended to larger groups of members within the System, the impact could be significant.

2. The cost if all affected non-vested members as of July 1, 2003 have the option to change to the ORP as of July 1, 2003 would be negligible. However, if this legislation is extended to larger groups of members within the System, the impact could be significant.

3. The cost if all current affected members remain in the TSERS and only new hires after July 1, 2003 have the option to participate in the ORP or the TSERS is not known at this time. However, the employer contribution rate, as a percentage of payroll, would increase over time as younger members do not join the Retirement System and overall payroll decreases with the lack of new entrants to replace members who terminate or retire.

In addition, it is our understanding that employer contributions for non-vested members who leave the ORP are transferred to the Teachers' and State Employees' System. If the vesting period in the ORP is reduced from five years to one year, the amount transferred would be significantly reduced.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sr

P:\North Carolina Teachers\2003\Correspondence\House Bill 1000.doc

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

[redacted]RK V. HARTMAN, FSA, MAAA, MCA, EA

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

668 Link Road
Lexington, NC 27295

June 19, 2003

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

Re: House Bill 1000 Committee Substitute: An Act to Modify the UNC Optional Retirement Plan

Dear Mr. Moore:

The committee substitute to this bill would amend G.S. 135-5.1 to modify the Optional Retirement Program (ORP) for employees of the University of North Carolina system. Currently, certain employees of the UNC system may elect to participate in the North Carolina Teachers' and State Employees' Retirement System (TSERS) or in the ORP. The ORP is a defined contribution plan providing an account for employee contributions plus employer contributions at a rate established by the General Assembly. This bill would extend the eligibility requirement for participating in the ORP to include nonfaculty instructional and research staff who are exempt from the State Personnel Act. This act is effective when it becomes law.

You have requested analysis of this act under three methods of applying the expanded ORP eligibility requirements to current employees. These include:

1. All current members in effected positions would have the option to change from the TSERS to the ORP as of July 1, 2003. The member would have 90 days in which to make the election.

2. All non-vested members in effected positions would have the option to change from the TSERS to the ORP as of July 1, 2003. The member would have 90 days in which to make the election.

3. Only new hires after July 1, 2003 have the option to participate in the ORP.

Our analysis indicates that expanding the option to participate in the OPR to this group of employees would not currently create a

significant financial impact in the TSERS. Under the first two options shown above, initial savings would be produced in the TSERS due to a reduction in accrued liabilities for transferring employees. However, we would expect under all three scenarios that as new employees are hired, those at younger ages would be more likely to elect to participate in the ORP than those at older ages, producing a gradual increase the normal cost rate in the TSERS over time.

Our analysis is based on demographic data you provided regarding employees in positions impacted by this bill. This included 2,276 employees with current annual payroll of approximately $116.3 million. In our analysis we assumed those employes under age 40 would elect to participate in the ORP. This group contains 953 employees with annual payroll of $41.7 million, including 704 non-vested employees with $29.7 million payroll.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

AH 4

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 1000
PROPOSED COMMITTEE SUBSTITUTE H1000-PCS60380-LL-19

Short Title: Modify Optional Retirement Program. (Public)

Sponsors:

Referred to:

April 10, 2003

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE UNIVERSITY OF NORTH CAROLINA'S OPTIONAL RETIREMENT PLAN.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5.1(a) reads as rewritten:

"(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the Board of Governors of The University of North Carolina. The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of participants in the Program. Participation in the Optional Retirement Program shall be limited to university personnel who are eligible for membership in the Teachers' and State Employees' Retirement Program and who are:

(1) ~~administrators~~ Administrators and faculty of ~~the~~The University of North Carolina with the rank of instructor or ~~above, and for the benefit of:~~ above;

~~(1)~~(2) The President and ~~Employees~~ employees of ~~the~~The University of North Carolina who are appointed by the Board of Governors on recommendation of the President pursuant to G.S. 116-11(4), 116-11(5), and 116-14 or who are appointed by the Board of Trustees of a constituent institution of The University of North Carolina upon the recommendation of the Chancellor pursuant to G.S. 116-40.22(b); ~~and~~

(3) Nonfaculty instructional and research staff who are exempt from the State Personnel Act, as defined by the provisions of G.S. 126-5(c1)(8); and

~~(2)~~(4) Field faculty of the Cooperative Agriculture Extension Service, and tenure track faculty in North Carolina State University agriculture

research programs who are exempt from the State Personnel Act and who are eligible for membership in the Teachers' and State Employees' Retirement System pursuant to ~~GS 135-3(1),~~ G.S. 135-3(1), who in any of the cases described in this subsection (i) had been members of the Optional Retirement Program under the provisions of Chapter 338, Session Laws of 1971, immediately prior to July 1, 1985, or (ii) have sought membership as required in subsection (b), below. Under the Optional Retirement Program, the State and the participant shall contribute, to the extent authorized or required, toward the purchase of such contracts or deposited in such trust on the participant's behalf."

SECTION 2. This act is effective when it becomes law.

Att 5

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 1000 A BILL TO BE ENTITLED AN ACT TO MODIFY THE UNIVERSITY OF NORTH CAROLINA'S OPTIONAL RETIREMENT PLAN.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

AHC

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H **2**

HOUSE BILL 182

Senate Rules and Operations of the Senate Committee Substitute Adopted 6/17/03

Short Title: Northampton/Duplin/Fayetteville Local Acts. (Local)

Sponsors:

Referred to:

March 4, 2003

A BILL TO BE ENTITLED

AN ACT TO NAME THE HALIFAX-NORTHAMPTON REGIONAL AIRPORT AUTHORITY, TO ALLOW DUPLIN COUNTY TO USE THE SINGLE-PRIME BIDDING METHOD FOR THE CONSTRUCTION OF DUPLIN COMMONS WITHOUT COMPLYING WITH CERTAIN STATUTORY REQUIREMENTS, AND CONCERNING THE INVESTMENT OF CERTAIN RETIREMENT AND EMPLOYEE BENEFIT FUNDS BY THE CITY OF FAYETTEVILLE.

The General Assembly of North Carolina enacts:

SECTION 1. Section 1 of S.L. 1997-275, as rewritten by Section 1 of S.L. 1998-130, reads as rewritten:

"**Section 1.** There is hereby created the '~~Halifax~~Halifax-Northampton Regional Airport Authority' (for brevity hereinafter referred to as the 'Airport Authority'), which shall be a body both corporate and politic, having the powers and jurisdiction hereinafter enumerated and such other and additional powers as shall be conferred upon it by general law and future acts of the General Assembly. For purposes of this act the word 'City' when used alone shall mean the City of Roanoke Rapids and the word 'County' when used alone shall mean either Halifax County or Northampton County."

SECTION 2. Section 15 of S.L. 1997-275, as rewritten by Section 8 of S.L. 1998-130, reads as rewritten:

"**Section 15.** The powers granted to the Airport Authority shall not be effective until the members of the Airport Authority have been appointed by the Halifax County Board of Commissioners, the Northampton County Board of Commissioners, and the Roanoke Rapids City Council, and nothing in this act shall require the Board of Commissioners or City Council to make the initial appointments. It is the intent of this act to enable but not to require the formation of the ~~Halifax~~ Halifax-Northampton Regional Airport Authority."

SECTION 3. Duplin County may contract for the design and construction of the Duplin Commons project using the single-prime contract method described in G.S. 143-128(d) without requiring that all bidders identify on their bids the contractors they

have selected for the subdivisions for heating, ventilating, and air conditioning, plumbing, electrical, and general. However, the lowest responsible, responsive bidder shall provide to the county the names of the contractors selected for the subdivisions within 72 hours after this act is ratified. Nothing in this act prohibits Duplin County from rejecting any and all bids for the design and construction of the Duplin Commons project.

SECTION 4. Notwithstanding the provisions of G.S. 159-30, the City of Fayetteville, or any governing body, agency, person, or other corporation that contracts with the City of Fayetteville for the investment, care, or administration of monies of the Supplemental Employees' Retirement Plan of the Public Works Commission of the City of Fayetteville, or of employee benefit funds as may be designated from time to time by the City of Fayetteville City Council, may invest and reinvest those monies in one or more of the types of securities or other investment authorized by State law for the State Treasurer in G.S. 147-69.2.

SECTION 5. Section 3 of this act becomes effective April 29, 2003, and applies to bids advertised and submitted for the Duplin Commons project. Otherwise, this act is effective when it becomes law.

AH 7

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Bell and G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for
H.B. 182 A BILL TO BE ENTITLED AN ACT TO NAME THE HALIFAX-NORTHAMPTON REGIONAL AIRPORT AUTHORITY, TO ALLOW DUPLIN COUNTY TO USE THE SINGLE-PRIME BIDDING METHOD FOR THE CONSTRUCTION OF DUPLIN COMMONS WITHOUT COMPLYING WITH CERTAIN STATUTORY REQUIREMENTS, AND CONCERNING THE INVESTMENT OF CERTAIN RETIREMENT AND EMPLOYEE BENEFIT FUNDS BY THE CITY OF FAYETTEVILLE.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☒ With recommendation that the House concur. and be re-reffered to committee on Finance

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

July 16, 2003

The House Committee on Pensions and Retirement met Wednesday, July 16, 2003, in Room 425 of the Legislative Office Building at 10:00 A.M. The following members were present: Chairs Bell and G. Wilson, Vice-Chairs McCombs and Yongue, Representatives B. Allen, Barbee, McGee, McLawhorn, Rapp and Tolson. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 1)

Representative Bell called the meeting to order.

Senator Metcalf was recognized to speak on Senate Bill 701. BILL TO BE ENTITLED AN ACT TO FACILITATE JOB SHARING BY PUBLIC SCHOOL EMPLOYEES. (Attachment 2)

Representative Tolson made a motion for a favorable report. The motion passed. (Attachment 3)

With there being no further business the committee adjourned.

Attachments

1. Visitation Registration Sheet

2. SB 701

3. Committee Report

Respectfully submitted,

Rebecca Jones-Cooper
Committee Assistant

Representative Larry Bell
Presiding Chair

AH1

VISITOR REGISTRATION SHEET

Pensions & Retirement — **Name of Committee**

July 16 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Frank Lewis	OSBM
Mary Doty	UIF
Adam Pridemore	NCASA
Ann McArthur	Governor's Office
Gen Canby	NCSCA
Hugh Thacker	NCPAPA-1
Ardis Watkins	SEANC
Laura Harper	SEANC
Marshall Barnes	Retirement Systems
Ben Lane	Retirement Systems
Pam Deardorff	" "

VISITOR REGISTRATION SHEET

Pensions & Retirement — July 18th
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Phillip J. Barker	Operation Spring Plant, Inc. P.O. Box 1759 Oxford. N.C. 27565
Dorathy E Barker	
Shanetta D. Ammons	Operation Spring Plant P.O. Box 1759 Oxford, NC 27565

AH 2

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

S 2

SENATE BILL 701
House Committee Substitute Favorable 7/10/03

Short Title: Local Flex. Regarding Job Sharing in Schools. (Public)

Sponsors:

Referred to:

April 2, 2003

A BILL TO BE ENTITLED

AN ACT TO FACILITATE JOB SHARING BY PUBLIC SCHOOL EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115C-302.2 is repealed.

SECTION 2. Article 22 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 3A. Job Sharing by School Employees.

"**§ 115C-326.5. Job sharing by school employees.**

(a) The General Assembly finds that there is a shortage of qualified public school employees available in certain geographical areas of the State. The elimination of administrative and fiscal limitations on job-sharing arrangements would make employment in a public school an attractive option for well-qualified persons who do not wish to work full time.

(b) A "school employee in a job-sharing position" is a person who is employed by a local board of education as a public school employee for at least fifty percent (50%) of the applicable workweek, as defined by that local board of education.

(c) The State Board of Education shall adopt rules to facilitate job sharing by public school employees. These rules shall provide that an employee in a job-sharing position shall receive paid legal holidays, annual vacation leave, sick leave, and personal leave on a pro rata basis. Such an employee shall also receive service credit under the Teachers' and State Employees' Retirement System as provided in G.S. 135-4(b) and insurance benefits as provided in Article 3 of Chapter 135 of the General Statutes."

SECTION 3. G.S. 135-4(b) reads as rewritten:

"(b) The Board of Trustees shall fix and determine by appropriate rules and regulations how much service in any year is equivalent to one year of service, but in no case shall more than one year of service be creditable for all services in one year. Service rendered for the regular school year in any district shall be equivalent to one year's service. Service rendered by a ~~classroom teacher~~ school employee in a

job-sharing position shall be credited at the rate of one-half year for each regular school year of employment."

SECTION 4. G.S. 135-40.2(a2) reads as rewritten:

"(a2) A ~~classroom teacher~~school employee in a job-sharing position as defined in G.S. 115C-302.2(b) shall be eligible for coverage under the Plan, on a partially contributory basis, subject to the provisions of G.S. 135-40.3. If these employees elect to participate in the Plan, the employing unit shall pay fifty percent (50%) of the Plan's total noncontributory premiums. Individual employees shall pay the balance of the total noncontributory premiums not paid by the employing unit."

SECTION 5. Nothing in this act shall be construed to require local school administrative units to place part-time employees in job-sharing positions or to hire employees in job-sharing positions.

SECTION 6. Sections 1 through 4 of this act become effective January 1, 2004. The remainder of this act is effective when it becomes law.

AH 3

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Bell and G. Wilson** (Chairs) for the Committee on **Pensions and Retirement**.

☐ Committee Substitute for
S.B. 701 A BILL TO BE ENTITLED AN ACT TO FACILITATE JOB SHARING BY PUBLIC SCHOOL EMPLOYEES.

☒ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **Pensions and Retirement** will meet as follows:

DAY & DATE: **July 16, 2003**

TIME: **10:00 A.M.**

LOCATION: **544 LOB**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

SB-701 Local Flex. Regarding Job Sharing in Schools.

Respectfully,
Representatives Bell and G. Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at 12:00 p.m. on **July 15, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Rebecca Jones-Cooper (Committee Assistant)

North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
Legislative Services Office
16 W. Jones Street Room 2129
Raleigh, NC 27601-1030 Tel. (919) 733-7044

Tony C. Goldman, Director
Administrative Division
16 W. Jones Street Room 9
Raleigh, NC 27601-1030
(919) 733-7500

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

James D. Johnson, Director
Fiscal Research Division
300 N. Salisbury St. Rm 619
Raleigh, NC 27603-5925
(919) 733-4910

Dennis W. McCarty, Director
Information Systems Division
300 N. Salisbury St. Rm 400
Raleigh, NC 27603-5925
(919) 733-6834

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

May 7, 2003

MEMORANDUM

TO: Representative Alice Bordsen
Representative Martin Nesbitt

FROM: Stanley Moore
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 1166

Re: Job Sharing for School Personnel

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Buck Consultants, May 5, 2003
(3) Actuarial Note. Hartman & Associates, April 22, 2003

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 1166.

SHORT TITLE: Local Flexibility Regarding Job Sharing in Schools

SPONSOR(S): Representatives Bordsen and Nesbitt

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: The bill will allow all school employees who are in a job-sharing position, to become members of the Teachers' & State Employees' Retirement System. Service would be earned on the portion of work as it relates to full-time. For example, a member would earn one year of service after working for a two-year period, if they worked on a 50% basis. Under current law, only employees who work a minimum of 30 hours per week for nine or more months per year are members of the System.

EFFECTIVE DATE: January 1, 2004

ESTIMATED IMPACT ON STATE: Both the System's actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, agree that there should be no cost to the System.

ASSUMPTIONS AND METHODOLOGY: Teachers' & 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, 2001, actuarial valuation of the fund. The data included 297,252 active members with an annual payroll of $9.5 billion and 112,482 retired members in receipt of annual pensions totaling $1.83 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION (919) 733-4910

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director, Fiscal Research Division

DATE: May 7, 2003

BUCK CONSULTANTS
A Mellon Financial Company

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

May 5, 2003

Ms. Joanne L. Scharer
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 1166

Dear Ms. Scharer:

We have received your letter of April 29 regarding House Bill 1166 which affects the Teachers' and State Employees' Retirement System.

This legislation appears, in Section 1, to repeal G.S. 115C-302.2, the provision enacted in the 2002 session that allows a classroom teacher to share a teacher position with another classroom teacher. Section 2 of this legislation appears to add G.S. 115C-326.5 which would allow any public "school employee", employed by a local board of education to share a position with another employee. Section 3 appears to amend the provision of G.S. 135-4(b) regarding creditable service in the TSERS to allow those included in the definition of "school employee" in a job-sharing position to receive credit at the rate of one-half year for each regular school year of employment. Section 4 appears to amend the provision of G.S. 135-40.2(a2), governing the state health plan, by replacing "classroom teacher" with "school employee".

Sections 1 through 3 would become effective January 1, 2004, and the remainder of the Act would be effective upon ratification.

There would be no cost to the System due to this legislation. However, this legislation would add significant administrative burden to the Retirement System.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sr
P:\North Carolina Teachers\2003\Correspondence\House Bill 1166.doc
387-0001 RET01-180

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

April 22, 2003

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

Re: House Bill 1166: An Act to Facilitate Job Sharing by Public School Employees

Dear Mr. Moore:

This bill amends G.S. 115C and G.S. 135-4(b) to make public school employees in job-sharing positions eligible for coverage under the Teachers' and State Employees' Retirement System (TSERS). Currently, only classroom teachers in such positions are eligible for coverage. This act is effective January 1, 2004.

To meet the modified job-sharing definition, the individual must be employed for 50% of the workweek and share a position with one other employee. Service is credited in the TSERS at the rate of one-half year for each regular school year of employment. This bill would offer coverage for current public school employees in job-sharing positions and provide coverage for any future such employees. Addition of these employees is not expected to noticeably alter the Plan demographics, so the current employer and employee contribution rates are expected to be sufficient to provide benefits for these members. Thus, this bill is not expected to produce a significant financial impact in the TSERS.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

The North Carolina General Assembly

House of Representatives

Committee On Pensions and Retirement

Short Session 2004

HOUSE COMMITTEE
ON
PENSIONS AND RETIREMENT

Larry M. Bell, Chair
Eugene Wilson, Chair

North Carolina House of Representatives

Rebecca Jones-Cooper
Carolyn A. Edwards

Committee Assistants

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- **June 3, 2004**
- **June 9, 2004**
- **June 23, 2004**

NORTH CAROLINA GENERAL ASSEMBLY

PENSIONS AND RETIREMENT
2003 – 2004 SESSION



Rep. Larry Bell
Chair



Rep. Eugene Wilson
Chair



Rep. Douglas Yongue
Vice chair



Rep. Bernard Allen
Member



Rep. Bobby Barbee
Member



Rep. Joe Kiser
Member



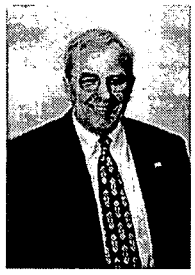
Rep. "Bill" McGee
Member



Rep. Marian McLawhorn
Member



Rep. Don Munford
Member



Rep. Raymond Rapp
Member



Rep. Fred Steen, II
Member



Rep. Joe Tolson
Member



Rep. Harold Brubaker
Ex-Officio



Rep. Bill Culpepper
Ex-Officio



Rep. Pete Cunningham
Ex-Officio



Rep. Rick Eddins
Ex-Officio

PENSIONS AND RETIREMENT COMMITTEE

SEATING CHART SHORT SESSION 2004
LOB - 544

STAFF: Theresa Matula Karen C. Brown Stanley Moore

COMMITTEE ASSISTANTS: Carolyn Edwards Rebecca Jones

CHAIRS

Representative Larry M. Bell **Representative Eugene Wilson**

MEMBERS

Rep. Yongue *Vice*

Rep. Allen

Rep. Barbee

Rep. Kiser

Rep. Tolson

Rep. Munford

Rep. McLawhorn

Rep. McGee

Rep. Steen

Rep. Rapp

HOUSE SERGEANTS-AT-ARMS
PAGES

MEMBERSHIP OF HOUSE COMMITTEE

ON PENSIONS AND RETIREMENT

Short Session 2004

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Legislative Staff

Karen Cochrane-Brown	Research	3-2578	545
Theresa Matula	Research	3-2578	545
Stanley Moore	Fiscal Research	3-4910	619

Committee Assistant

Carolyn Edwards	3-5863	530
Rebecca Jones-Cooper	3-7727	1109

PENSIONS AND RETIREMENT COMMITTEE ATTENDANCE

2003 – 2004 Short Session

DATES	5-26-04	6-02-04	6-03-04	6-09-04	6-23-04										
REP. BELL, CO-CHAIR	x	x	x	x	x										
REP. WILSON, CO-CHAIR	x	x	x	x	x										
REP. YONGUE, VICE-CHAIR		x	x	x	x										
REP. ALLEN		x	x	x	x										
REP. BARBEE	x	x	x	x	x										
REP. KISER		x	x	x	x										
REP. MCGEE	x	x	x	x	x										
REP. MCLAWHORN	x	x	x	x	x										
REP. MUNFORD		x	x	x											
REP. RAPP		x	x	x	x										
REP. STEEN	x	x	x	x	x										
REP TOLSON		x	x	x	x										
EX-OFFICIO:															
REP. BRUBAKER															
REP. CULPEPPER															
REP. CUNNINGHAM															
REP. EDDINS															
STAFF:															
Karen Cochrane-Brown, Research	x	x		x	x										
Stanley Moore, Fiscal Research	x	x	x	x	x										
Theresa Matula, Research	x			x	x										
LEGISLATIVE ASSISTANTS:															
Carolyn Edwards	x	x		x	x										
Rebecca Jones	x	x	x	x	x										

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

May 26, 2004

The House Committee on Pensions and Retirement met Wednesday, May 26, 2004 in Room 544 of the Legislative Office Building at 10:00 A. M. The following members were present: **Chairs Bell and G. Wilson, Representatives Barbee, McGee, McLawhorn, and Steen.** Research Staff Karen Cochrane-Brown and Theresa Matula, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 11)

Committee Chair, Representative Larry Bell called the first organizational meeting to order. He asked that a moment of silence be recognized in honor of the loss of Representative **W. Eugene McCombs, Vice-Chair.** Representative Bell welcomed all and introduced Representative Steen, the replacement for Representative McCombs.

Representative Bell recognized Representative A. Williams to speak on **House Bill 1357 AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS; PENSIONS FUND.** (Attachment 3)
Representative Barbee made a motion for a favorable report, and that it be re-referred to the committee on Appropriations. The motion passed.

Representative Wilson recognized Representative Bell to speak on **House Bill 1514 AN ACT TO PROVIDE A COST-OF-LIVING ADJUSTMENT FOR RETIREES IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.** (Attachment 7)
Representative Bell made a motion for a favorable report, and that it be re-referred to the committee on Appropriations. The motion passed.

There was no further business to discuss; Representative Bell adjourned the meeting at 10:20 A.M.

Attachments

1. Bill Sponsor Notification
2. Agenda
3. House Bill 1357
4. Bill Analysis 1357
5. Actuarial Note 1357
6. Committee Report 1357
7. House Bill 1514
8. Bill Analysis 1514
9. Actuarial Note 1514
10. Committee Report 1514
11. Visitor Registration Sheet
12. Page and Sergeant-At-Arm Sheet

Respectfully submitted,

Carolyn A. Edwards

Carolyn A. Edwards
Committee Assistant

Representative Larry M. Bell
Chair

Representative Gene Wilson
Chair

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **PENSIONS AND RETIREMENT** will meet as follows:

DAY & DATE: **Wednesday, May 26, 2004**

TIME: **10:00 AM**

LOCATION: **LOB 544**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 1357 FIRE AND RESCUE PENSION INCREASE- Rep. A. Williams

HB 1514 STATE RETIREMENT COLA – Reps. Bell, Hackney, G. Wilson

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **2:30 P.M.** on **Monday, May 24, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

Attachment 1

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE
ORGANIZATIONAL MEETING

May 26, 2004
10:00 a.m.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED

HB 1357 – Fire and Rescue Pension Increase – REP. A. WILLIAMS

HB 1514 – State Retirement Cola – REPS. BELL, HACKNEY, G. WILSON

ADJOURNMENT

Attachment 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

HOUSE BILL 1357

Short Title:	Fire and Rescue Pension Increase.	(Public)
Sponsors:	Representatives A. Williams; B. Allen, Barbee, Crawford, Creech, Culp, Daughtridge, Frye, Glazier, Goforth, Hill, LaRoque, McHenry, McLawhorn, Mitchell, Moore, Pate, Rayfield, Starnes, Steen, Stiller, Wainwright, Walker, Warren, and G. Wilson.	
Referred to:	Rules, Calendar, and Operations of the House.	

May 11, 2004

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

The General Assembly of North Carolina enacts:

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

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

Any member who has served 20 years as an "eligible fireman" or "eligible rescue squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly pension from this fund. The monthly pension shall be in the amount of ~~one hundred fifty-eight dollars ($158.00)~~ one hundred sixty dollars ($160.00) per month. Any retired fireman receiving a pension shall, effective ~~July 1, 2003,~~ July 1, 2004, receive a pension of ~~one hundred fifty-eight dollars ($158.00)~~ one hundred sixty dollars ($160.00) per month.

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

A member who is totally and permanently disabled while in the discharge of the member's official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of those official duties and who leaves the fire or rescue squad service because of this disability shall be entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~

~~fifty-eight dollars ($158.00)~~ one hundred sixty dollars ($160.00) per month beginning the first month after the member's fifty-fifth birthday. All applications for disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application, and annually thereafter. Any disabled member shall not be required to make the monthly payment of ten dollars ($10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

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

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

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

SECTION 2. This act becomes effective July 1, 2004.

HOUSE BILL 1357:
Fire and Rescue Pension Increase

BILL ANALYSIS

Committee:	House Pensions & Retirement	**Introduced by:**	Representative A. Williams
Date:	May 26, 2004	**Summary by:**	Theresa Matula
Version:	First Edition		Committee Staff

SUMMARY: House Bill 1357 increases the benefit paid to retirees of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund from $158.00 to $160.00 per month.

BILL ANALYSIS:

Chapter 58, Article 86 of the General Statutes pertains to the North Carolina Firemen's and Rescue Squad Workers' Pension Fund. House Bill 1357 amends G.S. 58-86-55 to increase the pension paid to a retired "eligible fireman" or "eligible rescue squad" worker from $158.00 to $160.00 per month. The bill also makes a conforming change to increase from $158.00 to $160.00 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, 2004.

BACKGROUND:

Recent Increases in the Fire and Rescue Pension

Year	*Monthly Pension*	*Increase Over Previous Year*
1994	$110	
1995	$135	$25/month
1997	$141	$6/month
1998	$146	$5/month
2000	$151	$5/month
2002	$156	$5/month
2003	$158	$2/month
2004	$160 *proposed*	$2/month *proposed*

North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
Legislative Services Office
16 W. Jones Street Room 2129
Raleigh, NC 27601-1030 Tel. (919) 733-7044

Tony C. Goldman, Director
Administrative Division
16 W. Jones Street Room 9
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Gerry F. Cohen, Director
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(919) 733-6660

James D. Johnson, Director
Fiscal Research Division
300 N. Salisbury St. Rm 619
Raleigh, NC 27603-5925
(919) 733-4910

Dennis W. McCarty, Director
Information Systems Division
300 N. Salisbury St. Rm 400
Raleigh, NC 27603-5925
(919) 733-6834

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

May 17 2004

MEMORANDUM

TO: Representative Arthur Williams

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 1357

Re: Increases the monthly benefit to retirees and future retirees of the Firemen's and Rescue Squad Workers' Pension Fund from $158 to $160.

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Mellon, May 13, 2004
(3) Actuarial Note. Hartman & Associates, May 13, 2004

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 1357

SHORT TITLE: Fire and Rescue Pension Increase

SPONSOR(S): Representative Williams

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 $158 to $160.

EFFECTIVE DATE: July 1, 2004

ESTIMATED IMPACT ON STATE:

System Actuary: Buck Consultants

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Benefit Increase	$590,426	$590,426	$590,426	$590,426	$590,426

General Assembly Actuary: Hartman & Associates

	FY 2004-05	FY 2005-06	FY 2006-07	FY FY 2007-08	2008-09
Benefit Increase	$590,676	$590,676	$590,676	$590,676	$590,676

There are actuarial gains within the Fund of $220,395 so the actual appropriation would be reduced by that amount.

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, 2003, actuarial valuation of the fund. The data included 32,166 active members and 8,903 retired members in receipt of annual pensions totaling $16.9 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 and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary – Mellon .
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION (919) 733-4910



PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director
Fiscal Research Division

DATE: May 17, 2004

Signed Copy Located in the NCGA Principal Clerk's Offices

Mellon

Human Resources & Investor Solutions

May 13, 2004

Mr. Michael L. Williamson
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Proposal/Cost of Benefit Increase

Dear Michael:

As requested, we have determined the cost of an increase in the monthly pension payable to current and future pensioners from the Firemen's and Rescue Squad Workers Pension Fund.

The cost of a one-dollar ($1.00) benefit increase is $295,213. The cost of a two-dollar ($2.00) benefit increase is $590,426 and the cost of a five-dollar ($5.00) benefit increase is $1,476,065.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sh

P:\North Carolina Fire & Rescue\2004\Retirement\Correspondence\Proposal-Cost of Benefit Increase.doc
1950 RET99-160

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ACTUARIAL CONSULTING

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

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

668 Link Road
Lexington, NC 27295

May 13, 2004

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

Re: House Bill 1357: An Act to Increase the Monthly Pension for Members of the Firemen's and Rescue Squad Workers' Pension Fund

Dear Mr. Moore:

This bill would amend G.S. 58-86-55 to increase the monthly retirement benefit in the Firemen's and Rescue Squad Workers' Pension Fund from $158 per month to $160 per month for current and future retirees. This provision would become effective July 1, 2004.

The increase in the retirement benefit amount will increase both the normal cost rate and the unfunded accrued liability. Based on a nine year amortization period for the additional accrued liabilities, the estimated cost of this Act for the fiscal year beginning July 1, 2004, is $590,676.

This estimate is based on the data contained in the most recent actuarial valuation prepared as of June 30, 2003.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 1357 A BILL TO BE ENTITLED AN ACT TO INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

HOUSE BILL 1514

Short Title:	State Retirement COLA.	(Public)
Sponsors:	Representatives Bell, G. Wilson, Hackney (Primary Sponsors); Adams, Alexander, Farmer-Butterfield, Glazier, Goodwin, Insko, Lewis, Luebke, McComas, McLawhorn, Parmon, Pate, Ross, Wainwright, Warren, Weiss, and Womble.	
Referred to:	Pensions and Retirement.	

May 19, 2004

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A COST-OF-LIVING ADJUSTMENT FOR RETIREES IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5 is amended by adding a new subsection to read:

"(mmm) From and after July 1, 2004, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2003, shall be increased by two and fifty hundredths percent (2.50%) of the allowance payable on June 1, 2004, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2004, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2003, but before June 30, 2004, shall be increased by a prorated amount of two and fifty hundredths percent (2.50%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2003, and June 30, 2004."

SECTION 2. This act becomes effective July 1, 2004.

HOUSE BILL 1514:
State Retirement COLA.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Reps. Bell, G. Wilson, Hackney
Date:	May 26, 2004		
Version:	First Edition	**Summary by:**	Karen Cochrane Brown Committee Counsel

SUMMARY: ***House Bill 1514 provides a two and fifty hundredths percent (2.50%) increase to retired beneficiaries of the Teachers' and State Employees' Retirement System. The increase becomes effective July 1, 2004.***

BILL ANALYSIS:

Chapter 135, Article 1, Section 5 of the General Statutes pertains to the benefits of the ***Retirement System for Teachers and State Employees.*** House Bill 1514 increases by two and fifty hundredths percent (2.50%), the retirement allowance paid to or on account of beneficiaries whose retirement commenced on or before July 1, 2003. Beneficiaries whose retirement commences after July 1, 2003, but before June 30, 2004, shall receive a prorated amount of the increase.

This act would become effective July 1, 2004.

H1514-SMRO-001

North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
Legislative Services Office
16 W. Jones Street Room 2129
Raleigh, NC 27601-1030 Tel. (919) 733-7044

Tony C. Goldman, Director
Administrative Division
16 W. Jones Street Room 9
Raleigh, NC 27601-1030
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Gerry F. Cohen, Director
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300 N. Salisbury St. Rm 401
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Fiscal Research Division
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(919) 733-4910

Dennis W. McCarty, Director
Information Systems Division
300 N. Salisbury St. Rm 400
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(919) 733-6834

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

May 20, 2004

MEMORANDUM

TO: Representative Larry Bell
Representative Gene Wilson
Representative Joe Hackney

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 1514

Re: Provides a post-retirement increase of 2.5% in the benefits of retirees of the Teachers' and State Employees' Retirement System effective July 1, 2004.

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Mellon, May 13, 2004
(3) Actuarial Note. Hartman & Associates, May 11, 2004

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 1514 (First Edition)

SHORT TITLE: State Retirement COLA.

SPONSOR(S): Representatives Bell. Wilson and Hackney

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Provides a post-retirement increase of 2.5% in the benefits of retirees of the Teachers' and State Employees' Retirement System.

EFFECTIVE DATE: July 1, 2004

ESTIMATED IMPACT ON STATE:

Retirement System Actuary: Mellon estimates the cost to be 0.78% of the payroll of all members of the Teachers' and State Employees' Retirement System.

	2004-05	2005-06	2006-07	2007-08	2008-09
General Fund	$59.7M	$63.1M	$66.7M	$70.5M	$74.6M
Highway Fund	$ 3.0M	$ 3.2M	$ 3.3M	$ 3.5M	$ 3.7M
Receipt Funds	$ 20.5M	$ 21.6M	$22.9M	$24.2M	$25.6M
TOTAL COST	**$ 83.2M**	**$ 87.9M**	**$ 92.9M**	**$ 98.3M**	**$ 103.9M**

General Assembly Actuary: Hartman & Associates estimates the cost to be 0.73% of the payroll of all members of the Teachers' and State Employee's Retirement System.

	2004-05	2005-06	2006-07	2007-08	2008-09
General Fund	$55.8M	$59.0M	$62.4M	$66.0M	$69.8M
Highway Fund	$ 2.8M	$ 3.0M	$ 3.1M	$ 3.3M	$ 3.5M
Receipt Funds	$19.2M	$20.3M	$21.4M	$22.6M	$23.9M
TOTAL COST	**$77.8M**	**$82.3M**	**$86.9M**	**$91.9M**	**$97.2M**

There are actuarial gains in the System equal to .41% of payroll so the cost is .37% of payroll which requires an appropriation as follows:

	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**
General Fund	**$28.9M**	**$30.7M**	**$32.3M**	**$34.2M**	**$36.1M**
Highway Fund	**$ 1.5M**	**$ 1.5M**	**$ 1.6M**	**$ 1.7M**	**$ 1.8M**
Receipt Funds	**$ 9.9M**	**$ 10.5M**	**$11.1M**	**$11.7M**	**$12.4M**
TOTAL COST	**$ 40.3M**	**$ 42.6M**	**$45.0M**	**$ 47.6M**	**$ 50.3M**

ASSUMPTIONS AND METHODOLOGY: Teacher's & State Employees' Retirement System: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2002 actuarial valuation of the fund. The data included 296,377 active members with an annual payroll of $9.7 billion and 118,129 retired members in receipt of annual pensions totaling $2 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Mellon.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION (919) 733-4910



PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Directo Fiscal Research Division
DATE: May 20, 2004

Signed Copy Located in the NCGA Principal Clerk's Offices



Human Resources & Investor Solutions

May 13, 2004

Mr. Michael L. Williamson
Deputy Treasurer and Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

Proposal/Cost of COLA

Dear Michael:

As requested, we have determined the cost of 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 a 1.0% for those who commenced retirement on and before July 1, 2003 and a prorated portion of the 1.0% post-retirement increase for those who commenced retirement after July 1, 2003 and before June 30, 2004, with all increases payable effective July 1, 2004. The cost of this proposed change is 0.31% of payroll under the Teachers' and State Employees' Retirement System and 0.48% under the Consolidated Judicial Retirement System.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sh

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387 RET03-169

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Fax: (336) 731-2583

668 Link Road
Lexington, NC 27295

May 11, 2004

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

Re: 1% COLA for Retirees in the TSERS, CJRS and LRS Systems

Dear Mr. Moore:

You have requested the cost of providing a 1% cost of living adjustment, effective July 1, 2004, for beneficiaries of the Teachers' and State Employees' Retirement System (TSERS), the Consolidated Judicial Retirement System (CJRS) and the Legislative Retirement System (LRS). The specific benefit increases are as follows:

1. In the TSERS and CJRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before July 1, 2003, with a prorated increase for retirements between July 1, 2003 and June 30, 2004.

2. In the LRS, increase the retirement allowance 1.0% for all beneficiaries who retired on or before January 1, 2004, with a prorated increase for retirements after January 1, 2004 and before June 30, 2004.

The estimated costs for a 1% COLA are shown below for each system. Costs are for the fiscal year beginning July 1, 2004 and are expressed as a percentage of payroll.

System	Retiree COLA	Amort. Period for Unfunded Liability
TSERS	0.29%	9 years
CJRS	0.45	9 years
LRS	0.48	8 years

These estimates are based on the most recent actuarial valuations prepared as of December 31, 2002. Costs for COLA adjustments other than 1% would be proportionate to the above values.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 1514 A BILL TO BE ENTITLED AN ACT TO PROVIDE A COST-OF-LIVING ADJUSTMENT FOR RETIREES IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

FOR JOURNAL USE ONLY

____ Pursuant to Rule 36(b), the bill/resolution is placed on the Calendar of _____.

____ The (committee substitute) bill/resolution (as amended,) is (ordered engrossed and) re-referred to the Committee on _____.

____ The bill/resolution is re-referred to the Committee on _____.

____ On motion of (Rep. _____,) (the Chair,) the (committee substitute) bill/resolution is (ordered engrossed and) re-referred to the Committee on _____.

____ Pursuant to Rule 36(b), the (House) committee substitute bill (No. ___)/resolution is placed on the Calendar of _____. (The original bill) (House Committee Substitute Bill No. _____)/ resolution is placed on the Unfavorable Calendar.

____ On motion of Rep. _____, (the rules are suspended) (Rule ____ is suspended) and the bill/resolution is placed on today's calendar. (for immediate consideration.)

____ On motion of Rep. _____, Committee Amendment No.(s) _____ is/are adopted (by EV____ ____).

____ On motion of Rep. _____, Committee Amendment No.(s) _____ is/are adopted (by EV____ ____).

____ Rep. _____ offers Amendment No. _____ which (is adopted.) (fails of adoption.) (by EV ____ ____,) ( ) This amendment changes the title.

____ The bill/resolution (, as amended,) passes its second reading (by following vote, ____ ____ RC) (, by EV ____ ____,) and (remains on the Calendar,) (and there being no objection is read a third time).

____ The bill/resolution (, as amended,) passes its third reading (by the following vote, ____ ____ RC) (, by EV ____ ____,) and is ordered
____ sent to the Senate.
____ without engrossment. ____ by Special message.
____ sent to the Senate for concurrence in
_____ House amendment (s).
_____ House committee substitute bill.
____ enrolled.

____ On motion of Rep. _____, the House concurs in the (material) Senate _____ (by the following vote, ____ ____ RC) (, by EV ____ ____,) and the bill is ordered enrolled.

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — MAY 26, 2004

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Marcus Davis	NCAE
Harry Price, Jr	NCDOT (RET)
Wayne Moore	NC D.O.T (RET)
Elizabeth Dalton	Bon & Asso. / Firemen
ELLIS HANKINS	NCLM
Hal Miller	NCACCT
John Cyrus	NC State Employees
Gordon A. Joyner	NC AR & EMS, Inc
C. C. Deese	NC R School personnel
Ed Rega	N.C.R.G.E.A.
Roger Bone	Bone & Assoc.

Attachment 11

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — MAY 26, 2004

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Allan Pridemore	NCASA
Bonnie Morell	Div MH/DD/SAS
Dave Ingram	W-S Journal
FRANK W. FOLGER	NCDOT
Michael Hawes	NCAE
Ashley Hurdle	ALSA
Katherine Joyce	NCASA
PAUL Meyer	NCACC

North Carolina General Assembly
Short Session 2004

PAGES INFORMATION SHEET

	NAME	COUNTY	REPRESENTATIVE
1.	Vivian Ariail Richmond		Margaret Dickson
2.	Elizabeth Hall Robeson		Alex Warner
3.	madeline Jones Lincoln		Joe Kiser
4.	Courtney Hughes Avery		Phillip Frye
5.			

SERGEANT AT ARMS

	NAME
1.	Bill Freeman
2.	Brian Doherty
3.	James Worth
4.	
5.	

Attachment 12

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

June 2, 2004

The House Committee on Pensions and Retirement met Wednesday, May 26, 2004 in Room 544 of the Legislative Office Building at 10:00 A. M. The following members were present: **Chairs Bell and G. Wilson, Vice - Chair Yongue, Representatives Allen, Barbee, Kiser, McGee, McLawhorn, Munford, Rapp, Steen and Tolson.** Research Staff Karen Cochrane-Brown, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 3)

Committee Chair, Representative Gene Wilson called the meeting to order.

Representative Hackney was recognized to speak on **House Bill 1478 AN ACT TO MAKE A TECHNICAL CORRECTION TO THE LAW CLARIFYING THE STATUS OF TEACHERS PARTICIPATING IN FOREIGN EXCHANGE PROGRAMS FOR PURPOSES OF RETIREMENT AND TENURE.** (Attachment 4)
Representative Yongue made a motion for a favorable report. The motion passed.

Representative Wilson recognized Representative Bell to speak on **House Bill 1513 AN ACT TO INCREASE THE MAXIMUM DEATH BENEFIT PAYABLE FROM THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.** This increase is to be equal to the annual salary of the member but less than $25,000 nor more than $50,000. Current maximum is $20,000. The bill would become effective July 1, 2004 and would apply to persons dying on or after that date. (Attachment 8)
Representative Tolson made a motion for a favorable report, and that it be re-referred to the committee on Appropriations. The motion passed.

Representative Frye was recognized to speak on **House Bill 1516 AN ACT TO PROVIDE FOR THE CONTINUED FINANCIAL SECURITY OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.** (Attachment 12)
It requires each biennial budget to include appropriated funds to the Retirement System to cover the normal employer contribution rate and the accrued liability contribution rate, if any.
Representative Allen made a motion for a favorable report for the House Proposed Committee Substitute, unfavorable as to the original bill and that it be re-referred to the committee on Appropriations. The motion passed

Representative Wilson recognized Representative Rapp who asked if **House Bill 219** could be discussed even though it was not on the agenda; **AN ACT TO ESTABLISH THE LEGISLATIVE STUDY COMMISSION ON REEMPLOYMENT AFTER RETIREMENT FOR TEACHERS AND STATE EMPLOYEES.** (Attachment 16)
The committee voted unanimously to continue the study commission.

Attachments

1. Bill Sponsor Notification
2. Agenda
3. House Bill 1478
4. Bill Analysis 1478
5. Actuarial Note 1478
6. Committee Report 1478
7. House Bill 1513
8. Bill Analysis 1513
9. Actuarial Note 1513
10. Committee Report 1513
11. House Bill 1516
12. Bill Analysis 1516
13. Actuarial Note 1516
14. Committee Report 1516
15. House Bill 219
16. Visitor Registration Sheet
17. Page Information Sheet

Respectfully submitted,

Carolyn A. Edwards
Committee Assistant

Representative Larry M. Bell
Chair

Representative Gene Wilson
Chair

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **PENSIONS AND RETIREMENT** will meet as follows:

DAY & DATE: **Wednesday, June 2, 2004**

TIME: **10:00 AM**

LOCATION: **LOB 544**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 1478 RETIREMENT / TEACHER EXCHANGE PROGRAMS - Rep. Hackney

HB 1513 INCREASE LOCAL GOV'T DEATH BENEFIT – Reps. Bell, G. Wilson

HB 1516 SECURITY OF STATE RETIREMENT SYSTEM – Rep. Frye

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **1:30P.M.** on **Tuesday, June 1, 2004.**

___Principal Clerk
___Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE
ORGANIZATIONAL MEETING

June 2, 2004
10:00 a.m.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED

HB 1478 – Retirement / Teacher Exchange Programs– Rep. Hackney
HB 1513 – Increase Local Gov't Death Benefit – Reps. Bell, G. Wilson
HB 1516 - Security Of State Retirement System – Rep. Frye

ADJOURNMENT

Attachment 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

HOUSE BILL 1478

Short Title:	Retirement/Teacher Exchange Programs.	(Public)
Sponsors:	Representatives Hackney; Glazier, Adams, Farmer-Butterfield, and Parmon.	
Referred to:	Pensions and Retirement.	

May 17, 2004

A BILL TO BE ENTITLED

AN ACT TO MAKE A TECHNICAL CORRECTION TO THE LAW CLARIFYING THE STATUS OF TEACHERS PARTICIPATING IN FOREIGN EXCHANGE PROGRAMS FOR PURPOSES OF RETIREMENT AND TENURE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-1(25) reads as rewritten:

"(25) "Teacher" shall mean any teacher, helping teacher, classroom teacher in a job-sharing position as defined in G.S. 115C-302.2(b) except for a beneficiary in that position, librarian, principal, supervisor, superintendent of public schools or any full-time employee, city or county, superintendent of public instruction, or any full-time employee of Department of Public Instruction, president, dean or teacher, or any full-time employee in any educational institution supported by and under the control of the State: Provided, that the term "teacher" shall not include any part-time, temporary, or substitute teacher or employee except for a classroom teacher in a job-sharing position, and shall not include those participating in an optional retirement program provided for in G.S. 135-5.1 or G.S. 135-5.4. In all cases of doubt, the Board of Trustees, hereinbefore defined, shall determine whether any person is a teacher as defined in this Chapter. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "teacher" solely because the person holds a temporary or time-limited visa. Notwithstanding the foregoing, the term "teacher" shall not include any nonimmigrant alien employed in elementary or secondary public schools (whether employed in a full-time, part-time, temporary, permanent, or substitute teacher position) and participating in an exchange visitor program designated by the United States

Department of State pursuant to 22 C.F.R. Part ~~62.~~ 62 or by the United States Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q)."

SECTION 2. G.S. 115C-325(a)(4b) reads as rewritten:

"(4b) "Exchange teacher" means a nonimmigrant alien teacher participating in an exchange visitor program designated by the United States Department of State pursuant to 22 C.F.R. Part ~~62.~~ 62 or by the United States Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q)."

SECTION 3. This act becomes effective July 1, 2004.

HOUSE BILL 1478:
Retirement/Teacher Exchange Programs.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Rep. Hackney
Date:	June 2, 2004	**Summary by:**	Karen Cochrane Brown
Version:	First Edition		Committee Counsel

SUMMARY: House Bill 1478 makes a technical amendment to the law to clarify that persons employed pursuant to an international cultural exchange visitor program are not eligible for retirement and tenure benefits.

CURRENT LAW:

In 2001, S.L. 2001-426 amended the definitions of the terms "Employee" and "Teacher" in the Teachers' and State Employees' Retirement System, and the term "Employee" in the Local Governmental Employees' Retirement System to include nonimmigrant aliens who are employed by a participating employer on or after August 1, 2001, if the person otherwise meets the definition of an employee or a teacher. This act allowed nonimmigrant aliens to become members of the Retirement System if they are employed in a permanent full-time position on the same basis as United States citizens.
In 2002, the definition of "Teacher" was again amended to clarify that the term does not include nonimmigrant aliens employed in elementary and secondary public schools and participating in an exchange visitor program designated by the U.S. Department of State pursuant to 22 C.F.R. Part 62.

BILL ANALYSIS:

This bill further amends the definition of "Teacher" in the Retirement law and the definition of "Exchange Teacher" in the Education law to clarify that these terms also do not include nonimmigrant aliens employed in elementary and secondary public school who are participating in an international cultural exchange visitor program designated by the U.S. Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q).

This act would become effective July 1, 2004.

BACKGROUND:

The regulations of the Department of Homeland Security provide that in order for a nonimmigrant alien to be admitted to the United States as an international cultural exchange visitor, a U.S. employer must apply to the Attorney General for approval of an international cultural exchange program which is designed to provide an opportunity for the American public to learn about foreign cultures. The employer must simultaneously apply for authorization for one or more individually identified nonimmigrant aliens to be admitted to this country to engage in employment or training of which the essential element is the sharing with the American public or a segment of the public, the culture of the alien's country of nationality. The duration of the admission under such a program cannot exceed fifteen months.

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May 26, 2004

MEMORANDUM

TO: Representative Joe Hackney

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 1478

Re: Excludes from membership in the Teachers' & State Employees' Retirement System any nonimmigrant alien participating in an exchange visitor program.

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Mellon, May 25, 2004
(3) Actuarial Note. Hartman & Associates, May 21, 2004

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 1478 (First Edition)

SHORT TITLE: Retirement/Teacher Exchange Programs.

SPONSOR(S): Representative Hackney

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Excludes from membership in the Teachers' & State Employees' Retirement System any nonimmigrant alien employed in elementary or secondary public schools and participating in an exchange visitor program designated by the United States Department of Homeland Security.

EFFECTIVE DATE: July 1, 2004

ESTIMATED IMPACT ON STATE: Both the Fund's actuary, Buck Consultants, and the General Assembly's actuary, Hartman & Associates, agree that the cost would be negligible.

ASSUMPTIONS AND METHODOLOGY:

Teachers' & 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, 2002, actuarial valuation of the fund. The data included 296,377 active members with an annual payroll of $9.7 billion and 118,129 retired members in receipt of annual pensions totaling $2 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Mellon
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: 733-4910

PREPARED BY: Stanley Moore



APPROVED BY: James D. Johnson, Director
Fiscal Research Division

DATE: May 25, 2004

Signed Copy Located in the NCGA Principal Clerk's Offices

VIA FAX AND OVERNIGHT MAIL

May 25, 2004

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 1478

Dear Mr. Joyal:

We have received your letter of May 21 regarding House Bill 1478 which affects the Teachers' and State Employees' Retirement System.

This legislation appears, in Section 1, to exclude from membership any nonimmigrant alien employed in elementary or secondary public schools who participates in an exchange visitor program designated by the United States Department of State pursuant to 22 C.F.R. Part 62 or the United States Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q). Section 2 appears to amend Chapter 115C governing elementary and secondary education.

The cost to the System due to this legislation is negligible.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sh

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387 RET03-169

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ACTUARIAL CONSULTING

[redacted]RK V. HARTMAN, FSA, MAAA, MCA, EA

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

668 Link Road
Lexington, NC 27295

May 21, 2004

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

Re: House Bill 1478: An Act to Make a Technical Correction Clarifying the Status of Teachers Participating in Foreign Exchange Programs

Dear Mr. Moore:

Currently, the definition of teacher in G.S. 135-1(25) provides that "teacher" does not include any nonimmigrant alien employed in the public schools and participating in an exchange visitor program designated by the United States Department of State. This bill would expand the exclusion to include exchange visitor programs designated by the United States Department of Homeland Security. G.S. 115C-325 is also similarly amended to provide that these exchange teachers are not eligible to obtain career status. This act becomes effective July 1, 2004.

This bill would make teachers in these exchange programs ineligible to participate in the Teachers' and State Employees' Retirement System (TSERS). This change is not expected to have a significant financial impact in the TSERS.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 1478 A BILL TO BE ENTITLED AN ACT TO MAKE A TECHNICAL CORRECTION TO THE LAW CLARIFYING THE STATUS OF TEACHERS PARTICIPATIING IN FOREIGN EXCHANGE PROGRAMS FOR PURPOSES OF RETIREMENT AND TENURE.

☒ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

HOUSE BILL 1513

Short Title:	Increase Local Gov't Death Benefit.	(Public)
Sponsors:	Representatives Bell, G. Wilson (Primary Sponsors); Glazier, McLawhorn, Pate, and Wainwright.	
Referred to:	Pensions and Retirement.	

May 19, 2004

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE MAXIMUM DEATH BENEFIT PAYABLE FROM THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-27(l) reads as rewritten:

"(l) Death Benefit Plan. – The provisions of this subsection shall become effective for any employer only after an agreement to that effect has been executed by the employer and the Director of the Retirement System. There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

(1) The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or

(2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;

(3) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2;

subject to a ~~maximum of twenty thousand dollars ($20,000).~~ minimum of twenty-five thousand dollars ($25,000) and a maximum of fifty thousand dollars ($50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on his death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service.

The death benefit provided in this subsection shall not be payable, notwithstanding the member's compliance with all the conditions set forth in the preceding paragraph, if his death occurs

(1) After June 30, 1969 and after he has attained age 70; or
(2) After December 31, 1969 and after he has attained age 69; or
(3) After December 31, 1970 and after he has attained age 68; or
(4) After December 31, 1971 and after he has attained age 67; or
(5) After December 31, 1972 and after he has attained age 66; or
(6) After December 31, 1973 and after he has attained age 65; or
(7) After December 31, 1978, but before January 1, 1987, and after he has attained age 70.

Notwithstanding the above provisions, the death benefit shall be payable on account of the death of any member who died or dies on or after January 1, 1974, but before January 1, 1979, after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained age 66, was at the time of death completing the work year for those individuals under specific contract, or during the fiscal year for those individuals not under specific contract, in which he or she attained age 65, and otherwise met all conditions for payment of the death benefit.

Notwithstanding the above provisions, the Board of Trustees may and is specifically authorized to provide the death benefit according to the terms and conditions otherwise appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate trust fund qualified under section 501(c)(9) of the Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of Trustees is authorized, empowered and directed to investigate the desirability of utilizing group life insurance by either of the foregoing methods for the purpose of providing the death benefit. If a separate trust fund is established, it shall be operated in accordance with rules and regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall be credited to such fund.

In administration of the death benefit the following shall apply:

(1) For the purpose of determining eligibility only, in this subsection "calendar year" shall mean any period of 12 consecutive months. For all other purposes in this subsection "calendar year" shall mean the 12 months beginning January 1 and ending December 31.
(2) Last day of actual service shall be:

a. When employment has been terminated, the last day the member actually worked.

b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire.

(3) For a period when a member is on leave of absence, his status with respect to the death benefit will be determined by the provisions of G.S. 128-26(g).

(4) A member on leave of absence from his position as a local governmental employee for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit, if applicable. The amount of the death benefit for such member shall be the equivalent of the salary to which the member would have been entitled as a local governmental employee during the 12-month period immediately prior to the month in which death occurred, not to ~~exceed twenty thousand dollars ($20,000).~~ be less than twenty-five thousand dollars ($25,000) nor to exceed fifty thousand dollars ($50,000).

The provisions of the Retirement System pertaining to administration, G.S. 128-28, and management of funds, G.S. 128-29, are hereby made applicable to the Plan."

SECTION 2. This act becomes effective July 1, 2004, and applies to persons dying on or after that date.

HOUSE BILL 1513:
Increase Local Gov't. Death Benefit.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Reps. Bell, G. Wilson
Date:	June 2, 2004	**Summary by:**	Karen Cochrane Brown
Version:	First Edition		Committee Counsel

SUMMARY: ***House Bill 1513 increases the death benefit for members of the Local Governmental Employees' Retirement System from a maximum of $20,000 to a minimum of $25,000 and a maximum of $50,000.***

CURRENT LAW:

Under current law, a member who has completed at least one year of membership in the Retirement System and who dies in service is eligible for a death benefit from the Group Life Insurance Plan, which is administered by the Retirement System. The benefit is payable to the member's designated beneficiary or the member's legal representative, if the beneficiary is not living at the time of the member's death.

The death benefit is equal to the greater of the member's compensation in the preceding calendar year or the greatest compensation earned by the member in a 12-month period within the 24-month period preceding the member's death, ***subject to a maximum of $20,000.***

BILL ANALYSIS:

This bill amends the law to provide that the death benefit payable from the Plan shall be subject to a minimum of $25,000. and a maximum of $50,000. All conditions of eligibility remain the same, as does the process for computing the benefit.

This change would conform the death benefits payable on account of membership in the Local Governmental Employees' Retirement System to those provided for members of the Teachers' and State Employees' Retirement System.

This act becomes effective July 1, 2004, and applies to persons dying on or after that date.

H1513-SMRO-001

North Carolina General Assembly
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May 26, 2004

MEMORANDUM

TO: Representative Larry Bell
Representative Gene Wilson

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 1513

Re: Increases the Death Benefit for members of the Local Governmental Employees' Retirement System

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Mellon, May 26, 2004
(3) Actuarial Note. Hartman & Associates, May 21, 2004

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 1513 (First Edition)

SHORT TITLE: Increase Local Gov't Death Benefit.

SPONSOR(S): Representatives G. Wilson and Bell

SYSTEM OR PROGRAM AFFECTED: Local Governmental Employees' Retirement System

FUNDS AFFECTED: Local Governments' Funds

BILL SUMMARY: Increases the Death Benefit for members of the Local Governmental Employees' Retirement System who die while employed after one year of service. This bill will increase the death benefit from one year's salary with maximum of $20,000 to one year's salary with a minimum of $25,000 and a maximum of $50,000. The participating employer must have elected to have the death benefit coverage.

EFFECTIVE DATE: July 1, 2004

ESTIMATED IMPACT ON LOCAL GOVERNMENTS:

Retirement System Actuary: Mellon estimates the first year cost will be $1,969,006.

	2004-05	2005-06	2006-07	2007-08	2008-09
Local Funds	$2.0M	$2.1M	$2.2M	$2.4M	$2.5

General Assembly Actuary: Hartman & Associates estimates the first year cost will be $2,098,194.

	2004-05	2005-06	2006-07	2007-08	2008-09
Local Funds	$2.1M	$2.2M	$2.4M	$2.5M	$2.7M

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, 2002, actuarial valuation of the fund. The data included 117,654 active members with an annual payroll of $3.7 billion and 32,951 retired members in receipt of annual pensions totaling $431 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 - Mellon
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION: 733-4910

PREPARED BY: Stanley Moore



APPROVED BY: James D. Johnson, Director
Fiscal Research Division

DATE: May 26, 2004

Signed Copy Located in the NCGA Principal Clerk's Offices

Mellon

Human Resources & Investor Solutions

VIA FAX AND OVERNIGHT MAIL

May 26, 2004

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 1513

Dear Mr. Joyal:

We have received your letter of May 19 regarding House Bill 1513 which affects the Local Governmental Employees' Retirement System.

This legislation appears to provide for an increase in the amount payable by the Death Benefit under G.S. 128-27(1) from actual salary subject to a maximum of $20,000 to actual salary subject to a minimum of $25,000 and a maximum of $50,000. The additional cost of this legislation for units who have elected death benefit coverage as of December 31, 2002 is shown in the attached Table I. The total estimated annual cost is $1,969,006.

We have determined that there are sufficient assets in the Plan to provide this benefit increase without an increase in the death benefit rates payable by the local units who have already elected death benefit coverage. However, units that have not elected coverage who chose to do so, would need to pay the full cost of the enhanced death benefits. The cost of this legislation for units who have not elected death benefit coverage as of December 31, 2002 is shown in the attached Table II.

As a technical observation, no provisions are made in the bill for the additional funding requirements of these enhanced benefits. In addition, aggregate (local plus State) employer provided life insurance coverage above $50,000 is taxable as imputed income. Please refer to the attached imputed income summary for the premiums used to calculate the tax for group life.

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

Sincerely,

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sh

Attachments

P:\North Carolina Death Benefit\2004\Retirement\Correspondence\House Bill 1513.doc
3434 RET03-180

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

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

668 Link Road
Lexington, NC 27295

May 21, 2004

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

Re: House Bill 1513: An Act to Increase the Maximum Death Benefit Payable From the LGERS

Dear Mr. Moore:

This bill amends G.S. 128-27(l) to increase the death benefit for members of the Local Governmental Employees' Retirement System (LGERS) who die while employed. The death benefit for active members is equal to the greater of a member's compensation for the calendar year preceding the year of death, or the greatest compensation during a 12-month period of service within the 24 months preceding the last month of service. Currently, the death benefit is limited to a maximum of $20,000. This bill would provide for a minimum death benefit of $25,000 and a maximum of $50,000. This act becomes effective July 1, 2004 and applies to members dying on or after that date.

This act would increase the annual death benefits paid. The estimated cost for the fiscal year beginning July 1, 2004 is $2,098,194. This estimate is based on data contained in the most recent actuarial valuations of the LGERS and the Death Benefit Plans as of December 31, 2002.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/jj

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 1513 A BILL TO BE ENTITLED AN ACT TO INCREASE THE MAXIMUM DEATH BENEFIT PAYABLE FROM THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 1516

Short Title:	Security of State Retirement System.	(Public)
Sponsors:	Representatives Frye; Adams, Barnhart, Blackwood, Capps, Creech, Culp, Daughtridge, Dockham, Gillespie, Gulley, Hilton, Justus, Lucas, McGee, McHenry, Mitchell, Moore, Parmon, Pate, Ray, Rayfield, Starnes, Steen, Walend, Walker, C. Wilson, G. Wilson, and Womble.	
Referred to:	Pensions and Retirement.	

May 19, 2004

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR THE CONTINUED FINANCIAL SECURITY OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

Whereas, the 2002-2003 State budget did not include any employer contribution to the Teachers' and State Employees' Retirement System; and

Whereas, it is critical to the security of the Teachers' and State Employees' Retirement System and the retirees, both present and future, who depend upon it for their livelihood, that the Retirement System be provided with a reliable and consistent employer contribution rate; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 135 of the General Statutes is amended by adding a new section to read:

"**§ 135-8.1. Continued stability of Retirement System.**

In order to provide for the continued stability of the Retirement System, each biennial budget enacted by the General Assembly shall appropriate funds to the Retirement System in an amount sufficient to cover the sum of the following, as determined annually by the Board of Trustees:

(1) The normal employer contribution rate; and

(2) The accrued liability contribution rate, if any.

The appropriation shall be paid monthly as a percentage of compensation of members and shall be credited to the pension accumulation fund established in G.S. 135-8(a)."

SECTION 2. This act becomes effective July 1, 2004.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 1516
PROPOSED COMMITTEE SUBSTITUTE H1516-CSRO-34 [v.1]

6/1/2004 4:47:16 PM

Short Title: Security of State Retirement System. (Public)

Sponsors:

Referred to:

May 19, 2004

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR THE CONTINUED FINANCIAL SECURITY OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

Whereas, the 2002-2003 State budget did not include any employer contribution to the Teachers' and State Employees' Retirement System; and

Whereas, it is critical to the security of the Teachers' and State Employees' Retirement System and the retirees, both present and future, who depend upon it for their livelihood, that the Retirement System be provided with a reliable and consistent employer contribution rate; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 135 of the General Statutes is amended by adding a new section to read:

"**§ 135-8.1. Continued stability of Retirement System.**

In order to provide for the continued stability of the Retirement System, each biennial budget enacted by the General Assembly shall appropriate funds to the Retirement System in an amount sufficient to cover the sum of the following, as determined annually by the Board of Trustees:

(1) The normal employer contribution rate; and

(2) The accrued liability contribution rate, if any.

The appropriation shall be paid monthly as a percentage of compensation of members and shall be credited to the pension accumulation fund established in G.S. 135-8(d)."

SECTION 2. This act becomes effective July 1, 2004.

HOUSE BILL 1516:
Security of State Retirement System.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Rep. Frye
Date:	June 2, 2004	**Summary by:**	Karen Cochrane Brown
Version:	Proposed Committee Substitute H1516-CSRO-34[v.1]		Committee Counsel

SUMMARY: ***House Bill 1516 amends the Retirement law to provide for the continued financial stability of the Teachers' and State Employees' Retirement System by directing the General Assembly to appropriate sufficient funds to cover the employer contribution rate as determined by the Retirement Board.***

CURRENT LAW:

G.S. 135-8(d) currently provides for the pension accumulation fund and defines the normal contribution rate and the accrued liability contribution rate and the method by which these rates are determined. The section also currently provides that the Board of Trustees of the Retirement System must adopt these rates based on the recommendation of the actuary after each actuarial valuation.

In addition, G.S. 135-8(f)(2)e. currently provides that each employer must transmit monthly to the Retirement System on account of each employee who is a member of the System, an amount sufficient to cover the normal contribution and the accrued liability contribution of each member employed by the employer for the preceding month.

BILL ANALYSIS:

This bill adds a new section to Chapter 135 of the General Statutes entitled 'Continued stability of Retirement System', which directs that each biennial budget enacted by the General Assembly must appropriate sufficient funds to cover the sum of the normal contribution rate and the accrued liability rate. The appropriation must be paid monthly as a percentage of compensation of members and must be credited to the pension accumulation fund.

This act would become effective July 1, 2004.

H1516-SMRO-001

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 1516 A BILL TO BE ENTITLED AN ACT TO PROVIDE FOR THE CONTINUED FINANCIAL SECURITY OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

☒ With a favorable report as to the committee substitute bill (# 1516), ☐ ~~which changes the title~~, unfavorable as to (the original bill) (~~Committee Substitute Bill # _____~~), (and ~~recommendation that the committee substitute bill # _____~~) be re-referred to the Committee on Appropriations

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 2

HOUSE BILL 219*
Committee Substitute Favorable 6/11/03

Short Title: Study Reemployment of Retirees. (Public)

Sponsors:

Referred to:

March 5, 2003

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE LEGISLATIVE STUDY COMMISSION ON REEMPLOYMENT AFTER RETIREMENT FOR TEACHERS AND STATE EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1.(a) There is established the Legislative Study Commission on Reemployment After Retirement for Teachers and State Employees. The Study Commission shall study the costs and benefits of modifying or eliminating the limitations on reemployment after retirement for teachers and state employees, including whether the option for retired teachers to return to the classroom without loss of retirement benefits should be made permanent. The Study Commission shall conduct several public hearings to seek input from employers and employees concerning the short and long-term needs for experienced workers. In conducting the study, the Commission shall obtain input and support from the Retirement Systems Division of the Department of State Treasurer regarding the cost of the options and the number of positions likely to be affected.

SECTION 1.(b) The Study Commission shall consist of 10 members appointed as follows:

(1) Five members appointed by the President Pro Tempore of the Senate. All five shall be members of the Senate at the time of appointment. One member shall have served within the last two years as a chair, cochair, or vice chair of the Senate Committee on Pensions and Retirement and Aging.

(2) Five members appointed by the Speaker of the House of Representatives. All five shall be members of the House of Representatives at the time of appointment. One member shall have served within the last two years as a chair, cochair, or vice chair of the House of Representatives Committee on Pensions and Retirement.

SECTION 1.(c) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Study Commission from their appointees.

SECTION 1.(d) With the prior approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist in the work of the Legislative Study Commission on Reemployment After Retirement for Teachers and State Employees. With the prior approval of the Legislative Services Commission, the Study Commission may hold its meeting in the State Legislative Building or the Legislative Office Building.

SECTION 1.(e) The Study Commission shall submit a final written report of its findings and recommendations on or before the convening of the 2004 Regular Session of the 2003 General Assembly. All reports shall be filed with the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Legislative Librarian. Upon filing its final report, the Study Commission shall terminate.

SECTION 1.(f) Members of the Study Commission shall be paid per diem, subsistence, and travel allowances at the rate established in G.S. 120-3.1.

SECTION 1.(g) All State departments and agencies shall cooperate with the Study Commission and, upon request, shall furnish to the Study Commission and its staff any information in their possession or available to them.

SECTION 2. From funds appropriated to the General Assembly for the 2003-2005 fiscal biennium, the Legislative Services Commission shall allocate funds for the expenses of the Legislative Study Commission on Reemployment After Retirement for Teachers and State Employees.

SECTION 3. This act is effective when it becomes law.

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — JUNE 2, 2004

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lorin Mueller	NC Coalition of Police
~~John McMillan~~	~~Dept of S~~
Estherine Davis	Electricities of NC Inc.
Eddie Caldwell	NC Sheriffs Assn/NC Law Enf Off Assn.
John Cyrus	N.C. State Grange
Hal Miller	NCAECT
Ed Regan	NCACC
Mary Doorey	UIF
Michael House	NCAE
Mary Katherine Hackney	Rep. Hackney
Christian Duke	Rep. Clary

Attachment 16

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — JUNE 2, 2004

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
ELLIS HANKINS JR	NCLM
[signature]	SBE/DPI
[signature]	JL McMillan Co
[signature]	CTA
[signature]	WCPSS
[signature]	NCIMS
[signature]	HBARWC
[signature]	NC Retired School Personnel

North Carolina General Assembly
Short Session 2004

PAGES INFORMATION SHEET

	NAME	COUNTY	REPRESENTATIVE
1.	Elizabeth Lahey	Alamance	Rowden
2.	Caitlin Collins	Alamance	Allred
3.	Katherine Carlton	Wake	Black
4.	Jack Neese	Wake	Wise
5.	Eric Benjamin	Guilford	Morgan
6.	Ed Barthalomew	Palm Beach	L. Allen

SERGEANT AT ARMS

	NAME
1.	BILL FREEMAN
2.	JAMES WORTH
3.	JIM BREWER
4.	EARL THARRINGTON
5.	

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

June 3, 2004

The House Committee on Pensions and Retirement met Thursday, June 3, 2004, in an emergency meeting in the House Chambers around Representative Larry Bell's Desk (Seat 96).

Representative Bell called the meeting to order.

Stanley Moore from Fiscal Research spoke on the Three Special Provisions Drafts.

- The First Draft Special Provision was **RETIREMENT SYSTEM COLAS.** (Attachment 1).
- The Second Draft Special Provision was **INCREASE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.** (Attachment 2)
- The Third Draft Special Provision was **RETIRED TEACHERS RETURNING TO CLASSROOM WITHOUT LOSS OF RETIREMENT BENEFITS/OPTION EXTENDED.** (Attachment 3)
- The Forth Draft Special Provision was **SALARY-RELATED CONTRIBUTIONS/EMPLOYER.** (Attachment 4)

There was a vote taken on all four drafts. The First, Second and Third Draft Special Provisions passed. The Forth Special Provision Drafts did not pass.

Attachments (Draft Special Provision)

1. RETIREMENT SYSTEM COLAS

2. INCREASE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

3. RETIRED TEACHERS RETURNING TO CLASSROOM WITHOUT LOSS OF RETIREMENT BENEFITS/OPTION EXTENDED.

4. SALARY-RELATED CONTRIBUTIONS/EMPLOYER

Respectfully submitted,

_____

Rebecca Jones-Cooper
Committee Assistant

Representative Gene Wilson
Co-Chair

Representative Larry Bell
Co-Chair

Thursday

Meeting Around desk

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2004

DRAFT
SPECIAL PROVISION

2004-EMP-H1

Employment, Salaries, and Benefits

Requested by: **Representative**

RETIREMENT SYSTEM COLAS

SECTION #.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(mmm) From and after July 1, 2004, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2003, shall be increased by one and thirty-two hundredths percent (1.32%) of the allowance payable on June 1, 2004, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2004, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2003, but before June 30, 2004, shall be increased by a prorated amount of one and thirty-two hundredths percent (1.32%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2003, and June 30, 2004."

SECTION #.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(y) From and after July 1, 2004, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2003, shall be increased by three-tenths percent (0.3%) of the allowance payable on June 1, 2004, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2004, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2003, but before June 30, 2004, shall be increased by a prorated amount of three-tenths percent (0.3%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2003, and June 30, 2004."

SECTION #.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(s) From and after July 1, 2004, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2004, shall be increased by one and thirty-two hundredths percent (1.32%) of the allowance payable on June 1, 2004, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2004, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2004, but before June 30, 2004, shall be increased by a prorated amount of one and thirty-two hundredths percent (1.32%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2004, and June 30, 2004."

SECTION #.(d) The increases provided for in this section are granted to the extent of available actuarial gains that were generated within each retirement system for the 2004-2005 fiscal year only.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2004

DRAFT
SPECIAL PROVISION

2004-EMP-H2

Employment, Salaries, and Benefits

Requested by: **Representative**

INCREASE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND

SECTION #. G.S. 58-86-55 reads as rewritten:

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

Any member who has served 20 years as an "eligible fireman" or "eligible rescue squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly pension from this fund. The monthly pension shall be in the amount of ~~one hundred fifty-eight dollars ($158.00)~~ one hundred sixty dollars ($160.00) per month. Any retired fireman receiving a pension shall, effective ~~July 1, 2003,~~ July 1, 2004, receive a pension of ~~one hundred fifty-eight dollars ($158.00)~~ one hundred sixty dollars ($160.00) per month.

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

A member who is totally and permanently disabled while in the discharge of the member's official duties as a result of bodily injuries sustained or as a result of extreme exercise or extreme activity experienced in the course and scope of those official duties and who leaves the fire or rescue squad service because of this disability shall be entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred fifty-eight dollars ($158.00)~~ one hundred sixty dollars ($160.00) per month beginning the first month after the member's fifty-fifth birthday. All applications for disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application, and annually thereafter. Any disabled member shall not be required to make the monthly payment of ten dollars ($10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

A member who is totally and permanently disabled for any cause, other than line of duty, who leaves the fire or rescue squad service because of this disability and who has at least 10 years of service with the pension fund, may be permitted to continue making a monthly contribution of ten dollars ($10.00) to the fund until the member has made contributions for a total of 240 months. The member shall upon attaining the age of 55 years be entitled to receive a pension as provided by this section. All applications for

Attachment 2

disability are subject to the approval of the board who may appoint physicians to examine and evaluate the disabled member prior to approval of the application and annually thereafter.

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

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

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2004

DRAFT
SPECIAL PROVISION

2004-EMP-H6

Employment, Salaries, and Benefits

Requested by: **Representative**

RETIRED TEACHERS RETURNING TO CLASSROOM WITHOUT LOSS OF RETIREMENT BENEFITS/OPTION EXTENDED

SECTION #.(a) Subsection (d) of Section 28.24 of S.L. 1998-212, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"(d) This section becomes effective January 1, 1999, and expires June 30, ~~2004.~~ 2005."

SECTION #.(b) The introductory language of Section 67 of S.L. 1998-217, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"**SECTION 67.** Effective January 1, 1999, through June 30, ~~2004,~~ 2005, G.S. 135-3(8)c., as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

SECTION #.(c) Subsection (b) of Section 67.1 of S.L. 1998-217, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"(b) This section becomes effective January 1, 1999, and expires June 30, ~~2004.~~2005."

SECTION #.(d) Subsection (c) of Section 32.25 of S.L. 2001-424, as rewritten by Section 28.10 of S.L. 2002-126, reads as rewritten:

"**SECTION 32.25.(c)** This section becomes effective July 1, 2001, and expires June 30, ~~2004.~~ 2005."

SECTION #.(e) The Retirement Systems Division shall conduct an analysis of the post-retirement reemployment issue, including a survey of peer State systems, cost analyses, review of relevant impacting federal regulations, and the administrative impact of various post-retirement reemployment policies. The Retirement Systems Division shall develop findings and recommendations for the adoption of an efficient and fiscally sound policy on post-retirement reemployment and shall report those findings and recommendations, as well as the analysis that produced them, to the General Assembly by February 1, 2005.

SECTION #.(f) In order to facilitate the success of its request for a private letter ruling from the Internal Revenue Service, as mandated by Section 28.13(d) of S.L. 2002-126, the Retirement Systems Division may modify the scope of its inquiry to the extent that a substantive ruling may be obtained and used by the General Assembly to adopt an efficient and fiscally sound policy on post-retirement reemployment.

Attachment 3

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2004

DRAFT
SPECIAL PROVISION

2004-EMP-H20

Employment, Salaries, and Benefits

Requested by: Representative

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION #. Effective July 1, 2004, each local school administrative unit shall pay an employer contribution rate of thirteen and sixty-four hundredths percent (13.64%) for retirement and other related benefits as a percentage of covered salaries for all employees, who have retired from the Teachers' and State Employees' Retirement System and continue to work either in a full-time, part-time, temporary, interim, or on a fee-for-service basis, whether contractual or otherwise, for the 2004-2005 fiscal year. The employer contribution rate shall be paid from sources other than funds from the General Fund or the Highway Fund. Each local school administrative unit shall report monthly to the Retirement Systems Division. The foregoing contribution rate includes three and twenty hundredths percent (3.20%) for hospital and medical benefits and fifty-two hundredths percent (0.52%) for the Disability Income Plan.

n·c

Attachment 4

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

June 9, 2004

The House Committee on Pensions and Retirement met Wednesday, June 9, 2004, in Room 544 of the Legislative Office Building at 10:00 A.M. The following members were present: **Chairs Bell and G. Wilson, Vice-Chair Yongue, Representatives B. Allen, Barbee, Kiser, McGee, McLawhorn, Munford, Rapp, Steen and Tolson**. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 7)

Committee Chair, Representative Gene Wilson, called the meeting to order.

Representative Wilson recognized Representative Bell to speak on **House Bill 1624 AN ACT TO INCREASE THE CONTRIBUTORY DEATH BENEFIT FOR RETIRED MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM.** (Attachment 3)
Representative Allen made a motion for a favorable report, and that it be re-referred to the committee on Appropriations. The motion passed.
Committee Report (Attachment 6)

There being no further business, Representative Wilson adjourned the meeting at 10:15 a.m.

Attachments

1. Bill Sponsor Notification
2. Agenda
3. House Bill 1624
4. Bill Analysis 1624
5. Actuarial Note 1624
6. Committee Report 1624
7. Visitor Registration Sheet
8. Page Information Sheet

Respectfully submitted,

_____

Rebecca Jones-Cooper
Committee Assistant

Representative Gene Wilson
Co-Chair

Representative Larry Bell
Co-Chair

_____

_____

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **PENSIONS AND RETIREMENT** will meet as follows:

DAY & DATE: **Wednesday, June 9, 2004**

TIME: **10:00 AM**

LOCATION: **LOB 544**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):
HB 1624 – INCREASE RETIREES' CONTRIBUTORY DEATH BENEFIT – Reps. Bell, G. Wilson
HB 1647 - ENHANCE RETIREMENT BENEFITS – Rep. Insko

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **10:05 A.M.** on **Tuesday, June 08, 2004.**

___Principal Clerk
___Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

Attachment 1

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE
ORGANIZATIONAL MEETING

June 9, 2004
10:00 A.M.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

BILL TO BE CONSIDERED

HB 1624 – INCREASE RETIREES' CONTRIBUTORY DEATH BENEFIT – Reps. Bell, G. Wilson

ADJOURNMENT

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 1624

Short Title:	Increase Retirees' Contributory Death Benefit.	(Public)
Sponsors:	Representatives Bell, G. Wilson (Primary Sponsors); Wainwright, McLawhorn, and Hackney.	
Referred to:	Pensions and Retirement, if favorable, Appropriations.	

May 24, 2004

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE CONTRIBUTORY DEATH BENEFIT FOR RETIRED MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-5(l) reads as rewritten:

"(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

(1) The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or

(2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;

(3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.

subject to a minimum of twenty-five thousand dollars ($25,000) and to a maximum of fifty thousand dollars ($50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on his death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service.

The death benefit provided in this subsection (l) shall not be payable, notwithstanding the member's compliance with all the conditions set forth in the preceding paragraph, if his death occurs

(1) After December 31, 1968 and after he has attained age 70; or
(2) After December 31, 1969 and after he has attained age 69; or
(3) After December 31, 1970 and after he has attained age 68; or
(4) After December 31, 1971 and after he has attained age 67; or
(5) After December 31, 1972 and after he has attained age 66; or
(6) After December 31, 1973 and after he has attained age 65; or
(7) After December 31, 1978, but before January 1, 1987, and after he has attained age 70.

Notwithstanding the above provisions, the death benefit shall be payable on account of the death of any member who died or dies on or after January 1, 1974, but before January 1, 1979, after attaining age 65, if he or she had not yet attained age 65, if he or she had not yet attained age 66, was at the time of death completing the work year for those individuals under specific contract, or during the fiscal year for those individuals not under specific contract, in which he or she attained 65, and otherwise met all conditions for payment of the death benefit.

Notwithstanding the above provisions, the Board of Trustees may and is specifically authorized to provide the death benefit according to the terms and conditions otherwise appearing in this Plan in the form of group life insurance, either (i) by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in this State for the purpose of insuring the lives of members in service, or (ii) by establishing a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended, for such purpose. To that end the Board of Trustees is authorized, empowered and directed to investigate the desirability of utilizing group life insurance by either of the foregoing methods for the purpose of providing the death benefit. If a separate trust fund is established, it shall be operated in accordance with rules and regulations adopted by the Board of Trustees and all investment earnings on the trust fund shall be credited to such fund.

In administration of the death benefit the following shall apply:

(1) For the purpose of determining eligibility only, in this subsection "calendar year" shall mean any period of 12 consecutive months or, if less, the period covered by an annual contract of employment. For all other purposes in this subsection "calendar year" shall mean the 12 months beginning January 1 and ending December 31.
(2) Last day of actual service shall be:

a. When employment has been terminated, the last day the member actually worked.
b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire, unless he is on approved leave of absence and is in service under the provisions of G.S. 135-4(h).

(3) For a period when a member is on leave of absence, his status with respect to the death benefit will be determined by the provisions of G.S. 135-4(h).

(4) A member on leave of absence from his position as a teacher or State employee for the purpose of serving as a member or officer of the General Assembly shall be deemed to be in service during sessions of the General Assembly and thereby covered by the provisions of the death benefit. The amount of the death benefit for such member shall be the equivalent of the salary to which the member would have been entitled as a teacher or State employee during the 12-month period immediately prior to the month in which death occurred, not to be less than twenty-five thousand dollars ($25,000) nor to exceed fifty thousand dollars ($50,000).

The provisions of the Retirement System pertaining to Administration, G.S. 135-6, and management of funds, G.S. 135-7, are hereby made applicable to the Plan.

A member who is a beneficiary of the Disability Income Plan provided for in Article 6 of this Chapter shall be eligible for group life insurance benefits as provided in this subsection, notwithstanding that the member is no longer an employee or teacher or that the member's death occurs after the eligibility period after active service. The basis of the death benefit payable hereunder shall be the higher of the death benefit computed as above or a death benefit based on compensation used in computing the benefit payable under G.S. 135-105 and G.S. 135-106, as may be adjusted for percentage post-disability increases, all subject to the maximum dollar limitation as provided above. A member in receipt of benefits from the Disability Income Plan under the provisions of G.S. 135-112 whose right to a benefit accrued under the former Disability Salary Continuation Plan shall not be covered under the provisions of this paragraph.

Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 1988, but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of the deceased retired member or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Board of Trustees on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of five thousand dollars ($5,000) upon the completion of twenty-four months of

contributions required under this subsection. Should death occur before the completion of twenty-four months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees.

Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of the deceased retired member or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Board of Trustees on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of six thousand dollars ($6,000) upon the completion of 24 months of contributions required under this subsection. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees.

Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2004, there shall be paid a death benefit to the surviving spouse of the deceased retired member or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Board of Trustees on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of nine thousand dollars ($9,000) upon the completion of 24 months of contributions required under this subsection. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees."

SECTION 2. G.S. 128-27(l3) reads as rewritten:

"(l3) Death Benefit for Retired Members. – Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of the deceased retired member or to the deceased retired member's legal representative if not survived by a

spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Board of Trustees on a fully contributory basis through retirement allowance deductions or other methods adopted by the Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump sum payment in the amount of six thousand dollars ($6,000) upon the completion of 24 months of contributions required under this subsection. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees."

SECTION 3. G.S. 128-27 is amended by adding a new subsection to read:

"(14) Death Benefit for Retired Members. – Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this subsection, of the death of a retired member of the Retirement System on or after July 1, 2004, there shall be paid a death benefit to the surviving spouse of the deceased retired member or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Board of Trustees on a fully contributory basis through retirement allowance deductions or other methods adopted by the Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of nine thousand dollars ($9,000) upon the completion of 24 months of contributions required under this subsection. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees."

SECTION 4. G.S. 120-4.27 reads as rewritten:

"**§ 120-4.27. Death benefit.**

The designated beneficiary of a member who dies while in service after completing one year of creditable service shall receive a lump-sum payment of an amount equal to the deceased member's highest annual salary, to a maximum of fifteen thousand dollars ($15,000). For purposes of this death benefit "in service" means currently serving as a member of the North Carolina General Assembly.

The death benefit provided by this section shall be designated a group life insurance benefit payable under an employee welfare benefit plan that is separate and apart from the Retirement System but under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. The Board of Trustees is authorized to provide the death benefit in the form of group life insurance either by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in the State of North

Carolina for the purpose of insuring the lives of qualified members in service, or by establishing or affiliating with a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired member of the Retirement System or Retirement Fund on or after July 1, 1988, but before January 1, 1999, there shall be paid a death benefit to the surviving spouse of a deceased retired member, or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Retirement System on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Retirement System, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of five thousand dollars ($5,000) upon the completion of twenty-four months of contributions required under this subsection. Should death occur before the completion of twenty-four months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees.

Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired member of the Retirement System or Retirement Fund on or after January 1, 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of a deceased retired member, or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Retirement System on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Retirement System, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of six thousand dollars ($6,000) upon the completion of 24 months of contributions required under this subsection. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees.

Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired member of the Retirement System or Retirement Fund on or after July 1, 2004, there shall be paid a death benefit to the surviving spouse of a deceased retired member, or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Retirement System on a fully contributory basis, through retirement allowance deductions or other methods

adopted by the Retirement System, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of nine thousand dollars ($9,000) upon the completion of 24 months of contributions required under this subsection. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees."

SECTION 5. G.S. 135-64(h) reads as rewritten:

"(h) Upon the death of a retired member on or after January 1, 1999, but before July 1, 2004, there shall be paid a death benefit to the surviving spouse of a deceased retired member or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Board of Trustees on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of six thousand dollars ($6,000) upon the completion of 24 months of contributions required under this subsection. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees."

SECTION 6. G.S. 135-64 is amended by adding a new subsection to read:

"(i) Upon the death of a retired member on or after July 1, 2004, there shall be paid a death benefit to the surviving spouse of a deceased retired member or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of his death required contributions as determined by the Board of Trustees on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Board of Trustees, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of nine thousand dollars ($9,000) upon the completion of 24 months of contributions required under this subsection. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees."

SECTION 7. This act becomes effective July 1, 2004, and applies to persons dying on or after that date.

HOUSE BILL 1624:
Increase Retirees' Contributory Death Benefit.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Reps. Bell and G. Wilson
Date:	June 9, 2004	**Summary by:**	Karen Cochrane Brown
Version:	First Edition		Committee Counsel

SUMMARY: ***House Bill 1624 amends the laws governing the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Legislative Retirement System, and the Consolidated Judicial Retirement System to increase the contributory death benefit for retirees.***

CURRENT LAW:

Currently, retirees from each of the four major State administered Retirement Systems may elect to make contributions, in an amount determined by the Board of Trustees, to a group death benefit trust fund. The benefit payable at the retiree's death is a lump-sum payment of $6,000, provided the retiree has made the required contributions for 24 months prior to death. The benefit is payable to the retiree's spouse or legal representative, if there is no spouse. In the event the retiree dies prior to having made contributions for 24 months, the retiree's surviving spouse or legal representative is paid the sum of the retiree's contributions plus interest.

BILL ANALYSIS:

This bill increases the lump-sum death benefit from $6,000 to $9,000, under the same conditions as currently exist. The benefit was last increased in January 1999. This bill is a recommendation of the Board of Trustees of the Retirement System as a result of the actuary's assertion that the reserves and the contributory rates paid by retirees are sufficient to increase the death benefit.

This act would become effective July 1, 2004, and apply to eligible retirees who die on or after that date.

H1624-SMRO-001

North Carolina General Assembly
Legislative Services Office

George R. Hall, Legislative Services Officer
Legislative Services Office
16 W. Jones Street Room 2129
Raleigh, NC 27601-1030 Tel. (919) 733-7044

Tony Goldman, Director
Administrative Division
16 W. Jones Street Room 9
Raleigh, NC 27601-1030
(919) 733-7500

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

James D. Johnson, Director
Fiscal Research Division
300 N. Salisbury St. Rm 619
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(919) 733-4910

Dennis W. McCarty, Director
Information Systems Division
300 N. Salisbury St. Rm 400
Raleigh, NC 27603-5925
(919) 733-6834

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

June 2, 2004

MEMORANDUM

TO: Representative Larry Bell
Representative Gene Wilson

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 1624

Re: **Increases the Death Benefit for retired members from $6,000 to $9,000.**

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Mellon, June 2, 2004
(3) Actuarial Note. Hartman & Associates, May 24, 2004

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 1624 (First Edition)

SHORT TITLE: Increase Retirees' Contributory Death Benefit.

SPONSOR(S): Representatives G. Wilson and Bell

SYSTEM OR PROGRAM AFFECTED: The Retirees' Contributory Death Benefit Plan

FUNDS AFFECTED: Funds deducted from the retirement checks of retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System and Local Governmental Employees' Retirement System.

BILL SUMMARY: Increases the contributory death benefit from $6,000 to $9,000 for retirees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System and Local Governmental Employees' Retirement System that elect to pay for this coverage.

EFFECTIVE DATE: July 1, 2004

ESTIMATED IMPACT ON PLAN:
Both the Death Benefit Plan's actuary, Mellon, and the General Assembly's actuary, Hartman & Associates, estimates the annual increase in death benefits paid will be $2.8m.

	2004-05	2005-06	2006-07	2007-08	2008-09
Retiree Contributions	$2.8M	$2.8M	$2.8M	$2.8M	$2.8M

Both actuaries agree that the reserves and the contributory rates by the retirees for the death benefit are sufficient to cover the cost to increase the death benefit.

ASSUMPTIONS AND METHODOLOGY: The Retirees' Contributory Death Benefit Plan: The actuarial valuation of the Retirees' Contributory Death Benefit Plan as of December 31, 2002 shows that the Plan has liabilities of $90,910,983. The Plan has assets of $100,907,004. Prospective contributions of participants eligible for benefits (those with two or more years of coverage) have a value of $57,402,139. The total present and prospective assets amount to $158,309,143, which exceeds the liability of $90,910,983 by $67,398,160. On the basis of the calculation, the present contribution rates appear to be sufficient to support the benefits of the Plan and the necessary reserves are being accumulated.

SOURCES OF DATA: Retirement System Actuary - Mellon
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION (919) 733-4910



PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director
Fiscal Research Division

DATE: June 2, 2004

Signed Copy Located in the NCGA Principal Clerk's Offices

June 2, 2004

Mr. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1388

House Bill 1624

Dear Mr. Joyal:

We have received your letter of May 26 regarding House Bill 1624 which affects the Contributory Death Benefit for retired members of the State, Local Governmental, Consolidated Judicial, and Legislative Retirement Systems.

This legislation appears to increase the Contributory Death Benefit payment from $6,000 to $9,000 upon the death of a qualified retired member, on or after July 1, 2004.

Benefits payable under the Retiree's Contributory Death Benefit Plan are supported entirely by the contributions of the participants and the investment earnings on these contributions. The current participant contribution rates shown in our actuarial report as of December 31, 2002 are sufficient to pay for the increase due to this legislation. Therefore, there is no cost to the State or the participants due to this legislation. However, death benefits are expected to increase by about $2,800,000 for fiscal year 2005.

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:sh

P:\North Carolina Death Benefit\2004\Retirement\Correspondence\HB 1624.doc
3404 RET03-180

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

Suite 1900 • 200 Galleria Parkway, N.W. • Atlanta, GA 30339-5945
(770) 955-2488 Office • (770) 933-8336 Fax
www.mellon.com

A Mellon Financial Company.℠

HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

[redacted] V. HARTMAN, FSA, MAAA, MCA, EA

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

668 Link Road
Lexington, NC 27295

May 24, 2004

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

Re: House Bill 1624: An Act to Increase the Contributory Death Benefit for Retired Members of the TSERS, LGERS, LRS, and CJRS

Dear Mr. Moore:

This bill amends G.S. 135-5, G.S. 128-27, G.S. 120-4.27, and G.S. 135-64 to increase the contributory death benefit available to retired members of the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), the Legislative Retirement System (LRS), and the Consolidated Judicial Retirement System (CJRS). This benefit is available to all members who are retired under these four systems and are funded entirely by the contributions of those who elect to participate. Currently, the death benefit is equal to the return of contributions if death occurs in the first 24 months of coverage and $6,000 if death occurs after 24 months. This bill would increase the death benefit following 24 months of coverage to $9,000. This act is effective July 1, 2004 and applies to members dying on or after that date.

The estimated impact of this bill is an increase in annual death benefits of approximately $2.8 million. However, given the current plan reserves and contribution rates, the plan is expected to remain actuarially sound with no adjustment to the current rates.

This estimate is based on data contained in the most recent actuarial valuation of the Death Benefit Plans as of December 31, 2002 and analysis of contributions and benefits over the past four years.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 1624 A BILL TO BE ENTITLED AN ACT TO INCREASE THE CONTRIBUTORY DEATH BENEFIT FOR RETIRED MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

VISITOR REGISTRATION SHEET

PENSIONS AND RETIREMENT — JUNE 9, 2004

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kathryn Hunter	State Board of Ed.
Ed Regan	NCRGEA
[signature]	NCRGEA
[signature]	NCRSP
Adam Prudence	NCASA
Michael Houser	NCAE
Paul Meyer	NCACC
[signature]	PEFPNC
Geoff Coltrane	Ed Policy Office - Governor

Attachment 8

North Carolina General Assembly
Short Session 2004
June 9, 2004

PAGES INFORMATION SHEET

	NAME	COUNTY	REPRESENTATIVE
1.	Elizabeth Beavers	Rockingham	Wayne Sexton
2.	Hal Young	Rockingham	Wayne Sexton
3.	Abby Sherrill	Caldwell	Wilma Sherrill
4.	Elizabeth Cross	Granville	Stan Fox
5.	Justin Hodges	Cumberland	Marvin Lucas

SERGEANT AT ARMS

	NAME
1.	EARL THARRINGTON
2.	BILL SULLIVAN
3.	JAMES WILLIAMS
4.	CHARLES WILLIAMS
5.	JAMES WORTH
6.	~~BILL~~ FREEMAN

MINUTES
HOUSE COMMITTEE ON
PENSIONS AND RETIREMENT

June 23, 2004

The House Committee on Pensions and Retirement met Wednesday, June 23, 2004, in Room 544 of the Legislative Office Building at 10:00 A.M. The following members were present: **Chairs Bell and G. Wilson, Vice-Chair Yongue, Representatives B. Allen, Barbee, Kiser, McGee, McLawhorn, Rapp, Steen and Tolson**. Research Staff Karen Cochrane and Theresa Mutla, and Fiscal Staff Stanley Moore were also present. A Visitor Registration list is attached and made part of these minutes. (Attachment 9)

Committee Chair, Representative Gene Wilson, called the meeting to order.

Representative Wilson recognized Representative Tolson to speak on **House Bill 1668-A BILL TO BE ENTITLED AN ACT TO AMEND THE ACT ESTABLISHING THE SUPPLEMENTAL RETIREMENT FUND FOR FIREMEN IN THE CITY OF WILSON**. (Attachment 1) Representative Allen made a motion for a favorable report. The motion passed. (Attachment 2)

Representative Wilson next recognized Representative Allred to speak on **House Bill 1723-A BILL TO BE ENTITLED AN ACT TO AUTHORIZE EXISTING CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' MAJOR MEDICAL PLAN.** (Attachment 3) A Proposed Committee Substitute was handed out to the committee for House Bill 1723. (Attachment 4) Representative Rapp made a motion for a favorable report for Proposed Committee Substitute, unfavorable as to the original bill. The motion passed. (Attachment 5)

Representative Wilson recognized Senator Dorsett to speak on Committee Substitute for **Senate Bill 1312-A BILL TO BE ENTITLED AN ACT TO AUTHORIZE PARTICIPATION IN 457 PLANS BY LOCAL GOVERNMENTAL EMPLOYEES.** (Attachment 6) A House Proposed Committee Substitute was handed out to the committee for Senate

Bill 1312. (Attachment 7) Representative McLawhorn made a motion for a favorable report for the House Proposed Committee Substitute, unfavorable as to the original bill. The motion passed. (Attachment 8)

There being no further business, Representative Wilson adjourned the meeting at 10:42 a.m.

Attachments

1. Bill Sponsor Notification
2. Agenda
3. House Bill 1668
4. Committee Report 1668
5. House Bill 1723
6. Proposed Committee Substitute for House Bill 1723
7. Committee Report 1723
8. Senate Bill 1312
9. Proposed Committee Substitute for Senate Bill 1312
10. Committee Report 1312

Respectfully submitted,

Rebecca Jones-Cooper
Committee Assistant

Representative Gene Wilson
Co-Chair

Representative Larry Bell
Co-Chair

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2003-2004 SESSION

You are hereby notified that the Committee on **PENSIONS AND RETIREMENT** will meet as follows:

DAY & DATE: **Wednesday, June 23, 2004**

TIME: **10:00 AM**

LOCATION: **LOB 544**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):
HB 1668 – AMEND WILSON SUPPLEMENTAL RETIREMENT FUND – Rep. Tolson
HB 1723 – CHARTER SCHOOL RETIREMENT ELECTION – Reps. Allred, Ross
SB 1312 – LOCAL GOV'T EMPLOYEES / 457 PLAN – Sen. Dorsett

Respectfully,
Representatives Bell and Wilson
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **3:00 P.M.** on **Wednesday, June 16, 2004.**

___Principal Clerk
___Reading Clerk - House Chamber

Carolyn A. Edwards (Committee Assistant)

Attachment 1

AGENDA

HOUSE PENSIONS AND RETIREMENT COMMITTEE

June 23, 2004
10:00 A.M.
Room 544 LOB

CHAIRS

Representative Larry Bell ***Representative Eugene Wilson***

CALL TO ORDER

OPENING REMARKS

BILLS TO BE CONSIDERED:

SB 1312 – LOCAL GOV'T EMPLOYEES / 457 PLAN – Sen. Dorsett

HB 1668 – AMEND WILSON SUPPLEMENTAL RETIREMENT FUND – Rep. Tolson

HB 1723 – CHARTER SCHOOL RETIREMENT ELECTION – Reps. Allred, Ross

ADJOURNMENT

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 1668

Short Title: Amend Wilson Supplemental Retirement Fund. (Local)

Sponsors: Representative Tolson.

Referred to: Pensions and Retirement.

May 26, 2004

A BILL TO BE ENTITLED

AN ACT TO AMEND THE ACT ESTABLISHING THE SUPPLEMENTAL RETIREMENT FUND FOR FIREMEN IN THE CITY OF WILSON.

The General Assembly of North Carolina enacts:

SECTION 1. Section 3 of Chapter 138 of the 1969 Session Laws reads as rewritten:

"**Sec. 3.** Supplemental Retirement Benefits. (a) Each retired fireman of the City who has previously retired with twenty (20) years service or more as a City fireman shall be entitled to and shall receive the following supplemental retirement benefits:

(1) one share for each full year of service as a full-time and fully-paid fireman of the City;

(2) one share for each full year of service as a part-time, partly-paid fireman of the City;

(3) one share for each full year of service as a volunteer fireman of the City.

(b) Any former fireman of the City, either full-time and fully-paid, part-time, partly-paid, or volunteer, who is not otherwise entitled to supplemental retirement benefits under subsection (a) of this Section, shall nevertheless be entitled to such benefits in any calendar year in which the Board of Trustees makes the following written findings of fact:

(1) that he initially retired from his position as fireman after a minimum of five years of service because of his inability, by reason of sickness or injury, to perform the normal duties of an active fireman; and

(2) that, within thirty (30) days prior to or following his initial retirement as a fireman, at least two physicians licensed to practice medicine in North Carolina certified that he was at such time unable, by reason of sickness or injury, to perform the normal duties of an active fireman; and

(3) that, at the time of his initial retirement as a fireman, there was not available to him in the fire department or in any other department of the City a position of employment the normal duties of which he was capable of performing; and

(4) that, ~~since the preceding January 1,~~ within the past five years, at least ~~two physicians licensed to practice medicine in North Carolina have~~ one physician has certified that he remains unable, by reason of sickness or injury, to perform the normal duties of an active ~~fireman; and~~ fireman.

~~(5) that there is not available to him in the fire department or in any other department of the City a position of employment the normal duties of which he is capable of performing; provided, that the Board of Trustees, after initially making the findings of fact specified in (1), (2), and (3) of this subsection, need not specify such findings in subsequent calendar years.~~"

SECTION 2. This act is effective when it becomes law.

HOUSE BILL 1668:
Amend Wilson Supplemental Retirement Fund

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Representative Tolson
Date:	June 21, 2004	**Summary by:**	Theresa Matula
Version:	First Edition		Committee Staff

SUMMARY: House Bill 1668 amends the Wilson Firemen's Supplemental Retirement Fund regarding the requirements for continued receipt of supplemental retirement benefits for former full or part-time or volunteer firemen who retired due to sickness or injury.

CURRENT LAW:

The Wilson Firemen's Supplemental Retirement Fund requires that any former fireman of the City, either full time, part time, or volunteer, who is not otherwise entitled to supplemental retirement benefits may be entitled to such benefits in any calendar year in which the Board of Trustees makes certain findings of fact. The findings of fact made by the Board of Trustees of the Local Firemen's Relief Fund of the City of Wilson include that:

1. the fireman initially retired after five (5) years of service due to an inability to perform the normal duties of an active fireman because of sickness or injury, and
2. within 30 days following his initial retirement, two (2) physicians licensed to practice medicine in NC certified that he was unable to perform the normal duties of an active firemen due to sickness or injury; and
3. at the time of initial retirement, there was not an available employment position the individual was capable of performing; and
4. since the preceding January 1, at least two (2) physicians licensed in NC have certified that the individual remains unable to perform the normal duties of an active fireman; and
5. there is not a suitable position of employment available in the fire department or any other City department.

BILL ANALYSIS:

House Bill 1668 requires that in order to continue receiving supplemental retirement benefits, at least one (1) physician within the past five years must have certified that a fireman remains unable by reason of sickness or injury to perform the duties of an active fireman. (*Currently two physicians licensed in NC are required to make the determination since the preceding January 1.)*

Additionally, although the determination is still made initially, this bill deletes the on-going requirement that there not be an available employment position that the individual is capable of performing.

House Bill 1668 is effective when it becomes law.

H1668-SMSH-001

North Carolina General Assembly
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June 8, 2004

MEMORANDUM

TO: Representative Joe Tolson

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial/Fiscal Note on House Bill 1668

Re: Amend Wilson 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: House Committee on Pensions & Retirement
House Principal Clerk

Attachment(s):
Actuarial/Fiscal Note, House Bill 1668, June 4, 2004

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

North Carolina General Assembly
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June 4, 2004

Representative Joe Tolson
North Carolina House of Representatives
Legislative Office Building
Raleigh, North Carolina 27601

Re: Actuarial/Fiscal Note (Wilson Firemen's Supplemental Retirement Fund)

Dear Representative Tolson:

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: Amend the City of Wilson Firemen's Supplemental Retirement Fund. The Wilson Firemen's Supplemental Retirement Fund is presently financed by the transfer of all funds in excess of $10,000 from the City of Wilson Firemen's Local Relief Fund. The Retirement Fund presently provides supplemental retirement benefits to those retired firemen with 20 or more years of service as a City fireman, either paid or volunteer. The supplemental benefit is equal to one share for each full year as a fireman of the City.

This bill changes the requirement that annually each disabled fireman must provide certification from two physicians in North Carolina that he continues to be disabled and there is not a job available to him with the City of Wilson. The new requirement is within the past five years, one physician has certified that he remains disabled.

A reliable estimate of the financial and actuarial effects of the foregoing proposal is as follows: Since the total amount of benefits payable from the System each year is limited to the amount of its assets, the System is supported on a pay-as-you-go basis. The proposed changes do not change any benefits and should not affect the amount of funds available for retirement benefits.

Actuarial Endorsement:

Charles W. Dunn
Consulting Actuary
Raleigh, North Carolina

Sincerely,

Stanley Moore
Fiscal Analyst
Fiscal Research Division

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 1668 A BILL TO BE ENTITLED AN ACT TO AMEND THE ACT ESTABLISHING THE SUPPLEMENTAL RETIREMENT FUND FOR FIREMEN IN THE CITY OF WILSON.

☑ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 1

HOUSE BILL 1723

Short Title:	Charter School Retirement Election.	(Public)
Sponsors:	Representatives Allred and Ross (Primary Sponsors).	
Referred to:	Pensions and Retirement.	

May 27, 2004

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE EXISTING CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' MAJOR MEDICAL PLAN.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding the time limitations contained in G.S. 135-5.3(b) and G.S. 135-40.3A(b), the boards of directors of (i) New Century High School, a charter high school currently in Chapel Hill but relocating effective July 1, 2004, in Saxapahaw; and (ii) Hope Elementary School, a charter school in Raleigh; may elect to become participating employers in the Teachers' and State Employees' Retirement System in accordance with Article 1 of Chapter 135 of the General Statutes and may also elect to become participating employing units in the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan in accordance with Article 3 of Chapter 135. The elections authorized by this section shall be made no later than 30 days after the effective date of this act and shall be made in accordance with all other requirements of G.S. 135-5.3 and G.S. 135-40.3A.

SECTION 2. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 1723
PROPOSED COMMITTEE SUBSTITUTE H1723-PCS60510-LL-33

Short Title: Charter School Retirement Election. (Public)

Sponsors:

Referred to:

May 27, 2004

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE EXISTING CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' MAJOR MEDICAL PLAN.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding the time limitations contained in G.S. 135-5.3(b) and G.S. 135-40.3A(b), the boards of directors of (i) New Century High School, a charter high school currently in Chapel Hill but relocating effective July 1, 2004, in Saxapahaw; (ii) Lake Norman Charter School in Huntersville; and (iii) Exploris Middle School in Raleigh, a charter school division of Exploris; may elect to become participating employers in the Teachers' and State Employees' Retirement System in accordance with Article 1 of Chapter 135 of the General Statutes and may also elect to become participating employing units in the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan in accordance with Article 3 of Chapter 135. The elections authorized by this section shall be made no later than 30 days after the effective date of this act and shall be made in accordance with all other requirements of G.S. 135-5.3 and G.S. 135-40.3A.

SECTION 2. This act is effective when it becomes law.

HOUSE BILL 1723:
Charter School Retirement Election.

BILL ANALYSIS

Committee:	House Pensions and Retirement	**Introduced by:**	Reps. Allred and Ross
Date:	June 23, 2004	**Summary by:**	Karen Cochrane Brown
Version:	First Edition		Committee Counsel

SUMMARY: House Bill 1723 authorizes two charter schools to elect to become a participating employer in the Teachers' and State Employees' Retirement System and in the Teachers' and State Employees' Comprehensive Major Medical Plan no later than 30 days after the effective date of this act.

CURRENT LAW:

The law currently provides that a charter school operated by a private nonprofit corporation must make an irrevocable election whether to participate in the State Retirement System and the State Health Plan "no later than 30 days after both parties have signed the written charter". The written charter is the agreement between the State Board of Education and the board of directors of the nonprofit charter school, which is signed when the State Board of Education approves the charter school. By electing to join the Retirement System and the Health Plan, all of the charter school's eligible employees would become mandatory members of the System and the Plan, just as though it were a regular public school. Each year when the State Board of Education approves the charter schools for the year, the Retirement System sends information to the new charter schools about the Retirement System and the school's right to make the election. The charter school must make the election within the 30-period provided by law and neither the Retirement System nor the Health Plan has authority to waive this statutory requirement.

All charter schools receive state funds sufficient to cover the cost of participation in the Retirement System and the Health Plan. However, the charter school may choose to purchase annuities or insurance for its employees rather than participate in the State System.

BILL ANALYSIS:

This bill authorizes two charter schools that failed to make the election within the statutory time limit, to have a second opportunity to elect to participate in the Retirement System and the Health Plan. The election authorized by this bill must be made no later than 30 days after the effective date of the Act. The bill does not amend the law to change the 30-day requirement or any other requirement currently contained in the law. It only authorizes a one-time extension for the named charter schools.

BACKGROUND:

Similar bills authorizing charter schools to elect to participate in the Retirement System and/or the Health Plan, notwithstanding having failed to do so during the statutory time limit, were enacted in 2001 and 2003.

H1723-SMRO-001

North Carolina General Assembly
Legislative Services Office

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June 14, 2004

MEMORANDUM

TO: Representative Deborah Ross
Representative Cary Allred

FROM: Stanley Moore SM
Fiscal Research Division

SUBJECT: Actuarial Note for House Bill 1723

Re: Charter schools

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

cc: House Principal Clerk

Attachment(s):
(1) Legislative Actuarial Note
(2) Actuarial Note, Mellon, June 9, 2004
(3) Actuarial Note. Hartman & Associates, June 11, 2004

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 1723 (First Edition)

SHORT TITLE: Charter School Retirement Election

SPONSOR(S): Representatives Allred and Ross

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

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Fund

BILL SUMMARY: Permits the board of directors of two charter schools to have 30 days after the passage of this act to elect to become participating employers in the Teachers' and State Employees' Retirement System.

EFFECTIVE DATE: When it becomes law.

ESTIMATED IMPACT ON STATE: Both the Fund's actuary, Mellon, and the General Assembly's actuary, Hartman & Associates, agree that the cost would be negligible.

ASSUMPTIONS AND METHODOLOGY: Teacher's & State Employees' Retirement System: The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2002 actuarial valuation of the fund. The data included 296,377 active members with an annual payroll of $9.7 billion and 118,129 retired members in receipt of annual pensions totaling $2 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the George B. Buck Mortality Tables for deaths in service and after retirement and (d) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal method with open-end unfunded accrued liability and a frozen unfunded liquidation period of nine years. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: System Actuary - Mellon.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION (919) 733-4910

PREPARED BY: Stanley Moore



APPROVED BY: James D. Johnson, Director
Fiscal Research Division

DATE: June 13, 2004

Signed Copy Located in the NCGA Principal Clerk's Offices

June 9, 2004

Mr. J. Brett Joyal
Policy Director
Retirement Systems Division
Department of State Treasurer
325 North Salisbury Street
Raleigh, NC 27603-1385

House Bill 1723

Dear Mr. Joyal:

We have received your letter of June 3 regarding House Bill 1723 which affects the Teachers' and State Employees' Retirement System.

This legislation, appears to amend the statutes governing charter schools to allow two charter schools that had previously declined membership another opportunity to elect to participate in the Teacher's and State Employees' Retirement System and the North Carolina Teachers' and State Employees' Major Medical Plan in accordance with G.S. Article 1 and Article 3 of Chapter 135. These elections shall be made no later than 30 days after the effective date of this new Act.

The cost to the Retirement System for this legislation would be negligible.

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:sh

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HARTMAN & ASSOCIATES, LLC

ACTUARIAL CONSULTING

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

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

668 Link Road
Lexington, NC 27295

June 11, 2004

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

Re: House Bill 1723: An Act to Authorize Existing Charter Schools to Elect to Participate in the TSERS

Dear Mr. Moore:

This bill provides an opportunity for certain charter schools to elect to participate in the North Carolina Teachers' and State Employees' Retirement System (TSERS). Currently, G.S. 135-5.3(b) provides that the Board of Directors of each charter school must make an irrevocable election to join the retirement system, and if elected, all employees of the charter school are required to participate. The election must be made within 30 days after the date the charter is signed. This bill would provide an additional opportunity for two specific charter schools to elect to participate in the TSERS if the election is made no later than 30 days after the effective date of this act. This act is effective when it becomes law.

This bill does not grant credit for service prior to the effective date. Thus, if the demographics of employees in charter schools electing coverage under this provision are similar to those of current covered employees in the TSERS, the estimated cost would be the current rates of providing retirement, death, disability, and retiree health benefits applied to the payroll of covered employees in the electing charter schools. The census data you provided compares favorably to the current TSERS membership. Based on this information and the minimal number of employees, this bill is not expected to have a significant financial impact on the TSERS.

If you have any questions, let me know.

Sincerely,

Mark Hartman

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

MVH/mt

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
H.B. 1723 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE EXISTING CHARTER SCHOOLS TO ELECT TO PARTICIPATE IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE NORTH CAROLINA TEACHERS' AND STATE EMPLOYEES' MAJOR MEDICAL PLAN.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S 2

SENATE BILL 1312

State Government, Local Government, and Veterans' Affairs Committee
Substitute Adopted 6/2/04

Short Title: Local Gov't Employees/457 Plan. (Public)

Sponsors:

Referred to:

May 25, 2004

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE PARTICIPATION IN 457 PLANS BY LOCAL GOVERNMENTAL EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143B-426.24 reads as rewritten:

"**§ 143B-426.24. Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan.**

(a) The Governor may, by Executive Order, establish a Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan, which when established shall be constituted an agency of the State of North Carolina within the Department of Administration. The Board shall create, establish, implement, coordinate and administer a Deferred Compensation Plan for ~~State employees.~~ employees of the State, any county or municipality, the North Carolina Community College System, and any political subdivision of the State. Until so established, the Board heretofore established pursuant to Executive Order XII dated November 12, 1974, shall continue in effect. Likewise, the Plan heretofore established shall continue until a new plan is established.

(b) The Board shall consist of seven voting members, as follows:

(1) Three persons shall be appointed by the Governor who shall have experience with taxation, finance and investments, ~~and~~ one of whom shall be a State ~~employee;~~ employee and one shall be a local government or community college employee;

(2) One member shall be appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives under G.S. 120-121;

(3) One member shall be appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate under G.S. 120-121;

(4) The State Treasurer, ex officio; and

(5) The Secretary of Administration, ex officio, chairman.

(c) General Assembly appointments shall serve two year terms. A member shall continue to serve until his successor is duly appointed but a holdover under this provision does not affect the expiration date of the succeeding term. No member of the Board may serve more than three consecutive two year terms.

(d) In case of a vacancy on the Board before the expiration of a member's term, a successor shall be appointed within 30 days of the vacancy for the remainder of the unexpired term by the appropriate official pursuant to subsection (b). Vacancies in legislative appointments shall be filled under G.S. 120-122.

(e) Other than ex officio members, members appointed by the Governor shall serve at his pleasure.

(f) Any ex officio member may designate in writing, filed with the Board, any employee of his department to act at any meeting of the Board from which the member is absent, to the same extent that the member could act if present in person at such meeting.

(g) It shall be the duty of the Board when established to review all contracts, agreements or arrangements then in force relating to G.S. 147-9.2 and Executive Order XII to include, but not be limited to, such contracts, agreements or arrangements pertaining to the administrative services and the investment of deferred funds under the Plan for the purpose of recommending continuation of or changes to such contracts, agreements or arrangements.

(h) It shall be the duty of the Board to devise a uniform Deferred Compensation Plan for teachers and ~~State~~ employees, which shall include a reasonable number of options to the teacher or employee, for the investment of deferred funds, among which may be life insurance, fixed or variable annuities and retirement income contracts, regulated investment trusts, pooled investment funds managed by the Board or its designee, or other forms of investment approved by the Board, always in such form as will assure the desired tax treatment of such funds. The Board may alter, revise and modify the Plan from time to time to improve the Plan or to conform to and comply with requirements of State and federal laws and regulations relating to the deferral of compensation of teachers and public employees generally.

(h1) Notwithstanding any other law, an employee of any county or municipality, an employee of the North Carolina Community College System, or an employee of any political subdivision of the State may participate in any 457 Plan adopted by the State, with the consent of the Board and with the consent of the proper governing authority of such county, municipality, community college, or political subdivision of the State where such employee is employed.

(i) The Board is authorized to delegate the performance of such of its administrative duties as it deems appropriate including coordination, administration, and marketing of the Plan to teachers and employees. Prior to entering into any contract with respect to such administrative duties, it shall seek bids, hold public hearings and in general take such steps as are calculated by the Board to obtain competent, efficient and worthy services for the performance of such administrative duties.

(j) The Board may acquire investment vehicles from any company duly authorized to conduct such business in this State or may establish, alter, amend and modify, to the extent it deems necessary or desirable, a trust for the purpose of facilitating the administration, investment and maintenance of assets acquired by the investment of deferred funds. All assets of the Plan, including all deferred amounts, property and rights purchased with deferred amounts, and all income attributed thereto shall be held in trust for the exclusive benefit of the Plan participants and their beneficiaries.

(k) Members of the Board, who are not officers or employees of the State, or who are local government employees not otherwise reimbursed, shall receive per diem and necessary travel and subsistence in accordance with the provisions of G.S. 138-5, funded as provided in subsection (m) hereof.

(l) All clerical and other services and personnel required by the Board shall be supplied by the Secretary of Administration, funded as provided in subsection (m) hereof.

(m) Investment of deferred funds shall not be unreasonably delayed, and in no case shall the investment of deferred funds be delayed more than 30 days. The Board may accumulate such funds pending investment, and the interest earned on such funds pending investment shall be available to and may be spent in the discretion of the Board only for the reasonable and necessary expenses of the Board. The Secretary of Administration is authorized to prescribe guidelines for the expenditure of such funds by the Board. From time to time as the Board may direct, funds not required for such expenses may be used to defray administrative expenses and fees which would otherwise be required to be borne by teachers and employees who are then participating in the Plan.

(n) A majority of the Board shall constitute a quorum for the transaction of business.

(o) It is intended that the provisions of this Part shall be liberally construed to accomplish the purposes provided for herein."

SECTION 2. G.S. 143B-426.24(h1), as enacted by Section 1 of this act, becomes effective January 1, 2005. The remainder of the act becomes effective July 1, 2004.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S D

SENATE BILL 1312

State Government, Local Government, and Veterans' Affairs Committee
Substitute Adopted 6/2/04
PROPOSED HOUSE COMMITTEE SUBSTITUTE S1312-CSSH-26 [v.1]

6/16/2004 3:59:01 PM

Short Title: Local Gov't Employees/457 Plan. (Public)

Sponsors:

Referred to:

May 25, 2004

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE PARTICIPATION IN 457 PLANS BY LOCAL GOVERNMENTAL EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143B-426.24 reads as rewritten:

"**§ 143B-426.24. Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan.**

(a) The Governor may, by Executive Order, establish a Board of Trustees of the North Carolina Public Employee Deferred Compensation Plan, which when established shall be constituted an agency of the State of North Carolina within the Department of Administration. The Board shall create, establish, implement, coordinate and administer a Deferred Compensation Plan for ~~State employees.~~ employees of the State, any county or municipality, the North Carolina Community College System, and any political subdivision of the State. Until so established, the Board heretofore established pursuant to Executive Order XII dated November 12, 1974, shall continue in effect. Likewise, the Plan heretofore established shall continue until a new plan is established.

(b) The Board shall consist of seven voting members, as follows:

(1) Three persons shall be appointed by the Governor who shall have experience with taxation, finance and investments, one of whom shall be a State employee;

(2) One member shall be appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives under G.S. 120-121;

(3) One member shall be appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate under G.S. 120-121;

(4) The State Treasurer, ex officio; and

(5) The Secretary of Administration, ex officio, chairman.

(c) General Assembly appointments shall serve two year terms. A member shall continue to serve until his successor is duly appointed but a holdover under this provision does not affect the expiration date of the succeeding term. No member of the Board may serve more than three consecutive two year terms.

(d) In case of a vacancy on the Board before the expiration of a member's term, a successor shall be appointed within 30 days of the vacancy for the remainder of the unexpired term by the appropriate official pursuant to subsection (b). Vacancies in legislative appointments shall be filled under G.S. 120-122.

(e) Other than ex officio members, members appointed by the Governor shall serve at his pleasure.

(f) Any ex officio member may designate in writing, filed with the Board, any employee of his department to act at any meeting of the Board from which the member is absent, to the same extent that the member could act if present in person at such meeting.

(g) It shall be the duty of the Board when established to review all contracts, agreements or arrangements then in force relating to G.S. 147-9.2 and Executive Order XII to include, but not be limited to, such contracts, agreements or arrangements pertaining to the administrative services and the investment of deferred funds under the Plan for the purpose of recommending continuation of or changes to such contracts, agreements or arrangements.

(h) It shall be the duty of the Board to devise a uniform Deferred Compensation Plan for teachers and ~~State~~ employees, which shall include a reasonable number of options to the teacher or employee, for the investment of deferred funds, among which may be life insurance, fixed or variable annuities and retirement income contracts, regulated investment trusts, pooled investment funds managed by the Board or its designee, or other forms of investment approved by the Board, always in such form as will assure the desired tax treatment of such funds. The Board may alter, revise and modify the Plan from time to time to improve the Plan or to conform to and comply with requirements of State and federal laws and regulations relating to the deferral of compensation of teachers and public employees generally.

(h1) Notwithstanding any other law, an employee of any county or municipality, an employee of the North Carolina Community College System, or an employee of any political subdivision of the State may participate in any 457 Plan adopted by the State, with the consent of the Board and with the consent of the proper governing authority of such county, municipality, community college, or political subdivision of the State where such employee is employed.

(i) The Board is authorized to delegate the performance of such of its administrative duties as it deems appropriate including coordination, administration, and marketing of the Plan to teachers and employees. Prior to entering into any contract with respect to such administrative duties, it shall seek bids, hold public hearings and in general take such steps as are calculated by the Board to obtain competent, efficient and worthy services for the performance of such administrative duties.

(j) The Board may acquire investment vehicles from any company duly authorized to conduct such business in this State or may establish, alter, amend and modify, to the extent it deems necessary or desirable, a trust for the purpose of facilitating the administration, investment and maintenance of assets acquired by the investment of deferred funds. All assets of the Plan, including all deferred amounts, property and rights purchased with deferred amounts, and all income attributed thereto shall be held in trust for the exclusive benefit of the Plan participants and their beneficiaries.

(k) Members of the Board, who are not officers or employees of the State, shall receive per diem and necessary travel and subsistence in accordance with the provisions of G.S. 138-5, funded as provided in subsection (m) hereof.

(l) All clerical and other services and personnel required by the Board shall be supplied by the Secretary of Administration, funded as provided in subsection (m) hereof.

(m) Investment of deferred funds shall not be unreasonably delayed, and in no case shall the investment of deferred funds be delayed more than 30 days. The Board may accumulate such funds pending investment, and the interest earned on such funds pending investment shall be available to and may be spent in the discretion of the Board only for the reasonable and necessary expenses of the Board. The Secretary of Administration is authorized to prescribe guidelines for the expenditure of such funds by the Board. From time to time as the Board may direct, funds not required for such expenses may be used to defray administrative expenses and fees which would otherwise be required to be borne by teachers and employees who are then participating in the Plan.

(n) A majority of the Board shall constitute a quorum for the transaction of business.

(o) It is intended that the provisions of this Part shall be liberally construed to accomplish the purposes provided for herein."

SECTION 2. G.S. 143B-426.24(h1), as enacted by Section 1 of this act, becomes effective January 1, 2005. The remainder of the act becomes effective July 1, 2004.

SENATE BILL 1312:
Local Gov't Employees/457 Plan

BILL ANALYSIS

Committee:	Senate State /Local Govt. & Veterans Affairs	**Introduced by:**	
		Summary by:	Theresa Matula Committee Staff
Date:	June 1, 2004		
Version:	PCS (S1312-CSSH-19)		

*SUMMARY: **Senate Bill 1312 authorizes employees of any county, municipality, community college, and political subdivision of the State to participate in a 457 Plan adopted by the State.***

The Proposed Committee Substitute (PCS-S1312-CSSH-19) for Senate Bill 1312 makes conforming and technical changes.

BILL ANALYSIS:

Senate Bill 1312 adds a provision to G.S. 143B-426.24 to allow an employee of any county, municipality, North Carolina Community College, and political subdivision of the State to participate in any 457 Plan adopted by the State. The proper governing authority of the county, municipality, community college or political subdivision must grant consent for participation.

The Proposed Committee Substitute (PCS S1312-CSSH-19) makes conforming changes to subsections (a), (b) and (k) of G.S. 143B-426.24 to incorporate the entities added in Senate Bill 1312. The PCS also makes technical amendments to the original bill by numbering the original amendment subsection (h1) and moving the effective date of subsection (h1) to the effective dates provided in Section 2 of the bill.

The Proposed Committee Substitute for Senate Bill 1312 (PCS S1312-CSSH-19) provides that G.S. 143B-426.24(h1), would become effective January 1, 2005. The remainder of the act becomes effective July 1, 2004.

S1312-SMSH-001

SENATE BILL 1312:
Local Gov't Employees/457 Plan

BILL ANALYSIS

Committee:	House Pensions & Retirement	**Introduced by:**	
Date:	June 18, 2004	**Summary by:**	Theresa Matula
Version:	PCS (S1312-CSSH-26)		Committee Staff

SUMMARY: ***Senate Bill 1312 authorizes employees of any county, municipality, community college, and political subdivision of the State to participate in a 457 tax-deferred compensation plan adopted by the State.***

BILL ANALYSIS:

Senate Bill 1312 adds section (h1) to G.S. 143B-426.24 to allow an employee of any county, municipality, North Carolina Community College, and political subdivision of the State to participate in any 457 Plan adopted by the State. The proper governing authority of the county, municipality, community college or political subdivision must grant consent for participation.

Conforming changes are also made to sections (a) and (h) of G.S. 143B-426.24 to incorporate the entities added in subsection (h1).

The PCS (S1312-CSSH-26) deletes the revisions to G.S. 143B-426.24(b) and (k) contained in Senate Bill 1312, version 2. Thus the PCS essentially returns G.S. 143B-426.24(b) and (k) to the way it currently reads in the statute.

Senate Bill 1312 provides that G.S. 143B-426.24(h1), would become effective January 1, 2005. The remainder of the act becomes effective July 1, 2004.

BACKGROUND:

According to the Internal Revenue Service, "a 457 plan is a non-qualified tax-deferred compensation plan that works similiar to a 401K and a 403B plan. Tax code section 457 provides rules to govern all nonqualified deferred compensation plans of governmental employees and non-church controlled tax-exempt organizations. The pension plan designed to comply with theses rules is simply referred to as a Section 457 plan. Employees are allowed to defer compensation on a pre-tax basis though payroll deductions that further allows them to defer federal and sometimes state taxes until the assets are withdrawn."

S1312-SMSH-002

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **BELL AND G. WILSON** (Chairs) for the Committee on **PENSIONS AND RETIREMENT**.

☐ Committee Substitute for
S.B. 1312 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE PARTICIPATION IN 457 PLANS BY LOCAL GOVERNMENTAL EMPLOYEES.

☐ With a favorable report.

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

☐ With a favorable report, as amended.

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

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

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

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

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

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

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

☐ Without prejudice.

☐ With an indefinite postponement report.

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

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

03/19/03